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Attorneys for Plaintiff Envisio Capital Group LLC

**IN THE UNITED STATES DISTRICT COURT**

**FOR THE STATE OF OREGON**

SECURITIES AND EXCHANGE  
 COMMISSION,,

Plaintiff,

v.

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

Defendants.

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

**ENVISIO CAPITAL GROUP'S SECOND  
 MOTION TO LIFT STAY**

**A. INTRODUCTION:**

On March 22, 2016, Envisio Capital filed a lawsuit in San Diego Superior Court against Aequis Holdings, Aequis Wealth Management, Aspen Grove Equity, Private Advisory Group and various individuals. The basis for the lawsuit was a failure to deal honestly during negotiation of an asset purchase agreement of Envisio Capital's wealth management business and PAG's failure to complete the deal as agreed. Contrary to the defendant's misstatements, Envisio is not in competition with its own clients for recovery from Aequis's errors and omissions policy. In fact, the receiver



1 himself goes to great length to describe the separation between Enviso and all of the Aequitas  
 2 investors whom have been harmed by Aequitas' wrongdoing. Enviso is not currently an investor into  
 3 any Aequitas investments nor has it ever been at any point in time an investor in Aequitas  
 4 investments. Enviso is an entirely unique claimant class resulting from a wrongful acts unrelated to  
 5 Aequitas's investments offerings.

6 In June 2016, after being contacted by counsel for the receiver and counsel for PAG in this  
 7 case, Enviso agreed to stay the San Diego case until the receiver issued his report disclosing his  
 8 findings. At the same time, at the request of counsel for the receiver, Enviso sent a letter explaining  
 9 why this case should be allowed to proceed. (Exh. "J" hereto.) The receiver's report was released on  
 10 September 14, 2016. (Exh. "B" hereto.) The report does not justify continuing the stay as to PAG,  
 11 Chris Bean or Douglas Mauer.

12 **B. ROLE OF PAG IN THE SEC CASE:**

13 PAG is a wealth management company. (Exh. "C" hereto.) Chris Bean and Douglas Maurer  
 14 were original owners of PAG. (Exh. "B" hereto at 68.) In 2014, PAG sold 68% of its ownership to  
 15 Aspen Grove to obtain financing needed to grow PAG's assets under management. (Exh. "B" hereto  
 16 at 68.) Ultimately, PAG and Enviso executed an asset purchase agreement dated January 4, 2016  
 17 committing PAG to payment of \$1.25 million. (Exh. "D" hereto.) While Enviso was prepared to  
 18 perform its contractual obligations, PAG failed to tender the initial payment as well as its remaining  
 19 responsibilities. (Exh. "E" hereto.) This failed transaction caused damage to Enviso in a number of  
 20 ways, all of which were explained to PAG as Enviso sought to obtain PAG's performance. (Exh.  
 21 "A" hereto.) After discovery that PAG had no intention of performing, Enviso filed the San Diego  
 22 lawsuit.

23 The receiver considered the role of PAG in its report. The conclusion in that report is that no  
 24 Defendant Aequitas entity directly owns any portion of PAG (while the receiver asserts a right to  
 25 reach into Aspen Grove, a direct owner of PAG, it has yet to explain what Aspen Grove did that led  
 26 to the Aequitas financial crisis). (Exh. "B" hereto at 67-68.) In fact, only two of the Defendant  
 27 Aequitas companies has at best a distant expectation of potential benefit from PAG as follows:  
 28



- Aequitas Management LLC – Owns 83.6% of Aequitas Holdings, which wholly owns Aequitas Wealth Management, which owns 60% of Aspen Grove Equity Solutions, which owns 68.2% of PAG. (Exh. “F” hereto.)
- Aequitas Holdings LLC – Owns 100% of Aequitas Wealth Management, which owns 60% of Aspen Grove Solutions, which owns 68.2% of PAG. (Exh. “F” hereto.)
- Aequitas Commercial Finance LLC – Absolutely no ownership upstream of PAG. (Exh. “F” hereto.)
- Aequitas Capital Management – Absolutely no ownership upstream of PAG. (Exh. “F” hereto.)
- Aequitas Investment Management LLC – Absolutely no ownership upstream of PAG. (Exh. “F” hereto.)

Annexed as Exhibit “K” is a diagram showing the impact of these fractional ownerships. In addition, PAG’s public disclosure filed just weeks before the receivers own report, acknowledges a blatant contradiction to the receivers report in stating that no Aequitas entity has any control over them in their August 10, 2016 Form ADV II filing with the SEC, which states:

PAG is no longer indirectly owned or controlled by Aequitas. Aequitas previously held its indirect ownership stake in PAG through Aspen Grove Equity Solutions LLC (“Aspen Grove”). A receiver has been appointed by the courts for the purposes of marshalling and preserving all assets of Aequitas. The receiver took control of Aspen Grove, suspending all general partners, directors, members and/or managers of Aspen Grove (as well as other affiliates of Aequitas named in the court order). Accordingly, the non-Aequitas owners of Aspen Grove (the “Minority Owners”) currently retain their minority equity positions but have no control over that entity or over PAG. We note that we remain technically affiliated with Aequitas Investment Management (“AIM”), but we have no ongoing business dealings with that entity and given that AIM is under control of the receiver, we assume the firm is not engaged in any investment advisory activities.

(Exh. “C” hereto at 2.)

This motion should focus only on the impact of the lifting of the stay on Aequitas Management and Aequitas Holdings, with the understanding that Aequitas Management has a remote beneficial interest in only 34% of PAG and Holdings has a remote beneficial interest in 41% of PAG, which beneficial interests overlap. It is also worth noting that PAG is neither an Aequitas Operating Entity or an Aequitas Managed Fund. (Exh. “F” hereto.) There is no indication, therefore, that Aequitas has any control over PAG. Indeed, the evidence is that Aequitas actually has a conflict of interest as to PAG because, as the receiver’s supplemental report indicates, Aequitas’s receiver is giving priority to Aequitas investors who invested through PAG by granting this class of investors

1 access additional insurance proceeds not made available to other Aequitas investors:

2 The receiver has determined that it is in the best interests of the  
3 Receivership Entity to have its insurance counsel, Stan Shure, assume  
4 direction of the efforts to maximize insurance proceeds available to  
mitigate losses to those who invested in Aequitas through PAG.

5 (Exh. "I" at 15.) This determination prejudices all creditors who are not PAG investors, including  
6 Enviso and its clients and demonstrates that the receiver is not impartial to Enviso and its clients.

7 **C. LAW ON LIFTING OF STAYS:**

8 The SEC can obtain injunctive relief "wherever it appears . . . that any person is engaged or  
9 is about to engage in acts or practices" which violate securities laws. 15 U.S.C. § 77t(b). Its can also  
10 protect other companies as **necessary** to prevent interference with the administration of the subject  
11 estate. SEC v. Wencke, 62 F.2d 1363, 1370 (9<sup>th</sup> Cir. 1980). That injunction is then binding on "the  
12 parties to the action, their officers, agents, servants, employees, and attorneys, and upon those  
13 persons in active concert or participation with them who receives actual notice of the order." Fed. R.  
14 Civ. Proc. §65(d). However, a finding that the court has the power to impose a stay as to a company  
15 does not mean that the scope of the stay is appropriate in a given case. Wencke, 622 F.2d at 1372. To  
16 make that determination, the court must balance the interests of the receiver and the party moving  
17 for relief from a stay. Id. at 1373. [A] blanket stay should not be used to prejudice the rights which  
18 innocent and legitimate creditors may have." Id. As such, a court cannot freeze the assets of a third  
19 party if those assets are not available to the receiver to satisfy its creditors." SEC v. Hickey, 322 F.2d  
20 123, 1133 (9<sup>th</sup> Cir. 2003). When presented with a motion to lift the stay, the court should consider  
21 (1) whether lifting the stay preserves the status quo; (2) the status of the receivership; and (3) the  
22 merits of the moving party's claims. Id. at 1374.<sup>1</sup> On the timing issue, the question is whether the  
23 receiver has had sufficient opportunity to understand the relationship between the companies. Id. at  
24 1373-4.

25 **1. Preservation of status quo:**

26 The only change to the status quo that would be caused by lifting the stay as to PAG,

27 \_\_\_\_\_  
28 <sup>1</sup> In any event, even if the court rules that a blanket stay is appropriate, it may require a bond to protect the interests of  
innocent creditors. Hickey, 322 F.2d at 1375.

1 Mauer and Bean would be that the San Diego litigation would go forward as to these three  
2 Defendants. No change to the operations of any of the companies would occur. None of the activities  
3 of the receiver would change. There would also be no change to the ability of the receiver to obtain  
4 the best result for the investors harmed by the Aequitas conduct because Enviso does not seek  
5 recovery from the same insurance policies as those individuals seek. As part of the SEC case, the  
6 insurance policies involved were Catlin (D&O)<sup>2</sup> and National Union<sup>3</sup>. PAG is insured by Liberty  
7 Surplus Lines. (Exh. “T” hereto at 12.)

8 The estate has uncovered a significant amount of assets:

- 9 • \$39 million in cash, which had increased to \$62.4 million (Exh. “B” at RR51-2);
- 10 • An offer to purchase a company for \$63 million. (Exh. “B” at RR54.)
- 11 • Receivables totaling \$76.2 million. (Exh. “B” at RR54.)
- 12 • Company equity of \$25 to \$35 million. (Exh. “B” at RR55.)

13 Notably, while the receiver’s report discloses financial information about the Aequitas companies,  
14 no such presentation is made of PAG’s financials. There is a very good reason for this. PAG’s assets  
15 are not available to the receiver for satisfaction of the Aequitas Defendants creditor claims. To be  
16 considered a part of the estate, a property interest must be under the control of the debtor. 11 U.S.C.  
17 § 541. Here, the closest that the Defendants could come to PAG’s assets would be for Aequitas  
18 Management to sell its share in Aequitas Holdings or for Aequitas Holdings to sell Aspen Grove  
19 Equity. No Defendant Aequitas company has the power or ability to liquidate PAG’s assets.

## 20 **2. Timing of the motion:**

21 The receivership is very advanced. The receiver was appointed on March 16, 2016.  
22 (Exh. “H” hereto.) He issued his first report on September 14, 2016. (Exh. “B” hereto.) It was a very  
23 detailed report that reflected an extensive review of the financials of the Defendants. Indeed, the  
24 receiver is comfortable enough with the information to begin monetizing the assets. (Exh. “G”  
25 hereto.)

26 The receiver issued a supplemental report on November 10, 2016. (Exh. “I” hereto.) That

27 \_\_\_\_\_  
28 <sup>2</sup> Exh. “B” hereto at RR48.

<sup>3</sup> Exh. “B” hereto at RR50.

1 report contains a lengthy discussion of how PAG's insurance can be available to investors who have  
 2 claims against PAG. This further emphasizes the difference between the victims of Aequis and the  
 3 claims of Envisio, who was not an investor but who has claims uniquely stemming from a failed  
 4 agreement. As disclosed in that report, Envisio is the only pending claim unrelated to investments.  
 5 (Exh. "I" hereto at 17-18.) The report also admits that there are ways to lift the PAG stay at this  
 6 time. (Exh. "I" hereto at 21.)

### 7 **3. Merits of the Envisio claim:**

8 Envisio's claims are have substantial merit. It is beyond dispute that Envisio and PAG  
 9 executed a purchase agreement. (Exh. "D" hereto.) It is also beyond dispute that PAG failed to make  
 10 a payment that came due pursuant to that agreement. (Decl. of Bowers.) At the time that PAG failed  
 11 to make that payment, Envisio had notified its clients of the transfer and was prepared to perform.  
 12 (Decl. of Bowers.) Envisio notified PAG of the breach and demanded performance. (Exh. "A"  
 13 hereto.) Given the strength of Envisio's claims combined with the advanced state of the receivership,  
 14 this motion for relief should be granted. SEC v. Private Equity Management Group LLC, Case No.  
 15 CV-09-2901 (C.D. Cal. 2010); United States of American v. JHW Greentree Capital L.P., Case No.  
 16 3:12-CV-00116 (D. Conn. 2014).<sup>4</sup> (RJR Exhs. "1" and "2.")

### 17 **D. CONCLUSION:**

18 In this case, the continuation of the stay as to PAG, Bean and Maurer is not justified. The  
 19 removal of the stay will not change or harm the status quo related to the Aequis investors. The  
 20 PAG assets are not a part of that estate, as is demonstrated by both of the receiver's reports.  
 21 Arguably, allowing the Envisio case to proceed against PAG, Bean and Maurer could benefit the  
 22 Aequis estate because if Envisio is made whole related to these three defendants, Aequis will be  
 23 off the hook for these claims. The receiver has had ample opportunity to investigate and understand  
 24 the relationship between the various Aequis companies and affiliates and it has concluded that  
 25 PAG is independent of Aequis. Finally, Envisio has a very clear and meritorious breach of contract  
 26 case against PAG and misrepresentation case against PAG, Bean, and Maurer. Ultimately, there is no  
 27

28 <sup>4</sup> FRAP 32.1.

1 factor that weighs in favor of maintaining this portion of the stay. As such, this motion should be  
 2 granted and the stay should be vacated as to PAG, Bean and Maurer only. Alternatively, those  
 3 parties should be required to file a bond to assure that Enviso's claim is not prejudiced by the  
 4 continuance of the stay.

5 Dated: February 22, 2017

THORSNES BARTOLOTTA McGUIRE LLP

6  
 7  
 8 By: s/ Karen R. Frostrom  
 9 KAREN R. FROSTROM, ESQ.  
 VINCENT J. BARTOLOTTA, JR., ESQ.

10 and

11 THE HEEKIN LAW FIRM  
 Katherine R. Heekin

12 Attorneys for ENVISO CAPITAL GROUP LLC  
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**ATTORNEY CERTIFICATE OF SERVICE**

I hereby certify that on February 22, 2017, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system, which send notification of such filing to the attorneys listed in Attachment A.

Dated: February 22, 2017

THORSNES BARTOLOTTA McGUIRE LLP

By: s/ Karen R. Frostrom  
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JACKO LAW GROUP, PC

February 09, 2016

Mr. S. Christopher Bean  
Private Advisory Group LLC  
16880 NE 79<sup>th</sup> Street  
Redmond, WA 98052

**VIA ELECTRONIC MAIL &  
FEDERAL EXPRESS  
TRACKING #:**

**Re: Notice Letter for Breach of Asset Purchase Agreement**

Dear Mr. S. Christopher Bean,

Jacko Law Group, PC ("JLG") serves as legal counsel to Enviso Capital LLC ("Enviso"). This Notice Letter (the "Letter") is being written to discuss that certain Asset Purchase Agreement (the "Agreement") executed on January 05, 2016 by and between Enviso as the Seller, and Private Advisory Group LLC as the Buyer (hereinafter referred to as "PAG," "you," or "your"). Please note that for purposes of this Letter, all capitalized terms that are used but not defined herein shall have the respective meaning ascribed to them in the Agreement.

According to the Agreement, PAG made certain representations and warranties upon which Enviso relied. However, as further discussed below, your breach of multiple terms of the Agreement have caused Enviso to experience substantial financial losses and incur additional legal fees.

Irrespective of Enviso's repeated phone calls and emails to alert you as to your breaches, PAG has failed to remedy such breaches. For this reason, this Letter is being sent to formally notify you of your breach of the Agreement, demand you cure such breaches immediately and advise you as to our client's intention to use all legal remedies available to be made whole in this situation should you fail to do so.

While by no means an exhaustive list, the following Sections of the Agreement have been breached by you on multiple occasions:

1. Section 1.5.(a) – Failure to remit payment of the Initial Payment to Enviso on the Closing Date, or at any time thereafter;
2. Section 1.5.(b) - Failure to execute and deliver a Note to Enviso for the remainder of the Purchase Price on the Closing Date, or at any time thereafter;
3. Section 2.3.(a) - Failure to execute and deliver a Note to Enviso for the remainder of the Purchase Price on the Closing Date, or at any time thereafter;

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Notice Letter re. Breach of Contract  
February 09, 2016  
Page 2

4. Section 4.2.(c) – Breach of representation that you as the Buyer did not require the consent or authorization of any person under any agreement or other instrument to which you are a party or by which you are subject;
5. Section 4.2. – Breach of representation that you as the Buyer have the full power and authority to do and all perform all acts required to be done under the Agreement; and
6. Section 4.5. – Breach of representation that your representations, warranties and financial information provided to Enviso were true, accurate and complete;

PAG has breached the aforementioned clauses of the Agreement despite being warned several times. Such breaches have caused Enviso substantial direct damages. Additionally, further actions that Enviso have taken in reliance upon the representations and warranties promulgated by you, both in the Agreement and otherwise, will cause Enviso additional immediate damages, as well as damage to Enviso's reputation and future earnings, should PAG fail to adhere to the terms of the Agreement.

In light of the foregoing, on behalf of our client, we demand that you: (1) provide confirmation of your receipt of this letter within ten (10) days of the date of the Letter; (2) provide written assurances as to the steps you will take to remedy your breaches as well as attest that no such breaches shall occur in the future; and (3) cure all breaches of the Agreement in a timely manner, however in no instance should such cure take longer than thirty (30) days from the date of this Letter.

While the intent of this Letter is not to specifically invoke the rights available to Enviso pursuant to Section 6.2 of the Agreement, Enviso specifically reserves such rights. While our client would prefer to resolve this matter amicably, should you fail to comply with the terms of this Letter, or continue to breach the terms of the Agreement in any manner, our client will take all actions deemed necessary to enforce and defend its legal rights.

This Letter is not intended to be a complete statement of our client's rights and should not be construed as a waiver of any of Enviso's legal or equitable rights or remedies, all of which are expressly reserved.

Sincerely,

Michelle L. Jacko, Esq.  
Managing Partner

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CAPITAL MANAGEMENT, INC.; AEQUITAS INVESTMENT  
MANAGEMENT, LLC

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 SEPTEMBER 14, 2016

Page 1 - NOTICE OF FILING RECEIVER'S REPORT DATED  
SEPTEMBER 14, 2016

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RR00001

v.

AEQUITAS MANAGEMENT, LLC;  
AEQUITAS HOLDINGS, LLC;  
AEQUITAS COMMERCIAL FINANCE,  
LLC; AEQUITAS CAPITAL  
MANAGEMENT, INC.; AEQUITAS  
INVESTMENT MANAGEMENT, LLC;  
ROBERT J. JESENİK, 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 September 14, 2016.

Dated this 14th day of September, 2016.

Respectfully submitted,

SCHWABE, WILLIAMSON & WYATT, P.C.

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Page 2 - NOTICE OF FILING RECEIVER'S REPORT DATED  
SEPTEMBER 14, 2016

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Management, Inc., and Aequitas Investment  
Management, LLC

Page 3 - NOTICE OF FILING RECEIVER'S REPORT DATED  
SEPTEMBER 14, 2016

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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

September 14, 2016



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## Aequitas Receiver Report

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### 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].<sup>1</sup>

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,

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<sup>1</sup> 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 files this voluntary report and recommendations to the Court for the first "stub quarter" ending June 30, 2016. The findings and recommendations of the Receiver 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 advisors, 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 (the “Report”) is rendered.

### **III. Case Background**

#### **A. Introduction**

On March 10, 2016, the Commission filed a 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”), for alleged violation of federal securities laws in what the Commission describes as a “Ponzi-like” scheme [Dkt. 1]. The Commission alleges that the Individual Defendants, all principals of one or more of the Entity Defendants, defrauded investors who were led to believe that they were purchasing indirect interests in trade receivables and misused investor funds to pay operating expenses and to repay earlier investors [Dkt. ¶¶ 1-7]. The Commission further alleges that “[b]y the end of 2015, [Aequitas] owed investors \$312 million and had virtually no operating income to repay them.” [Dkt. ¶ 5].

On June 6, 2016, the Court entered the Consent of the Entity Defendants [Dkt. 188]. Without admitting or denying the allegations of the SEC Complaint, the Entity Defendants consented to the entry of the Judgment of Permanent Injunctive Relief, which was entered on June 15, 2016 [Dkt. 192]. The Judgment provides for no financial penalty to be assessed against the Entity Defendants, although the SEC reserves the right to petition the Court for disgorgement and penalties in the future. Although the Aequitas Entity Defendants are no longer contesting the merits of the SEC enforcement action, the Receivership Estate will continue to be involved in the litigation as it proceeds



through the discovery phase. The SEC has agreed to make available to the Receiver certain non-privileged discovery.

Defendants Jesenik and Oliver have answered the SEC Complaint [Dkt. 169 and 170]. Defendant Gillis filed a Motion to Dismiss, which was heard on August 10, 2016 [Dkt. 172].

**B. Focus of the Activities to Date**

The Aequitas Defendant entities listed in the SEC Complaint are just five of forty-eight Receivership Entities and nine Extended Entities.<sup>2 3</sup> These entities were generally used to 1) acquire consumer loan portfolios, 2) acquire equity interests in operating companies and 3) provide fund raising and finance vehicles in the furtherance of items 1 and 2.

The Receiver's primary focus since entry of the Final Receivership Order has been the stabilization of the Receivership Entity to preserve value and facilitate asset monetization. Many of the operating companies were experiencing extreme levels of financial distress – devoid of operating capital, unable to make payroll and on the verge of collapse. As such, it was imperative to ascertain the needs and viability of each enterprise in an effort to enhance the potential return of investor funds.

Accordingly, the Receiver focused initially on analyzing and staving off the economic failure of the operating companies in order to provide the Receivership with some breathing room in which to operate. Without the time to perform necessary functions, the loss to the investors would have been amplified and the value of several of the operating companies would have been severely diminished. The Receiver

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<sup>2</sup> The five Defendant entities are AM, AH, ACF, ACM, and AIM.

<sup>3</sup> An additional nine extended entities list in Exhibit B to the Final Receivership Order (the "Extended Entities") must cooperate with the Receiver, but are not under Receivership control. The Extended Entities are CarePayment Technologies, Inc.; EdPlus Holdings, LLC; Marketing Services Platform, Inc.; Ivey Performance Marketing, LLC; Gridbox Media, LLC; Skagit Gardens, Inc.; Synchronex, LLC; Aequitas International Opportunities, LP; and CP Funding I Trust.

undertook immediate steps to increase available cash through focusing on collections of cash-generating receivables portfolios, effectuating the sale of assets and decreasing the expense burn through operational consolidation. In the first stub quarter, the Receiver sold assets and collected receivables totaling approximately \$100 million and reduced headcount to 17 as of June 30, 2016 (from pre-receivership levels of 129 in December 2015).

The Receiver assumed control of a receivership estate that was under extreme pressure exerted by senior secured creditors' intent on enforcing the provisions of their loan agreements. The desire of the secured creditors to promptly realize on their collateral conflicted with the efforts of the Receiver to maximize the possible return to investors and other creditors, in this case under a distribution plan yet to be formulated and confirmed by the Court. The Receiver's efforts saved the investors millions of dollars of fees and default interest and allowed the Receivership Entity to retain control of the collateral, thus preserving the inherent value for the investors.

Additionally, as discussed above, the Receiver has avoided a potentially costly and long-drawn out litigation by reaching a settlement with the SEC regarding its complaint against the Receivership Entity [Dkt. 192].

With the assistance of counsel, the Receiver enforced the stay of litigation against Enviso Capital Group, LLC, which filed suit in California and sought to proceed against parties within the Receivership Entity, thereby avoiding litigation costs which would have depleted the Receivership estate. 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 will be held in a segregated

account pending resolution of the matter. The California Court held its disbursement order in temporary abeyance, to permit ASFG to move to lift the litigation stay imposed by this Court. ASFG's motion to lift the litigation stay was filed on July 29, 2016 [Dkt 229]. ASFG and the Receiver entered into negotiations and resolved the dispute. In response to the negotiated settlement, ASFG's motion was ruled moot on August 8, 2016 [Dkt 235].

When the Receiver assumed control over the Receivership Entity upon entry of the Final Receivership Order on April 16, 2016, the Receivership Entity was operating with significantly reduced staffing and without basic accounting support to the operating companies and the investor groups. Prior to appointment of the Receiver, Aequis had performed a preliminary close of the accounting records for January 2016, but was not able to close the books for the following months and had not engaged an auditor or a professional for tax preparation. Reporting to lenders and several investor groups was significantly deficient. As described further herein, the Receiver is undertaking efforts to bring current the books and records of the Receivership Entity, having hired contract staff to further those efforts and retained ordinary-course tax and audit professionals to comply with reporting requirements.

Lastly, the Receiver has undertaken efforts to maximize recovery under the various insurance policies while, at the same time, clearing a path for investors to pursue recovery on claims against third-party professionals which are not held by the Receivership Entity.



**C. Recommendation regarding Continuance of the Receivership**

It is the Receiver's recommendation that the Receivership be continued. The conditions under which the Receivership was imposed still exist. As of June 30, 2016, the Receivership was less than seventy-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 stage, if prudent, the Receiver will commence 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 (if it is undertaken), 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. Ideally, the Receiver will secure the consent of all interested parties to the proposed distribution plan.

The various loan portfolios and operating companies 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.

#### **IV. Overview of the Receiver's Activities**

##### **A. Retention of Professionals**

On March 16, 2016, pursuant to the Interim Receivership Order, the Receiver engaged FTI Consulting, Inc. ("FTI"), as well as the law firms of Pepper Hamilton LLP ("Pepper Hamilton"), Schwabe, Williamson & Wyatt PC ("Schwabe") and Pachulski Stang Ziehl & Jones LLP ("Pachulski") on an interim basis. On April 14, 2016, pursuant to the Final Receivership Order, the Receiver engaged FTI, Pepper Hamilton, Schwabe and Pachulski on behalf of the Receivership Entity.

On July 18, 2016, pursuant to Order Granting Receiver's Application To Employ Counsel [Dkt. 227], the Receiver employed the Law Offices of Stanley H. Shure ("Shure"), Akin Gump Strauss Hauer & Feld LLP ("Akin Gump"), Morrison & Foerster LLP ("MoFo") and Ater Wynne LLP ("Ater Wynne") *nunc pro tunc* to March 10, 2016.

##### **1. FTI – Receiver, Financial Advisor and On-Site Management**

The Receiver is employed as a Senior Managing Director of FTI, which bills and collects for the Receiver's time. To support his Receivership, the Receiver has retained FTI and has access to FTI professionals and resources. As set forth in greater detail below, FTI is serving as financial advisor to the Receiver and providing daily, on-site management supervision over the operations of the Receivership Entity. Additionally, FTI has been instrumental in preparing assets for market and running certain sales

processes – saving the estate the significant investment banking fees that otherwise would have been paid in those situations.

2. Pepper Hamilton – SEC Counsel

Pepper Hamilton represents the Receiver in connection with SEC-related matters, including the SEC Complaint and discovery promulgated thereunder. Pepper Hamilton also represents the Receiver regarding other ongoing regulatory inquiries and is now the primary point of contact for the Receiver with the Consumer Finance Protection Bureau (the “CFPB”). Pepper Hamilton has also assisted the Receiver with certain transactional work.

3. Schwabe – Local Counsel and General Counsel

As local counsel and general counsel to the Receiver, Schwabe provides general outside counsel advice, majority of transactional support and litigation support for all matters not related to the SEC action. As periodically requested by the Receiver and as required of local counsel, Schwabe participates in and appears in Court on SEC related matters. Schwabe also communicates directly with the SEC on operational, sales, and other issues related to the administration of the Receivership.

4. Pachulski – Bankruptcy Counsel

Pachulski has been retained to provide advice involving bankruptcy related matters, if needed.

5. Shure – Insurance Counsel

The Law Offices of Stanley H. Shure was retained to provide counsel with respect to all insurance coverage issues pertaining to the Receivership Entity, including but not limited to: (a) reviewing and analyzing the Receivership Entity’s liability insurance policies with respect to the claims made against it, (b) providing counsel in the event of insurance coverage disputes with the Receivership Entity’s insurers, (c) evaluating the

“Bankers Bond” policy for scope of coverage and whether the Receivership Entity holds any claims under the policy, and (d) analyzing and providing counsel with respect to claims, if any, that the Receivership Entity may have against former directors and officers of the Receivership Entity.

6. MoFo – CFPB Counsel

Prior to the Filing Date, MoFo was counsel for three entities within the Receivership Entity: ACM, ACF, and Campus Student Funding, LLC (“CSF”) on two matters. Specifically, MoFo represented those three entities with respect to (a) the Corinthian Colleges bankruptcy case, and (b) an investigation initiated by the CFPB relating to loans owned by Aequitas through its arrangements with Corinthian Colleges (the “CFPB Matter”). The Receiver has retained MoFo with respect to ongoing representation in the CFPB Matter only.

7. Akin Gump – ASFG Counsel

Prior to the Interim Receivership Order, Akin Gump was counsel to certain entities within the Receivership Entity in two matters. First, Akin Gump has represented ACM in the matter of ASFG, et. al. v. ACM, Case No. 12-cv-02445-CAB-JMA (S.D. Cal.). Akin Gump also represented Robert Jesenik and Andrew MacRitchie, but claims against them were disposed of via summary judgment. Second, Akin Gump has represented the following companies in the Receivership Entity in the matter of ASFG v. CSF, et. al., Case No. 37-2013-00028562-CU-IP-CTL (San Diego Superior Court): ACF; AIM; Aequitas Income Protection Fund, LLC (“IPF”); Aequitas Income Opportunity Fund, LLC (“IOF”); and ACM. Akin Gump has also represented CSF, formerly known as ASFG, LLC, Thomas Szabo, and Thomas Reiter in this matter.

8. Ater Wynne – Conflicts Counsel regarding Wells Fargo Bank, NA

Ater Wynne was retained to represent the Receiver with respect to matters adverse to Wells Fargo Bank and other matters where the Receiver's retained counsel had a conflict of interest. Ater Wynne may provide future services as conflicts counsel, as and when the need arises.

B. Summary of Operations of the Receiver

1. Day-to-Day Management

The Final Receivership Order provided that the trustees, directors, officers, members, and managers of the Receivership Entity were dismissed and that the powers of any general partners, directors, members and/or managers were suspended.<sup>4</sup> Further, the Receiver was imbued with all powers, authorities, rights and privileges heretofore possessed by prior management.<sup>5</sup> With the termination of management, the Receiver has been supervising 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 to his mandate, including the marshaling and preserving all assets for the benefit of the investors.

2. Restructured Lease Obligations

Prior to the Receiver's appointment, Aequitas had sought to terminate the lease of the New York office. Despite Aequitas being in breach of the lease agreement, the Receiver was successful in terminating the lease and obtaining a return of a significant portion of the cash deposit, as well as the related letter of credit totaling \$329,000.

Further, the Receiver oversaw the Receivership Entity vacating the fourth floor premises and consolidating operations (which process was commenced prior to the

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<sup>4</sup> Final Receivership Order, section III, paragraph 4.

<sup>5</sup> Final Receivership Order, section III, paragraph 3.



Interim Receivership Order) on a portion of the third floor of the Lake Oswego office building located at 5300 SW Meadows Road, on an existing shorter-term sublease. This consolidation reduced rental payments by \$105,000, or 74%, per month.

3. Suspension of Interest Payments and Redemptions

Other than to third party, secured institutional lenders, the Receiver discontinued the payment of any interest and the redemption of any notes or other interests to preserve necessary operational cash and ensure an equitable distribution pursuant to a distribution plan to all investors and creditors. Senior secured lenders with perfected liens which were deemed over-secured have been paid interest at the pre-default rate and principal pay-downs in accordance with their loan agreements.

4. Bank Accounts

As part of the cash management duties assumed by the Receiver, he and/or his assigned staff approve all of the Receivership Entity expenditures – including all wires and checks. Shortly after entry of the Final Receivership Order, the Receiver took control of 69 existing bank accounts with several financial institutions and he and/or his assigned staff became the sole signatories on all bank accounts.

At the insistence of Bank of America (which desired to conclude its relationship with Aequitas) and in a further effort to lockdown the cash accounts, most existing bank accounts were transitioned to Union Bank of California. These accounts remain segregated by legal entity. Further, the Receiver has instituted an integrated on-line platform that facilitates banking, future claims processing and cash reporting for receivership cases. The reports for the initial reporting period are attached as Exhibit E.

5. Staffing

a. *Headcount Reduction*

The Receiver continues with planned, targeted staffing reductions based on the needs of the enterprise. As of December 31, 2015, the Aequitas entities had 129 employees (excluding the employees of the Extended Entities, such as CarePayment Technologies, Inc.). Shortly after the appointment of the Receiver, the headcount had been reduced to 26 employees. As of June 30, 2016, the Receivership Entity had 16 full-time employees and 1 part-time employee. The Receiver instituted an employee retention plan which provides for bonuses on a quarterly basis to the employees whose services are necessary for the operations of the Receivership Entity. Even with a robust plan in place, retention continues to be an issue at all levels and across the portfolio companies.

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. Where possible, these contractors were first selected from a pool of former Aequitas employees to leverage their institutional knowledge. The contractors are paid on an hourly basis and are continually re-evaluated.

As of June 30, 2016, the Receivership employs three full-time equivalent accounting contractors and three part-time IT contractors.

6. 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 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 sales or refinancing process. Prior to the selection of BPM, the Receiver contacted five Portland-area audit firms and two other firms outside the immediate area for consideration. No local firms expressed an interest and BPM, based in San Francisco, California, was selected.

*b. Tax Preparer*

The Receiver hired Barbara Smith ("BMSA"), a tax specialist, to prepare approximately 25 federal and 150 state returns, as well as over 1,500 information returns (K-1s and 1099s), and to provide tax consulting services on an as-needed basis at the request of the Receiver. BMSA is well-versed in multi-jurisdictional tax preparation and possesses considerable experience in serving bankruptcy and receivership clients.

**7. Non-Essential Vendor Contracts**

*a. Contract review*

Prior to the appointment of the Receiver, Aequitas managed its vendors at a department level, with no comprehensive repository of vendor contracts at the corporate level. As Aequitas began to experience liquidity issues, members of various departments contacted many vendors to request the termination of their services; however, no consistent effort to terminate unnecessary contracts was in place. Shortly after the appointment of the Receiver, the retained professionals and Aequitas staff began identifying remaining active contracts that were not necessary for the operations of the Receivership Entity and/or its affiliates, and issued termination notices to the vendors.



This effort was necessary to both reduce the cash drain on the estate and to minimize the potential future trade claims. This effort, as well as the documentation of previously cancelled contracts, is on-going.

*b. Dell Financial Services ("DFS")*

In December 2015, Aequitas entered into a \$1.2 million sale lease-back transaction (the "DFS Lease 506") with DFS pursuant to which Aequitas "sold" and then leased back certain technology and office furniture. The schedule supporting DFS Lease 506 lacks sufficient detail to identify the specific equipment included in the transaction. Further, it includes soft assets such as warranty programs, software licenses, computer supplies and service agreements. As a result, the Receiver cannot identify specific assets underlying DFS Lease 506 to determine what equipment is being utilized in operations and those assets that might be returned to DFS in partial satisfaction of their claim.

Notwithstanding, the Receiver has engaged DFS in negotiations regarding disposition of nine other leases and the return of equipment no longer needed. For the leased equipment that is utilized in operations, the Receiver agreed to bring the subject lease agreements current. For excess equipment, the Receiver is negotiating to either return the equipment to DFS in partial satisfaction of its claim or dispose of the equipment on behalf of DFS with proceeds remitted as mitigation against the claim.

**8. Other Receivership Actions**

As discussed more fully herein, Aequitas provided administrative support to its affiliates and subsidiaries under a shared services agreement. Rather than continue that practice, the Receiver has unwound those various costs and, to the extent possible, pushed the related contracts and expenditures down to the appropriate entity. This provides for a more accurate view of the economic viability of each entity. However,

payroll and benefits for the remaining former Aequitas employees retained by the Receivership who provide services to the entire Receivership Entity remain predominantly paid out of Aequitas Enterprise Services, LLC ("AES").

Further, the Receiver evaluated the cash needs of Skagit Gardens, Inc. against the future potential value to be delivered to the Receivership. As a result of that evaluation, the Receiver decided to forego the continued funding of Skagit Gardens, Inc. As described more fully herein, Skagit Gardens, Inc. filed for Chapter 11 bankruptcy in May 2016.

As described in more detail in the following sections of the Report, the Receiver has expended significant resources in the preservation of the CarePayment platform. These efforts have included negotiating forbearance agreements with Bank of America and Wells Fargo, supporting a capital infusion to CarePayment Technologies, Inc. ("CPYT"), and restoring healthcare receivable purchase activity by CarePayment, LLC ("CPLLC") and CP Funding I Trust ("CPFIT").

Finally, the Receiver has assumed the former Aequitas positions on the Board of Directors of three portfolio companies – CPYT; ETC Global Group, LLC ("ETC"); and Marketing Services Platform, Inc. ("MSP") a/k/a Ivey Marketing). The Receiver also monitors the operations of other Extended Entities to protect the Receivership's interests in those entities.

## **V. Assets/Interests Sold**

### **A. Consumer Loan Portfolios**

The Receiver has worked diligently to preserve value in the two consumer loan portfolios which are important sources of recovery to the Receivership Entity.

Beginning in 2014, Aequitas purchased unsecured subprime consumer loans that had been originated by Freedom Financial Network ("FFN").<sup>6</sup> As of March 31, 2016, the principal balance receivable totaled \$70.8 million, net of charge-offs. Prior to the sale described below, Receivership Property included two portfolios of unsecured consumer loans (the "Consumer Loan Portfolios") held by receivership entities, as follows:

ACC Funding Trust 2014-1 ("ACCFT-1") held a portfolio of unsecured consumer loans denominated as "F+" loans (the "F+ Loans"). As of March 31, 2016, there were approximately 1,847 loans in the F+ Loans portfolio, with a cumulative principal balance receivable of approximately \$22.5 million.

ACC Funding Trust 2014-2 ("ACCFT-2") held a portfolio of unsecured consumer loans denominated as "C+" loans (the "C+ Loans"). As of March 31, 2016, there were approximately 2,929 loans in the C+ Loans portfolio, with a cumulative principal balance receivable of approximately \$48.2 million.

The Consumer Loan Portfolios were collateral for two secured loans from Comvest Capital, III, L.P. ("Comvest") and Atalaya Asset Income Fund II LP and certain of its affiliates ("Atalaya" and, collectively with Comvest, "Comvest Lenders") (the "Comvest Loans"). The Comvest Loans provided acquisition financing to ACCFT-1 and ACCFT-2 with respect to the Consumer Loan Portfolios. As of March 31, 2016, the approximate balance owing on the Comvest Loans was the principal amount of \$59.0 million, plus accrued and unpaid interest of \$1.5 million.

The acquisition of the Consumer Loan Portfolios was financed at a specified advance rate via draws on a senior secured note (the "Comvest Note") bearing interest

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<sup>6</sup> Technically, Aequitas acquired the loans from Cross River Bank, for whom FFN had performed certain origination services and, subsequently, serviced and administered the loans.



at 12.5% and, if in default, 15.5%. The Comvest Note also contained a prepayment penalty starting at 6% and sliding to 0% over a three year period.

On February 2, 2016, Comvest provided notice of multiple alleged events of default under the credit agreement. In addition to reserving its default rights, remedies, and powers under the credit agreement, Comvest's notice purported to impose the "Default Rate Interest for all outstanding Obligations retroactive to April 14, 2015" – effectively increasing the interest rate from an already high 12.5% to 15.5% retroactively and effective just two weeks after the closing of the initial loan. The combination of the default interest rate and the multi-million dollar prepayment penalty created an untenable hardship for the Receivership Entity and, when combined with other costs, rendered the portfolio unprofitable for the borrowing entities.

In addition, the equity for the transaction (difference between the purchase price of the receivables and the advance rate on the Comvest Note) was provided by junior debt bearing a blended interest rate of 16.2% – pushing the current yield of the portfolio further negative.

To minimize the damage to the value of the Consumer Loan Portfolios, the Receiver went to market immediately with both portfolios. The Receiver began a formal sale process to identify a buyer on April 6th with 18 potential bidders contacted. The Receiver developed and administered a very focused and competitive marketing campaign that the Receiver believes produced the highest and best results possible with the least cost to the Receivership Entity. The pool of potential purchasers was comprised of a combination of both industry participants who initiated contact with the Receiver as a result of the significant publicity attendant to the Receivership and a list of industry participants developed and directly contacted by FTI.

Following the Receiver's marketing efforts and the interest of numerous potential bidders, the Receiver distributed non-disclosure agreements, established an electronic data room, assisted multiple interested parties to conduct due diligence, responded to their questions and inquiries and conducted multiple rounds of bidding for the Consumer Loan Portfolios. Additional negotiations followed conclusion of the formal bidding process. Ultimately, the Receiver determined that Freedom Financial Asset Management, LLC ("Freedom") submitted the highest and best bid for the Consumer Loan Portfolios.

Through the sale process, the Receiver negotiated an increase in the Consumer Loan Portfolios purchase price by \$2.8 million, or 4%, as compared to the original offer that was submitted to Aequitas on March 3<sup>rd</sup>. Further, the Receiver negotiated a reduction in the Comvest accrued interest and prepayment penalties by \$3.6 million — these adjustments increased the Receivership's net recovery by approximately 55%. The Receiver and Freedom executed a Letter of Intent dated May 3, 2016. The purchase price, subject to certain adjustments at closing, was \$70,665,216, or about 101.5% of the aggregate principal balance of the Consumer Loan Portfolios.

On May 20, 2016, the Receiver filed Receiver's Motions to (1) Sell Personal Property Free and Clear of Liens, Interests, Claims and Encumbrances, and (2) Approve Settlement (Freedom Loan Portfolios F+ and C+) ("Freedom Sale Motion") [Dkt. 181] and Declaration of Ronald Greenspan in support of the Freedom Sale Motion [Dkt. 182]. The proposed settlement included a compromise of the amounts claimed by the Comvest Lenders, and was the result of lengthy and often difficult negotiations. Ultimately, the Comvest Lenders agreed to accept a payoff that did not include default interest on the Comvest Loans or a prepayment penalty of 4% of the payoff balance (approximately \$2.0 million based on the balance owing under the Comvest Loans).

Thereafter, and pursuant to the Letter of Intent, the parties continued to negotiate the final terms of the definitive Portfolio Purchase Agreement ("PPA"). Following intense negotiations, a final agreement was ultimately reached on or about June 15, 2016. The PPA was filed that same day [Dkt. 190].

On June 16, 2016, the Court approved the PPA and entered the Amended Order Granting Receiver's Motions to (1) Sell Personal Property Free and Clear of Liens, Interests, Claims and Encumbrances, and (2) Approve Settlement (Freedom Loan Portfolios F+ and C+).

With the closing of the sale of the Consumer Loan Portfolios pursuant to the PPA, the Receivership Entity has realized 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.

**B. EdPlus Holdings, LLC/Unigo Group sale**

EdPlus Holdings, LLC, doing business as Unigo Group ("EdPlus"), is an Extended Entity and, as such, its assets are indirectly subject to this receivership proceeding. In June 2016, EdPlus and EducationDynamics, LLC ("Education Dynamics") reached an agreement for Education Dynamics to purchase substantially all of the assets of EdPlus. Because EdPlus' controlling owner, Aequis Capital Opportunities Fund, LP ("COF"), and manager, ACM, are part of the Receivership Entity, out of an abundance of caution, Education Dynamics requested, and the Receiver sought, this Court's authority for the controlling owner and manager to execute such instruments as may be necessary to effectuate the sale of the EdPlus assets to Education Dynamics.



In connection with the sale, the Receiver negotiated a resolution of the amount of secured creditor Global Structure Solutions, Inc.'s ("GS2") alleged claim against a Receivership Entity, ACF. Specifically, GS2 agreed that upon the closing of the EdPlus sale to Education Dynamics, GS2 would release its security interest in certain of the assets sold to Education Dynamics, terminate its UCC-1 Financing Statement, and reduce the amount of its claim from approximately \$900 thousand to \$500 thousand. GS2 also agreed that its claim would be treated as an unsecured claim, consistent with the treatment of other holders of "private notes" issued by ACF, as such treatment shall be determined by this Court under an approved distribution plan. Education Dynamics agreed to provide certain services to GS2 as a material aspect of the agreement with GS2.

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 thousand to be paid to EdPlus at closing (the "Initial Cash Proceeds"), \$100 thousand 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. The Initial Cash Proceeds are to be used to repay debt owed by EdPlus, which includes \$100 thousand lent to EdPlus by the Receivership Entity to cover EdPlus payroll. 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.



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].

**C. Skagit Gardens, Inc.**

Skagit Gardens, Inc., headquartered in Mount Vernon, Washington, is a producer of high quality annual and perennial plants sold primarily to premium independent garden centers, landscapers, and other growers. Skagit Gardens, Inc., along with its subsidiaries will be referred to collectively as “Skagit Gardens.”

Aequitas Partner Fund, LLC (“APF”) owns 95.4% of the equity in the parent company – Skagit Gardens, Inc.

ACF and Aequitas Private Client Fund, LLC (“PCF”), over a period of years beginning in 2010, loaned approximately \$11.5 million to Skagit Gardens, Inc. Such loans were secured by all of Skagit Gardens’ assets, but subordinate to Skagit Gardens’ other secured lenders (Sterling National Bank and Bank of the West), who were owed approximately \$8.0 million at the time this Receivership action was filed.

In 2015, Skagit Gardens retained an investment banker to assist in the marketing and sale of the company. In the first quarter of 2016, Skagit Gardens received an offer from Early Morning, LLC to purchase the company at a price insufficient even to pay the secured lenders in full, with little or no distribution to the Aequitas lenders.

On May 27, 2016, Skagit Gardens filed for Chapter 11 bankruptcy protection. Just three days after filing bankruptcy, Skagit Gardens filed a motion under bankruptcy code section 363 to approve Early Morning, LLC as the stalking horse bidder, bid procedures, bid protections, and an auction for the sale of all of Skagit Gardens’ assets free and clear of liens, claims, interests and encumbrances.

On June 29, 2016, Skagit Gardens conducted an auction. Prior to the auction, four bids were received. Two were credit bids submitted by Sterling National Bank and Bank of the West, and two were made by strategic buyers looking to maintain the operations of the business (one of which was Skagit Horticulture). After the completion of the auction, Skagit Gardens determined that Skagit Horticulture's net bid in the amount of \$5.3 million was the highest and best bid. Subsequent to the auction, Skagit Horticulture agreed to increase its bid by approximately \$500 thousand.

On July 14, 2016, over the objection of the Official Committee of Unsecured Creditors, the Court approved the sale to Skagit Horticulture. Based on the increased purchase price and Skagit Gardens' cash on hand, the secured claims of Sterling National Bank and Bank of the West were paid in full. After the payment of the break-up fee to Early Morning, LLC, professional fees and priority claims, general unsecured creditors, including the Aequitas lenders will share on a pro rata basis in the remaining proceeds of \$100 thousand.

**D. Furniture/Equipment Liquidation**

Pursuant to the Receivership Orders entered on March 16 and April 14, 2016 [Dkt. Nos. 30 and 156], the Receiver has undertaken to determine the nature, location and value of all Receivership Property. Prior to the sale described below, Receivership Property included certain office equipment and furniture (the "OEF") located at the Entity Defendants' business premises at 5300 SW Meadows Road, Suite 400, Lake Oswego, Oregon (the "Premises").

The Premises were previously leased by one or more of the Entity Defendants. The last lease payment made by Aequitas (or the Receiver) was for the month of February 2016. The Receivership Entity ceased using the Premises on March 31,

2016 and surrendered them to the landlord, which had provided notice for the Entity Defendants to vacate no later than May 15, 2016.

Promptly after receipt of the landlord's letter, the Receiver contacted potential buyers for the OEF (which is believed to have a cost basis of approximately \$625 thousand). Twelve liquidator parties were contacted. Four prospects viewed the OEF, and three bids were submitted to the Receiver. After negotiating material increases in the bids, the Receiver selected the bid that provided the highest guaranteed recovery for the Receivership Entity.

The OEF were sold to NW Office Liquidations for \$50 thousand. The OEF were sold without warranty of any kind from the Receivership Entity, and the purchaser removed the OEF from the Premises at its own expense within the deadline established by the landlord.

The sale of the OEF was completed following Court approval on May 2, 2016 [Dkt. 162].

**E. Strategic Capital Alternatives/SCA Holdings**

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 neither part of the Receivership Entity nor Extended Entities, they have financial relationships with the Receivership Entity as set forth below.

Pursuant to a Membership Interest Purchase Agreement dated June 30, 2013, ACM, an Oregon corporation and Receivership Entity, purchased 25,000 Common Units of SCA, representing 25% of the total outstanding ownership interest in SCA. ACM continues to hold these Common Units as of the date hereof.



Pursuant to a Business Loan Agreement dated July 1, 2014, ACF, an Oregon limited liability company and Receivership Entity, extended a loan to SCAH (as Borrower) in the maximum amount of \$1.6 million (the "SCAH Loan"). As of the date of this Report, the sum of all principal, interest, and fees and expenses due from SCAH to ACF under the Loan is approximately \$1.7 million. In connection with the SCAH Loan, ACF has a valid, first priority, perfected security interest and lien in all assets of SCAH as evidenced by a UCC Financing Statement filed with the Washington Secretary of State.

SCA is operating at a significant negative cash flow position. The equity holders other than Aequitas lent money to SCA during the second quarter of 2016 in order to maintain SCA's business operations. The Receiver is not willing to provide further funds which are needed in the third quarter. The other equity holders will provide such funds if the Receiver will allow the Receivership Entity's equity position to be redeemed by SCA.

The Receiver has been negotiating with SCA and SCAH regarding a global resolution of the interests of ACM and ACF in and related to SCA and SCAH. The parties are in the process of negotiating a Loan Payoff and Redemption Agreement pursuant to which: (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 closing of the Loan Payoff Transaction and Redemption Transaction will be subject to several conditions, including a condition that the Court enters an order setting forth the final approval and authorization of the Agreement and the Loan Payoff Transaction and Redemption Transaction (a "Sale Approval Order"). The Receiver intends to submit a motion requesting the entry of a Sale Approval Order once a final definitive form of the agreement has been agreed upon by the lender, ACM, SCAH and SCA.

**F. Miscellaneous Other Asset Sales**

In addition to the intensive sales efforts described above, the Receiver was instrumental in initiatives of some of the smaller Receivership Entity assets. Aequitas had previously sold one of its private aircraft and the second corporate jet was leased by Aequitas entity Executive Citation LLC – which lease was put back to the lessor, KeyBank. With the elimination of all corporate aircraft, Aequitas' interest in its airplane hangar owned by Aequitas entity EC Hanger was sold for \$297 thousand.

The Hill Land, LLC was formed for the sole purpose of owning approximately 7.44 acres of land at 8200 SW Pfaffle, Tigard, OR 97223 (the "Hill Land Property") and leasing it to Westside Christian High School, Inc. ("WCHS"). Hill Land Property was sold to WCHS on February 23, 2016 for \$1.4 million when Aequitas experienced a severe liquidity crisis. The Receiver is reviewing the history of the property ownership, lease and purchase option, subsidies provided to WCHS in connection therewith, and the circumstances of the sale of the asset.

Two other small sale transactions occurred subsequent to December 31, 2015 and prior to the Interim Receivership Order. Unigo Student Funding owned a small portfolio of NYU student loans which was liquidated for \$704 thousand. Additionally, Aequitas sold its 2.7% interest in Spouting Rock Financial Partners, LLC for \$100 thousand (original acquisition price of \$400 thousand). The purchaser was the managing member, with the valuation based on pricing for a new equity raise that was underway at the time.

**G. Ongoing Sales Efforts**

The Receiver continues to prepare assets for future sales and actively market other assets. Significant resources have been expended to support the ongoing sale process and due diligence of potential buyers of COF's assets, including the Receivership Entity's interest therein. The Receivership Entity can monetize these assets through either a sale of its equity interest in COF or sales of the individual assets owned by COF, such as CPYT and the associated healthcare receivables portfolios at CPLLC and CPFIT. Additionally, the Receiver has spent considerable time "scrubbing" the underlying loan tapes for the MotoLease Financial Holding, LLC ("MLF") portfolio in preparation of taking that portfolio to market. The Receiver has also engaged in preliminary negotiations and discussions regarding the disposition of the Receivership Entity's interests in several other COF portfolio companies, including MotoLease, LLC ("ML") and ETC.

Finally, there are a number of smaller investments, such as Aequitas WRFF I, LLC ("WRFF I"); Innovator Management LLC; and Aequitas Senior Housing, LLC ("ASH") where the Receiver is evaluating purchase offers. These activities are described more fully further in this Report.

## VI. Communications to Interested Parties

### A. Investors

#### 1. Website

In order to facilitate communication with his various constituencies and the public at large, the Receiver retained Kurtzman Carson Consultants LLC ("KCC") to develop and maintain a public website that contains key information about the Receivership matter, posts all docket entries to facilitate public access to filed papers, a Frequently Asked Questions (FAQ) section (updated regularly) and an inquiry link that allows viewers to direct questions to the Receiver –

<http://www.kccllc.net/aequitasreceivership>

#### 2. Noticing

The Receiver provided notice of the Receivership and the provisions of the Final Receivership Order to 2,275 parties, including investors, lenders, employees and vendors. The Receiver also provided additional notice to 108 former executives and employees regarding the return of company devices – including laptops and/or cell phones.

#### 3. Ongoing Communication with Investors/Counsel

To facilitate regular communication regarding significant opportunities, challenges and actions, the Receiver formed the Investor Advisory Committee (the "IAC"). At present, the IAC is comprised of 49 members, including registered investment advisors ("RIAs") and individual investors representing approximately 1,100 of the investors and more than \$406 million in investor funds. The initial formation meeting took place on March 6, 2016 (pre-receivership) with subsequent meetings on April 27, 2016, June 22, 2016, and August 24, 2016 (the latter is outside of the current reporting period). In addition, the Receiver has conducted telephone conferences with the IAC to



solicit input when presented with time-sensitive opportunities and/or challenges. The Receiver also provides substantially similar information to interested counsel immediately following IAC meetings. On April 28, 2016, June 23, 2016, and August 24, 2016 (the latter is outside of the current reporting period) the Receiver met with counsel for the various investor interests, to both convey information regarding the receivership and also discuss strategy to maximize recovery to the Receivership Entity. Future IAC meetings are scheduled on November 2, 2016. Copies of presentation materials utilized in the meetings were provided to SEC staff, and an SEC staff-representative attended the April 27, 2016 meeting in person. The Receiver and his counsel regularly apprise SEC staff of significant developments affecting the Receivership Entity. In addition, the Receiver provided an in-person report to SEC staff at the SEC's San Francisco office on May 9, 2016.

4. Inquiries from the Website

The Receiver assigned the responsibility of monitoring and responding to investor inquiries to an Aequis employee familiar with the investors and their specific investments. All draft responses are reviewed by the Receiver or his assigned staff before transmission and relevant responses are added to the FAQ section of the website. In addition, this Aequis employee manages the communications and logistics for the IAC meetings.

5. Individual Discussions with Stakeholders

The Receiver, as well as his staff and counsel, have all consistently made themselves available to answer questions and discuss various matters on an individual basis with various stakeholders. The Receiver attempts to keep these communications as efficient as possible and recognizes that they can become a significant operational expense. However, the Receiver views this hands-on approach as a necessary and



beneficial adjunct to his other communication channels, including the website and regular IAC meetings, and believes that the frequent investor communication has contributed to the cooperative relationship between the Receiver and the investors who, to date, have supported the Receiver's initiatives including proposed asset resolutions.

6. Account Custodians

The Receiver conducted conferences with Equity Trust, one of the two main custodial firms for Aequitas investments, and had its Legal and Compliance group review current information and status of the Receivership. The corresponding negotiations resulted in a termination/prospective waiver of investor account fees.

Similar discussions followed with Integrity Bank and Trust ("IBAT"), and the Receiver achieved a similar result as IBAT has also agreed to waive investor account fees.

Although these steps do not benefit the Receivership Entity directly, they are of significant benefit to the investors.

B. 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. Concurrently, the SEC filed a stipulated motion seeking the appointment of Mr. Greenspan as Receiver, along with a Proposed Receivership Order that would enable the Receiver to marshal and preserve assets of the Aequitas companies and to ensure an orderly distribution of any assets at the appropriate time.

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, without admitting or denying the numerous allegations.

On behalf of the Aequitas Entity Defendants, the Receiver also agreed to the entry of a permanent injunction, which prohibits the Aequitas Entity Defendants from further participation in the offer and sale of any securities, except as necessary for the Receiver to carry out his responsibilities under the Final Receivership Order. The consent judgment leaves open the question of whether the Aequitas Entity Defendants will be required to pay disgorgement and/or a penalty.

The SEC enforcement action is still pending against the former Aequitas executives, or Individual Defendants. As part of the consent judgment, the Receiver has a continuing obligation to cooperate in the matter and therefore participates in status conferences and is required to gather documents and other information in response to requests.

During the course of the SEC enforcement action, the Receiver has also spent considerable time and resources addressing various business and regulatory issues that have arisen as a result of the terms and conditions of the Final Receivership Order. The Receiver has, for example, addressed certain investment adviser registration obligations, tax implications, and potential avoidance action options related to the activities of different companies within the Receivership Entity and affiliated RIAs.

## 2. CSF and CFPB

CSF, which is part of the Receivership Entity, was engaged in the purchase and financing of Corinthian Colleges, Inc. ("Corinthian") private student loans. Corinthian operated post-secondary career schools throughout the country. In May 2015, Corinthian filed for bankruptcy protection.

Both before and after Corinthian's bankruptcy filing, various state and federal agencies had begun investigating Corinthian's business practices, including its advertisement of job placement rates. Subsequently, government regulators, including

the CFPB and state attorney general, began investigating CSF with the stated goal of obtaining some form of private debt relief for Corinthian's former students.

The Receiver has devoted much time and energy to activities related to discussions with CFPB and other constituents and also in responding to their requests for information. The Receiver's goal, which he continues to pursue, is to achieve a balanced, negotiated resolution with all interested parties that provides meaningful relief for student borrowers, while also preserving value for the benefit of Receivership Entity investors. Per agreement with the CFPB, the student receivables cannot be sold prior to entering into a binding settlement with the CFPB.

Subsequent to June 30, 2016, the Receiver and the CFPB have agreed in concept to terms for relief and efforts are underway to document such agreement and to broaden the constituents to such settlement in order to afford more "global" relief.

### 3. Other Governmental Inquiries

Following the commencement of the SEC enforcement action, other federal and state enforcement agencies also made demands upon the Receiver for information regarding the Receivership Entity. The Receiver has been cooperating fully with these agencies—gathering and producing documents in response to their requests, taking reasonable steps to ensure the preservation of physical and electronic data, and providing additional assistance as required. The Receiver intends 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 Bank of America Financing



On or about November 6, 2013, Bank of America entered into a financing transaction with CPLLC (the "Bank of America Financing") for the acquisition of certain health care receivables generated at hospitals and physician groups. The Bank of America Financing was secured by all of the assets of CPLLC, which include the receivables, the proceeds thereof and its contracts with customer hospitals to acquire future health care receivables.

On or about November 10, 2015, Bank of America enforced the imposition of a credit reserve against the Bank of America credit facility. Under the credit reserve, availability under the Bank of America credit facility was reduced on a cumulative basis \$75,000 a day, or \$1.5 million a month, and up to \$24 million in total. The reserve effectuated an amortization of the loan balance and significantly impaired Aequitas' ability to acquire new health care receivables.

In late January 2016, Aequitas informed Bank of America that for several months various Events of Default had occurred and were continuing under the Bank of America Financing. On or about February 3, 2016, Bank of America declared the Bank of America Financing in default, suspended availability under the agreement, and enforced acceleration clauses including turbo amortization – applying all payments received from the receivables as a reduction to the outstanding loan balance, which starved CPYT of its servicing fees and CPLLC of the cash equity due to the investors.

On or about February 19, 2016, CPLLC and Bank of America entered into a Forbearance Agreement, which was subsequently amended on February 26, 2016 and March 4, 2016. Under the March 4, 2016 amendment, Bank of America asserted default interest retroactive to December 31, 2015, and took actions to transfer the servicing of the health care receivables. The SEC Complaint and Proposed Receivership



Order were filed on March 10, 2016 – prior to the expiration of the March 4, 2016 forbearance agreement.

While the powers of the Receiver provide protection from default remedies (including default interest, foreclosure and moving of servicing), those powers do not compel anyone to extend additional debt.

**B. The Direct Lending Income Fund, LP (“DLIF”) Financing**

In the months prior to the Receivership, CPLLC and CPFIT were in severe distress, operating based on weekly forbearance agreements with Bank of America, the lender to CPLLC, and Wells Fargo, the lender to CPFIT. The weekly forbearance regime placed great restrictions on the funding of new receivables, consumed enormous amounts of management’s time and put the entire CarePayment platform on the brink of collapse. The situation was not sustainable as it threatened the very existence of the entire platform. Immediately prior to and after appointment, the Receiver and his team of professionals worked closely with the CPYT management team to facilitate an emergency capital infusion from a new source, DLIF. DLIF agreed to extend \$45 million to CarePayment, of which approximately \$18 million was used to replace Bank of America, which was the senior secured lender to CPLLC. Despite the filing of the SEC enforcement action on the eve of funding, DLIF effectively stepped into Bank of America’s “shoes” while waiving defaults. Replacing Bank of America with DLIF and the additional capital provided by DLIF brought much needed short-term stability to CarePayment by allowing CPLLC to resume the funding of receivables and preserving CPYT as a going concern in the near term. However, the interest rate and other terms associated with the DLIF financing makes it uneconomic as a permanent solution.

On or about March 16, 2016, DLIF agreed to purchase the Bank of America credit facility and the Receiver was able to reinstate the terms to their pre-default state. DLIF also purchased \$6.5 million of debt owed by CPYT, known as the RIPA notes.

**C. The Wells Fargo Financing**

On or about January 12, 2015, Wells Fargo entered into a financing transaction with CPFIT (the "Wells Fargo Financing") for the acquisition of health care receivables generated at hospitals and physician groups around the country. The Wells Fargo Financing is secured by all of the assets of the Separate Trust, which include the receivables and the proceeds thereof. The Separate Trust was established as a special purpose vehicle to be operated separate and apart from the management and control of the Defendants and any of their affiliates. The Separate Trust's governing documents expressly provided that the Separate Trust was to be operated independently from the Defendants and that there shall be no commingling of the Separate Trust's assets with the assets of the Defendants.

In late January 2016, Aequitas informed Wells Fargo that for several months various Events of Default had occurred and were continuing under the Wells Fargo Financing. On or about February 19, 2016, certain of the Defendants, the Separate Trust, and Wells Fargo entered into a Forbearance Agreement which was subsequently amended on February 26, 2016 and March 4, 2016. The SEC Complaint and Proposed Receivership Order were filed on March 10, 2016 – prior to the expiration of the March 4, 2016 forbearance agreement.

On March 11, 2016, Wells Fargo, a secured lender, filed a Limited Objection to Stipulated Order Appointing Receiver [Dkt. 5]. Specifically, Wells Fargo objected to the inclusion of CPFIT as part of the Receivership Entity, claiming that CPFIT, whose assets provide collateral for the Wells Fargo Financing, cannot fall under the control of the

Receiver because it was created to operate separate and apart from certain Receivership Entities based on its governing documents and in accordance with the Delaware Statutory Trust Act ("DSTA").

On March 14, 2016, the Commission filed its response to Wells Fargo's limited objection [Dkt. 9]. The Commission asserted that the Wells Fargo agreement was within the purview of this receivership and that the Court should block any action by Wells Fargo "seeking to place itself at the front of a long line of defrauded victims and creditors." On the same day, the Entity Defendants filed a response [Dkt. 12], arguing that the receivership was in place to prevent this specific action, wherein the additional rights Wells Fargo seeks to exercise, such as transferring the servicing of healthcare receivables, will severely degrade and take away value from investors. Further, granting the requested relief jeopardized the recovery for investors, since other creditors would likely make similar claims, laying waste to the remaining assets of the Entity Defendants and their affiliated entities.

At the urging of the Court, the parties engaged to settle Wells Fargo's limited objection and present a consensual resolution of the dispute. The Receiver and Receiver's professionals, working in consultation with the SEC, engaged in extensive negotiations with representatives of Wells Fargo to resolve the objection. Following days of intense negotiations, document review, detailed legal and financial analyses, and document drafting, the Receiver and Wells Fargo reached an agreement that included moving CPFIT from an Exhibit A Receivership Entity to an Exhibit B Extended Entity of the Receivership. As part of the agreement, the Receivership Entity was able to continue utilizing the Wells Fargo credit facility to maintain CPFIT receivables and fund limited amounts of new receivables at the pre-forbearance interest rate – all of which helped preserve the value of the entire CarePayment platform. Importantly, the agreement



allowed the Receivership Entity to maintain CPYT as the servicer of the CPFIT portfolio, and provides for some incremental cash flow to the Receivership Entity from the collection of the portfolio receivables. The agreement also amended the loan documents to allow the Receivership Entity to avoid certain technical defaults going forward. The actions of the Receiver preserved value in CPYT and the waiver of default interest and elimination of certain events of defaults substantially benefitted the Receivership Entity and, ultimately, the recovery by the investors.

On April 26, 2016, the Court entered a stipulated order resolving Wells Fargo's limited objection [Dkt. 157].

**D. Comvest**

ACC Holdings 1, LLC and ACC Holdings 2, LLC (collectively the "Subsidiary Parents") are the subsidiary parents of ACCFT-1 and ACCFT-2, respectively (collectively the "Trusts"). The Subsidiary Parents and the Trusts are part of the Receivership Entity as set forth on Exhibit A of the Final Receivership Order [Dkt. 156]. ACF and AH are the corporate parents of these 100% owned entities and are two of the five Entity Defendants in the SEC Complaint pending before the United States District Court. The books and records state that Aequitas investors had more than \$27 million of equity and funds invested in the Trusts.

In 2014, the Trusts entered into certain loan purchase agreements (the "Loan Purchase Agreements") pursuant to which the Trusts purchased non-prime consumer installment loans arranged by FFN. In connection with the Loan Purchase Agreements, the Trusts entered into certain servicing agreements pursuant to which FFN would service the consumer loans in accordance with the usual standards of practice of prudent services of similar loans, provided that such services would at all times be



performed on a basis consistent with applicable law, certain service level standards and FFN's Policy and Procedures Guide.

On March 30, 2015, the Subsidiary Parents, each as a parent, and the Trusts, each as a borrower (collectively, the "Borrowers") and the Comvest Lenders, in its capacity as both Agent and Lender, entered into a credit agreement (the "Credit Agreement"). The purpose of the credit agreement was to provide funds for the purchase of consumer credit receivables from FFN. Specifically, ACCFT-1 purchased Freedom Plus loans which were used by FFN customers to refinance existing consumer debt and ACCFT-2 purchased Consolidated Plus loans which were used by FFN customers to settle negotiated enrolled debts during a debt settlement process (collectively the "Consumer Loans").

The Credit Agreement provided for \$35 million in initial funding to facilitate the Trusts' refinance and acquisition of the Consumer Loans. Subsequent amendments to the Credit Agreement increased the principal amount of the loan to an aggregate principal amount of \$65 million.

To secure the Credit Agreement, the Subsidiary Parents, as pledgors, entered into that certain Pledge Agreement dated March 30, 2015 (the "Pledge Agreement"). Pursuant to the Pledge Agreement, the Subsidiary Parents each pledged as security for the obligations owing by the Trusts under the Credit Agreement "all beneficial or trust interests of [the Trusts] held by such Pledgor and [the certificates representing 100% of the beneficial interests in the Trusts (the "Trust Certificates")]. The Pledge Agreement granted Comvest control of the Trust by allowing Comvest to re-register the Trust Certificates in the name of Comvest's agent.

As additional security, the Trusts and Comvest entered into that certain Collateral Agreement dated March 30, 2015 (the "Collateral Agreement"). Pursuant to the

Collateral Agreement, the Trusts granted, pledged, and assigned to Comvest all of the Trusts' right, title, and interest in substantially all of their property to secure the obligations owed to Comvest under the Credit Agreement.

On February 2, 2016, Comvest provided notice of multiple alleged events of default under the Credit Agreement (the "Default Notice"). Comvest also alleged that it exercised its rights under the loan documents to take ownership and control of the Trusts by re-registering the Trust Certificates in the name of Comvest Administration, replacing ACF as the administrator of the Trusts, and exercising their rights under certain deposit account control agreements.

Moreover, and in addition to reserving its default rights, remedies, and powers, the Default Notice purported to impose the "Default Rate Interest for all outstanding Obligations retroactive to April 14, 2015" – effectively increasing an already high interest rate from 12.5% to 15.5% retroactive to almost a year prior to the Default Notice and essentially two weeks after the closing of the initial loan. Equally onerous was the six percent (6%) prepayment penalty that was intended to prevent the Trusts from refinancing their way out of the loan.

Based on the alleged events of default and the purported exercise of its various remedies, Comvest filed an objection to the appointment of the Receiver. Comvest argued that by the exercise of its remedies it assumed total and complete control and ownership of the Trust Certificates and the Trusts. Based on its purported control and ownership of the Trusts, Comvest alleged that no Entity Defendant retained any legal, equitable or beneficial interests in the Trusts and had no ability to consent to the entry of the Final Receivership Order on behalf of the Trusts.

The Receiver, on the other hand, argued that the Receivership Entity had not been divested of the ownership and control of the Trusts, the Trust assets or the Trust

Certificates as a consequence of Comvest's purported actions. The Receiver acknowledged that Comvest was a secured creditor, with a number of rights against the Subsidiary Parents, the Trusts and the Trusts' assets, but regardless of whether Comvest had exercised some of its rights, Comvest had not foreclosed on its collateral. Until Comvest completed a foreclosure it could not transfer ownership and control of the Trusts, the Trusts' assets, or the Trust Certificates or divest the Receiver of the right to control and liquidate those assets. Article 9 of the Uniform Commercial Code provides that even if a secured creditor has obtained bare legal title to its collateral, the secured creditor must still sell or dispose of the collateral in accordance with the foreclosure provisions of Article 9 before the debtor loses ownership of the collateral. Comvest conceded in its briefing that no Article 9 sale or other disposition of the collateral had occurred as of the date of this receivership.

While the Receiver and Comvest were actively litigating Comvest's objections to the Final Receivership Order, the Receiver was also actively marketing and negotiating a sale of the Trusts' Consumer Loan Portfolios. As the Receiver made progress toward a potential sale of the Consumer Loan Portfolios to a Freedom-related entity, the Receiver and Comvest agreed to continue the hearing on Comvest's objections without prejudice to any party.

As a result of the Receiver's marketing efforts and the interest of numerous potential bidders, the Receiver ultimately negotiated a sale of the Trusts' Loan Portfolios to Freedom. The Purchase Price, subject to certain adjustments at closing, was \$70,665,216, or about 101.5% of the aggregate principal balance of the Consumer Loan Portfolios.

As part of the sale transaction, the Receiver also negotiated a complete resolution of the Comvest disputes. As a result of these negotiations, Comvest agreed to



waive substantially all of its claims for default interest, as well as its claim for the prepayment penalty, reducing the payoff of the obligations owed to Comvest by several million dollars.

On June 16, 2016, the Court approved the PPA and entered the Amended Order Granting Receiver's Motions to (1) Sell Personal Property Free and Clear of Liens, Interests, Claims and Encumbrances, and (2) Approve Settlement (Freedom Loan Portfolios F+ and C+) [Dkt. 196].

Based on the purchase price, the compromise of the Comvest payoff amount and the cash balance in the consumer loan collection accounts transferred to the Receiver on the date of closing, the Receivership Entity obtained a net benefit of approximately \$18 million.

**E. 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 financed in part by Scottrade. The current principal amount of the financing is approximately \$1.3 million and is secured by \$8.7 million of student loans. The debt is expected to be retired within 10 to 12 months, depending on collections and other credits.

**VIII. Settled and Pending Litigation**

**A. Settlement of the SEC Complaint**

As set forth above, on June 6, 2016, the Receiver, on behalf of the Aequitas Entity Defendants, agreed to resolve the SEC enforcement action. Without admitting or denying the allegations of the complaint, the Receiver consented to the entry of a permanent injunction against future violations of the federal securities laws, and agreed



to cooperate in the ongoing SEC matter. The settlement left open the question of disgorgement and/or civil penalties, which will be addressed at a later date.

The settlement documents also contain a provision that the settling parties understand and agree to comply with the SEC's policy "not to permit a defendant or respondent to consent to a judgment or order that imposes a sanction while denying the allegation in the complaint or order for proceedings." Consequently, the Receiver has refrained from commenting on the settlement.

Although the Aequitas Entity Defendants are no longer contesting the merits of the SEC enforcement action, the Receivership will continue to be involved in the litigation on a limited basis as it proceeds through the discovery phase. Pepper Hamilton will continue to represent the Receiver in connection with the SEC matter, as well as other ongoing regulatory inquiries.

**B. Directors and Officers Liability ("D&O") Insurance**

The three former Aequitas executives sued by the SEC, Robert Jesenik, Brian Oliver and Scott Gillis (otherwise known as the "Individual Defendants"), moved the Court for an order allowing, inter alia, Catlin Insurance to pay the attorney's fees and related costs ("Defense Costs") they have and will incur in connection with their defense of the SEC investigation (collectively the "Individual Defendants' Motion").

The Receiver, after consultation with insurance coverage counsel Stan Shure, did not believe he could successfully object to the foregoing request. However, the Receiver did find other aspects of the Individual Defendants' Motion objectionable, including, their request to allow Catlin Insurance to pay: (i) the Individual Defendants' Defense Costs for claims that were not identified and, in fact, may have yet to be made and (ii) the Defense Costs of unnamed members of the former management of Aequitas. The Individual Defendants' Motion also failed to: (i) mention the existence of two additional D&O

policies, each with separate limits of \$5 million that are in excess of the Catlin Insurance Policy; (ii) mention that the Aequitas Receivership Entity also qualifies as insured under the D&O policies, thereby inferring that the Aequitas Receivership Entity did not have rights to access the proceeds of the Catlin and excess D&O policies if a covered claim was brought against one or more of them; and (iii) contain any provisions for monitoring or oversight of the Individual Defendants' use of the policy proceeds.

The Stipulation & Order that the Receivership Entity negotiated with the Individual Defendants resolved all the deficiencies in the Individual Defendants' Motion in a manner favorable to the receivership. Specifically, the order the parties stipulated to, and which the Court entered on May 23, 2016, is limited in scope only to the payment of the Individual Defendants' Defense Costs incurred in connection with the SEC claim. It contains language referencing the existence of the excess D&O Policies and that the Receivership Entity qualify as insured and may have rights to D&O Policy proceeds if a covered or potentially covered claim is made against one or more of its entities, and requires the Individual Defendants on a quarterly basis to report to the Receiver the total amount paid to them by Catlin Insurance during the preceding quarter. Subsequent to June 30, the Receiver received the first such report.

**C. Genesis Lending Services, LLC ("Genesis")**

Genesis claims that CSF and Aequitas SPV, owning pools of Corinthian student loans, failed to pay certain de-boarding fees to Genesis owed as part of the termination of the servicing relationship between Aequitas and Genesis. The claims were settled prior to the receivership for a total of \$285,655, in six monthly installments of \$47,609 beginning on February 29, 2016. The February 2016 installment was paid.

The Receiver has suspended further payments to Genesis.

**D. Insurance causes of action**

Shure, with the assistance of FTI's and the Receivership Entity's staff, has been involved in discovering and submitting to National Union – an AIG company that provided coverage for the Aequitas Receivership Entity – matters that trigger coverage under the "Fidelity" section of the Financial Institutions Bond that expired on June 30, 2016. Additionally, Shure – in conjunction with FTI, Pepper Hamilton and Schwabe – has been analyzing the historic and current management and professional liability insurance coverage issued to Aequitas for purposes of determining, inter alia: (i) whether coverage is triggered under these policies for the various claims that have and may be asserted against Aequitas and its former management personnel; (ii) when such claims, under the terms of the policy, were first made; (iii) what policy year(s) were triggered by the claims; and (iv) the coverage positions the insurers have or may be expected to assert with respect to such claims. Finally, Shure in conjunction with FTI's and the Receivership Entity's staffs has: (i) been involved in the receivership's attempts to obtain new policies replacing the expiring Financial Institution Bond, Employment Practices Liability and Fiduciary Liability policies issued to Aequitas; and (ii) been obtaining missing policies where coverage was previously bound but where the corresponding policies had not been issued.

**E. ASFG**

At the time of the Receiver's appointment, lawsuits were pending against Aequitas entities in California federal and state courts. ASFG and affiliates had filed suits against Aequitas and certain of its executives in the Southern District of California and San Diego County, asserting state law claims for money damages arising out of the



companies' former business relationship, which involved brokering and financing loans to students of the now bankrupt Corinthian Colleges.

Following this Court's issuance of the Receivership Order, the Receiver worked with his counsel to inform the California courts of the litigation stay imposed to protect Receivership Property and to provide the Receiver with the necessary time to carry out his many duties without the distraction and expense of defending litigation claims. Both California courts promptly stayed their pending cases.

Shortly thereafter, in furtherance of the Receiver's duty to take custody of Receivership Property, the Receiver filed a motion in the Southern District of California to release \$2.4 million from the court's registry that had been deposited by Aequitas years earlier pursuant to a pre-judgment attachment lien. ASFG fought the disbursement and lost. The California District Court held that ASFG had no right of possession to the funds, which remain property of the receivership.

Before releasing the funds, however, the California District Court provided ASFG with time to seek relief from this Court. As previously discussed, ASFG's motion to lift the litigation stay, which the Receiver, SEC, and certain investors opposed, has been resolved.

## **IX. Assets in the Possession, Custody and Control of the Receivership Estate**

### **A. Cash and Cash Equivalents**

The Receiver has possession of cash balances in excess of \$39 million as of June 30, 2016. At the time of the Interim Receivership Order establishing the Receivership, there were very limited unrestricted funds in the estate to pay prospective operating expenses. The Interim Receivership Order and Final Receivership Order have provided



the Receiver with the flexibility of using any funds across the Receivership Entity for the purpose of paying for operating expenses. Additionally, over the period from March 16, 2016 to June 30, 2016, the overall cash balance of the Receivership Entity increased by approximately \$23.4 million, plus release of additional previously retained cash by Comvest.

These funds are segregated by legal entity based on the proceeds of asset sales and collections and deposited in accounts controlled solely by the Receiver at Union Bank of California (with some smaller balances at a few other financial institutions). While bank accounts are maintained for each entity, the expenses of the Receivership Entity can be covered from any of the entities in accordance with the Final Receivership Order.

Attached as Exhibit E 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 June 30, 2016.

**B. Notes Receivable**

Aequitas used intercompany notes (and accounts receivable/payable) to document the transfer of funds among its affiliates and subsidiaries. The largest of these intercompany notes is a \$180 million note from AH to ACF. Exhibit C lists the notes receivable for ACF as of year-end 2014 and 2015. As indicated, Aequitas transferred intercompany notes between various entities during 2015. The Receiver, as part of his future investigation, will review all of these transfers.

For notes receivable from non-Receivership entities, the Receiver and staff continues to pursue collection and will continue to provide progress updates.

### C. The 48 Receivership Entities and 9 Extended Entities

The section below discusses the major entities relevant to the Receivership, their assets and a general description of the businesses. An organizational chart is attached to this report as Exhibit A.

#### 1. Aequitas Management LLC ("AM")

AM is the ultimate parent company for the Aequitas enterprise. The ownership of AM has evolved as managers and partners have entered and exited Aequitas. The corporate governance of AM is discussed in further detail in Section XI below. The ownership interests in AM, as of December 31, 2015 and June 30, 2016, are represented in the table below.

| Name                      | Ownership at 12/31/15 |               | Current Ownership |               |
|---------------------------|-----------------------|---------------|-------------------|---------------|
|                           | Units                 | Percentage    | Units             | Percentage    |
| Bob Jesenik               | 1,198,015             | 40.1%         | 1,198,015         | 41.3%         |
| Brian Oliver              | 727,511               | 24.4%         | 727,511           | 25.1%         |
| Andy MacRitchie           | 391,670               | 13.1%         | 391,670           | 13.5%         |
| Craig Froude              | 391,670               | 13.1%         | 391,670           | 13.5%         |
| Atherton Capital Holdings | 194,481               | 6.5%          | 194,481           | 6.7%          |
| William Malloy            | 83,193                | 2.8%          | 0                 | 0.0%          |
| <b>Total:</b>             | <b>2,986,540</b>      | <b>100.0%</b> | <b>2,903,347</b>  | <b>100.0%</b> |

AM owns 83.6% of AH with the remainder held as represented in the following table.

| Name                     | Existing AH Ownership |               | Income Allocation |                      |               |
|--------------------------|-----------------------|---------------|-------------------|----------------------|---------------|
|                          | Units                 | Percentage    | First 65% to Mgmt | Remain 35% to Common | Total         |
| Aequitas Management, LLC | 8,844,175             | 83.6%         | 65.00%            | 29.3%                | 94.3%         |
| William C. McCormick     | 64,400                | 0.6%          | 0.00%             | 0.2%                 | 0.2%          |
| PatRick Investments      | 834,000               | 7.9%          | 0.00%             | 2.8%                 | 2.8%          |
| Rick Terrell             | 834,000               | 7.9%          | 0.00%             | 2.8%                 | 2.8%          |
| <b>Total:</b>            | <b>10,576,575</b>     | <b>100.0%</b> | <b>65.00%</b>     | <b>35.0%</b>         | <b>100.0%</b> |

AH in turn owns 100% of ACM, 100% of ACF and a majority interest in COF.

ACM, ACF and COF each own portfolio companies and equity investments as explained below. The portfolio companies and equity investments owned by ACM, ACF and COF are each addressed separately, beginning with COF.

2. COF

Monetization of the Receivership Entity's interest in COF, including through the monetization of COF's interest in its portfolio companies, is one of the Receiver's priorities. CPYT, as the largest of the COF holdings, has significant going-concern value with potential to be monetized for the benefit of Aequitas investors (and the limited partners in COF). The various entities listed in this sub-part 2 are all owned in whole or in part by COF. Note that while COF itself is a Receivership Entity, the various companies in which COF owns an interest are not part of the Receivership Entity.<sup>7</sup>

The Receiver and his staff have been actively marketing Receivership Entity's interests in COF in search of a suitable replacement general partner. To date, those efforts have generated two non-binding letters of intent with a high valuation of about \$63 million for the Receivership Entity's interests.

An analysis of the relative value of selling the interests in COF vs. monetizing each asset owned by COF is underway, with various monetization alternatives and combinations of strategies being considered.

a. *The CarePayment Platform*

The Receiver has devoted considerable time and energy to preserve value in the CarePayment platform, consisting of CPLL, CPFIT, CarePayment Holdings, LLC ("CPH") and CPYT.

Healthcare receivables portfolios are owned by CPLL (part of the Receivership Entity) and CPFIT (not part of the Receivership Entity). Both entities roll up to CPH (part of the Receivership Entity).<sup>8</sup> As of June 30, 2016, the face values of the receivables owned by CPLL and CPFIT were \$51.8 million and \$24.4 million respectively, with such

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<sup>7</sup> The COF portfolio companies listed on Exhibit B of the Final Receivership Order include CPYT; EdPlus; ETC; SCAH; MOGL Loyalty Services, Inc.; MotoLease LLC; Independence Bancshares, Inc. and QuarterSpot, Inc.

<sup>8</sup> CPLL and CPH are part of the Receivership Entity, per Exhibit A of the Final Receivership Order. CPFIT and CPYT are Extended Entities, per Exhibit B of the Final Receivership Order.



receivables encumbered by senior secured debt of \$33.5 million for CPLLC and \$16.8 million for CPFIT. CPH, which directly owns 100% of CPLLC and, indirectly, 100% of CPFIT, is encumbered by additional debt, including approximately \$10.5 million of secured debt from Weider and Forman as well as \$15.9 million of subordinated debt. In order to preserve the “going concern” value of the platform, CPLLC has been originating new receivables in the ordinary course of its business since the commencement of the receivership.

*b. CPYT*<sup>9</sup>

CPYT services healthcare receivables and develops and manages the CarePayment program. As the operating company, CPYT provides a patient finance and servicing program that has been deployed at healthcare provider sites, including health systems, hospitals, and physician groups across the United States. With respect to the investment in the receivables, CPYT currently works exclusively with CPLLC and CPFIT, providing sales, program management, and servicing of the healthcare receivable portfolios owned by CPLLC and CPFIT. CPYT is majority-owned by COF.<sup>10</sup> Although CPYT is not technically part of the Receivership Entity, it is a critical asset of COF (part of the Receivership Entity) and is integral to maximizing the recovery to a wide range of Aequitas investors. In 2013, Duff & Phelps valued the equity of the company between \$25 million and \$35 million and in 2014 between \$85 million and \$100 million. The 2014 audited financials valued COF’s 92.1% stake at \$92 million, which was later revalued by Aequitas as of 3Q 2015 at \$69 million. The Receiver views these prior valuations as not indicative of current value.

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<sup>9</sup> <https://www.carepayment.com/>

<sup>10</sup> COF has been recently renamed CCM Capital Opportunities Fund, LP



The Wells Fargo credit facility is gradually amortizing, with CPFIT paying down the outstanding loan balance by approximately \$7.0 million<sup>11</sup> between March 31 2016 and June 30, 2016. The Receivership Entity has been in regular communication with Wells Fargo, providing weekly reports and running weekly distribution “waterfalls,” as well as coordinating a site visit by Wells Fargo representatives. Although CPFIT is not part of the Receivership Entity, due to its close connection with the Receivership Entity, the Receivership Entity greatly benefits from the Receiver’s efforts to stabilize and maximize the value of CPFIT.

As part of the effort to monetize the Receivership Property, the Receiver, his retained professionals, and Receivership Entity staff have engaged CPYT in active discussions regarding the potential sale of approximately \$76 million receivables owned by CPLLC and CPFIT (as of June 30, 2016, based on face value) to a newly formed affiliate of CPYT. Such a sale would provide significant cash proceeds to the Receivership Entity (and, ultimately, to the investors) and would increase the value of CPYT by improving its marketability, also a benefit to the Receivership Entity and its investors. Receivership Entity staff have worked closely with CPYT management and staff to understand and analyze the CarePayment business model, the complex nature of the flow of flows, including funding transactions, hospital settlements, and various legacy and on-going intercompany obligations between CarePayment-related entities that are part of the Receivership Entity and the non-Receivership Entity CPYT, and to develop a potential approach to pricing the portfolios for sale to CPYT. To effectuate the acquisition of receivables and to stabilize and grow its operations, CPYT will require a new health care receivables funding facility.

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<sup>11</sup> The outstanding balance on March 31, 2016 and June 30, 2016 was \$23.8 million and \$16.8 million, respectively.

To procure a new, lower-cost source of funding, CPYT, with significant input from the Receiver, has obtained a letter of intent from a bulge bracket financial institution to provide a new large senior credit facility that would allow CPYT to acquire the receivables from CPLLC and CPFIT. However, this transaction does not appear to be moving forward at this time due to conditions required by the potential new lender that CPYT might not be able to meet. CPYT is continuing to explore various alternative funding sources for the acquisition of new receivables.

In anticipation of the potential sale of the CPLLC and CPFIT receivables portfolios, which could produce approximately \$25 million in net proceeds (after payment of institutional debt), the Receiver has been engaged in negotiations with Weider and Forman for a reduced payoff of their secured loans to CPH ("Weider / Forman Loans"). Based on the facts presently known to the Receiver, the Weider / Forman Loans appear to be substantially over-collateralized and validly perfected. These loans bear interest at 17% (default rate of 25%). Weider / Forman have agreed to a payoff of \$8.5 million in full satisfaction of the \$10.5M principal balance of the note and the accrued interest of approximately \$800 thousand. While the Receiver has not yet submitted this matter for Court approval (which is subject to a completed portfolio sale), the Receiver has discussed this matter with the IAC members and, while not unanimous, the reduced payoff proposal has received strong support.

To achieve a beneficial sale, CPYT needs to be able to continue as a going concern and reorganize as an integrated enterprise that directly owns the existing CPLLC and CPFIT receivables portfolios, as well as the newly originated receivables, and have access to stable low-cost funding. Prior to the Receivership, Triple Tree, a health-care industry investment banking specialist, had been seeking minority investors for almost a year and had received 15 indications of interest. The discovery and correction of an

accounting consolidation error in certain CPYT financial statements and Aequitas' recent circumstances caused all but one interested party to drop out of that process.

Subsequently, CPYT has continued to attract potential buyers. In early June, CPYT received an offer from a private equity firm sourced by Triple Tree interested in acquiring a majority stake in CPYT – a transaction that would allow the repayment of the CPYT Receivership Entity notes receivable and the redemption of some of the existing shareholders. The potential buyer is familiar with the CarePayment platform and is continuing additional due diligence.

c. *ETC*<sup>12</sup>

ETC offers clearing, settlement and custodial services to securities industries participants. COF owns 24.3% of ETC via common stock with Aequitas ETC Founders Fund LLC ("ETCF") owning an additional 28.9% via preferred stock. In 2013, Duff & Phelps valued the COF interest in ETC at between \$5.3 million and \$8.1 million. The 2014 audited financials valued the COF holdings at \$9.1 million, which value was later affirmed by Aequitas as of 3Q 2015. The Receiver has not yet determined an estimate of value.

d. *ML*<sup>13</sup>

ML is a lease originator that offers consumers leasing programs that allow near-prime and subprime consumers to lease new and used motorcycles, ATVs, jet skis and other power sport vehicles. ML provides an alternative means of financing to prospective lessees who may not qualify for leasing programs offered by traditional financial institutions. ML solicits its customers by working with a network of motorcycle and motor vehicle dealerships primarily located in the states of California, Texas, and Florida. Ordinarily, the leases are contracted for 12 to 60 months. Utilizing a lease

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<sup>12</sup> <https://www.etcgh.com/>

<sup>13</sup> <http://motolease.net/>



structure rather than a retail installment contract structure allows ML to apply a cost of financing appropriate to the credit risk of the consumer and collateral class, and it provides more control of the collateral, which is vital when serving subprime customers. In 2013, Duff & Phelps valued the COF interest at between \$5.3 million and \$8.1 million. The 2014 audited financials valued the COF holdings at \$8.5 million, which value was later affirmed by Aequitas as of 3Q 2015. The Receiver has not yet determined an estimate of value.

e. *Independence Bancshares, Inc.*<sup>14</sup>

Independence Bancshares, Inc. operates as a bank holding company. The company through its subsidiary, Independence National Bank, provides banking services to consumers and small- to mid-size businesses, principally in Greenville County, South Carolina. It provides traditional checking and savings products and commercial, consumer and mortgage loans to the general public, as well as ATM and online banking services, commercial cash management, remote deposit capture, safe deposit boxes, bank official checks, traveler's checks, and wire transfer capabilities. The company also offers digital banking, payments and transaction services. Independence Bancshares was founded on September 21, 2004 and is headquartered in Greenville, SC. COF purchased \$2.5 million of preferred stock in May 2015 bearing 6%.

f. *SCAH*

SCAH develops model portfolios and offers back office integration to third-party investment management firms. The 2014 audited financials valued COF's 25% stake at \$4 million, which was later revalued by Aequitas at \$4.6 million as of Q3 2015. SCAH operates at a loss and requires quarterly infusions of cash to maintain operations. The Receiver is currently in negotiations with the other partners in the venture for a

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<sup>14</sup> <http://independencenb.com/>



repurchase of the Receivership Entity's interest with a purchase price of approximately \$817 thousand, with \$300 thousand paid at closing and the additional consideration paid in equal installments in September 2016 and January 2017.

*g. MOGL Loyalty Services, Inc.*<sup>15</sup>

MOGL Loyalty Services, Inc. provides rewards programs for restaurants and consumers in the United States. It offers restaurant rewards programs that let consumers earn cash back for eating at specific restaurants, in addition to providing users with the option to donate those rewards to charity. The company was founded in 2010 and is based in San Diego, California. COF valued its 7.1% stake at \$2 million as of Q3 2015. The Receiver has not yet determined an estimate of value.

*h. QuarterSpot, Inc.*<sup>16</sup>

QuarterSpot, Inc. is a peer-to-peer small to mid-size business loan originator. The company was incorporated in 2011 and is based in New York, New York. The 2014 audited financials valued COF's 17.9% stake at \$5.1 million, which was later revalued by Aequitas at \$10.5 million as of Q3 2015. The Receiver has not yet determined an estimate of value.

*i. EDPlus (dba Unigo Group)*<sup>17</sup>

As discussed earlier in the Report, COF's interest in EDPlus has been sold. In 2013, Duff & Phelps valued the equity of the company at between \$10 million and \$15 million, and in 2014 at between \$28.5 million and \$33.5 million. The 2014 audited financials valued COF's 79% stake at \$11.7 million, which was later revalued by Aequitas at \$7 million as of 3Q 2015.

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<sup>15</sup> <https://www.mogl.com/>

<sup>16</sup> <https://www.quarterspot.com/>

<sup>17</sup> <http://b2e.unigo.com/>

As previously discussed, the Receiver has sold the interest in EdPlus. The consideration for the sale was \$500 thousand to be paid at closing, \$100 thousand 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, which may or may not result in additional payments of up to \$12.9 million.

*j. Alternative Capital Advisors LLC<sup>18</sup>*

Alternative Capital Advisors is a Registered Investment Advisor. Aequitas sold its 4.9% interest in late 2015 for \$53 thousand. The Receiver is investigating the sale to ensure it was an arms-length transaction and was consummated based on a proper valuation.

**3. ACF**

ACF has an ownership interest in the following receivables portfolio companies and equity investments.

*a. CPH*

CPH as discussed earlier, through its subsidiaries (CPLLC and CPFIT), holds consumer medical receivables with a face value of \$76.2 million as of June 30, 2016. As discussed above, these portfolios may be sold to an affiliate of CPYT following its recapitalization, with CPH benefitting from the proceeds net of secured debt.

*b. CSF*

CSF is one of two Aequitas entities that own the Corinthian Colleges student loans portfolio (the other is IPF). The CSF portfolio is approximately 29,000 accounts, including approximately 12,000 defaulted accounts as of June 30, 2016. The aggregate unpaid balance of these portfolios is \$199.7 million and the principal balance of non-defaulted loans is \$81.4 million. The net investment by Aequitas in the remaining

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<sup>18</sup> <http://altcapadvisers.com/>

portfolio is approximately \$87.9 million and there is senior secured debt owed to Scottrade of approximately \$1.3 million. A settlement with the CFPB and likely with other authorities and constituents is required before the portfolio can be monetized and any such settlement will significantly degrade the value of the receivables. The Receiver views the market value of the receivables as highly uncertain.

c. *ACC F Plus Holdings, LLC (F+) ("ACCFPH")*

ACCFPH through ACCFT-1 held consumer consolidation loans which were sold as part of the Consumer Loan Portfolios sale. Of the \$44.5 million gross proceeds received from the sale, approximately \$5.2 million was realized on this portfolio after the retirement of secured debt and additional \$3.8 million of restricted cash collections were released to the Receivership Entity.

d. *MLF*

MLF holds subprime consumer leases for motorcycle and other recreational vehicles. A substantial amount of the portfolio's value was lost when MLF entered into a consignment agreement with Next Motorcycle, LLC ("NEXT") in 2015. The agreement was intended to increase the resale value of vehicles repossessed by establishing economic policies for refurbishing and marketing such vehicles. Instead, the NEXT program took assets that were owned free and clear by MLF and appears to have caused the portfolio to pay an excessive amount of fees to NEXT, thereby diminishing asset value. As of June 30, 2016, the portfolio had a face value of approximately \$11.1 million, of which \$10.7 million is less than 60 days past due (after a 42% charge-off of defaulted accounts). Additionally, MLF had repossessed 144 vehicles with cumulative outstanding lease balances of \$1.1 million that are in various stages of reconditioning and/or resale. The Receiver is working to determine the recoverable value of the

repossessed vehicles. The Receiver is also reviewing potential claims with the servicing of the portfolio and refurbishment of the repossessed assets.

e. *ASH*

ASH was formed in November 2014 to provide funding to Aequitas' senior living facility joint venture with Civitas Senior Living. The joint venture's purpose was to build and operate a senior living facility, called Ledgestone Senior Living, in Austin, Texas. In January 2015, ASH loaned approximately \$2.4M to Ledgestone Holdings, LLC,<sup>19</sup> the property holding company of the joint venture. The proceeds of this loan were to be used by the joint venture to make a 20% down payment on a larger property and construction loan to build the facility. The loan to Ledgestone Holdings is ASH's only asset. ASH made additional advances to Ledgestone Holdings and the loan currently has an outstanding balance of approximately \$3.1M. The Receiver has received an offer of \$1.5 million for Ledgestone Holding's interest and is currently evaluating the offer.

4. ACM

ACM has an ownership interest in the following loan portfolio companies and equity interests.

a. *Spouting Rock Financial Partners, LLC*

Spouting Rock Financial Partners, LLC<sup>20</sup> is both an investment banking firm and an alternative investment consulting firm, and was developing a new mutual fund when Aequitas made its investment of \$400 thousand in August 2013. ACM's interest in Spouting Rock Financial Partners was sold for \$100 thousand in February 2016.

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<sup>19</sup> Ledgestone Holdings, LLC is a subsidiary of Aequitas Senior Housing Operations LLC – an AH subsidiary.

<sup>20</sup> <http://spoutingrock.us/>



b. *Aequitas Capital Opportunity Fund GP, LLC ("COF GP")*

COF GP is a 1% owner of COF. The value of this asset is currently unknown. A more fulsome discussion of COF and its portfolio companies is contained earlier in this Report.

c. *AIM*

AIM manages various Aequitas funds and pre-Receivership received a management fee based on assets under management for its services provided to certain Aequitas funds.<sup>21</sup> The fee has two components: (i) 0.1667% monthly (2% annualized) of the assets of the funds managed by AIM (excluding certain assets attributable to inter-company balances such as loans to affiliates) and (ii) 20% of the annual net income of the managed entity, calculated and paid quarterly (subject to a year-end true-up based on final audited annual numbers). The management fee is subject to adjustment on an annual basis. Since the institution of the Receivership, no management fee has been assessed or paid by any of the managed funds. AIM recently filed a Form ADV-W to withdraw its SEC registration as an investment advisor.

5. AES

AES provides administrative services to various Aequitas entities. Continuing the pre-Receivership practice, the employees of the Receivership predominantly are employed by and paid through this entity.

The sole asset of AES is a 25% interest in COF GP. The Receiver has not yet determined an estimate of value of this asset.

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<sup>21</sup> Those funds include COF, EIF, IPF, IOF, IOF II, PCF and WRFF.

6. PCF

PCF owns 12.6% of COF. The Receiver has not yet determined an estimate of value. The detailed discussion of the equity positions owned by COF can be found earlier in this report in Section IX, C, 2.

a. *Pipeline Health Holdings, LLC*<sup>22</sup>

PCF owns 12.6% of Pipeline Health Holdings, which is a telepharmacy platform offering both a full service telepharmacy and also software as a service (SaaS) technology. Pipeline offers telepharmacy to hospitals and hospital networks. Pipeline is targeting a recapitalization with a new equity investor in the Q4 2016 - Q1 2017 timeframe. The Receiver has not yet determined an estimate of value.

7. IOF

IOF is a debt fund used by Aequitas for fundraising and subsequently using those funds to make loans to other Aequitas investment vehicles or portfolio companies. IOF has \$17.3 million in debt outstanding to investors. A summary of investments and loans made by IOF is contained herein as Exhibit B. Book values, which are stated as of December 31, 2015, are subject to material impairment and are not indicative of expected recovery.

D. Other Aequitas Holdings Investments

1. ACC C Plus Holdings, LLC (C+) ("ACCCPH")

ACCCPH held consumer consolidation loans which were sold as part of the Consumer Loan Portfolios sale. Of the \$19.7 million total gross proceeds received from the sale, \$4.9 million was realized on this portfolio after the retirement of secured debt

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<sup>22</sup> <http://www.pipelinex.com/>

and additional \$5.5 million of restricted cash collections were released to the Receivership Entity.

2. Aequitas Peer-To-Peer Funding ("P2P")

P2P was established in March 2014 and made its first investment in April 2014. The fund was created to participate in loans to small and medium sized businesses, which Aequitas asserted historically been underserved by traditional banks.

While P2P was created to invest across various platforms, it only entered into a partnership with OnDeck (an online platform for small and medium sized business loans). At its peak, in March 2015, P2P had \$5,267,704 in OnDeck receivables. OnDeck provided an accounting report as of February 1, 2016 which indicated the principal balance at that time was \$48,902.

3. ACC Holdings 5, LLC ("ACCH5")

ACCH5 is a special purpose entity which, through an affiliated trust, owns approximately \$12.5 million of additional C+ and F+ consumer consolidation loans from the Freedom Financial Network program. The consumer consolidation loans were acquired via funds received through the sale of certificates of beneficial interest to a Cayman Island entity financed by Luxembourg bonds.

4. Aequitas Wealth Management, LLC ("AWM")

AWM was the entity through which Aequitas was acquiring RIAs and has an ownership interest directly or indirectly in the following loan portfolio companies and equity interests.

a. Hickory Growth Partners, LLC ("HGP")

HGP (RIA in Tennessee) is defunct due to the death of the principal – Bobby Allison. HGP loaned \$175 thousand to Mr. Allison in October of 2014. He passed away

shortly thereafter. Pre-receivership, the last settlement offer made to Mr. Allison's estate was \$50 thousand in exchange for a return of all membership interests to his estate.

*b. Aspen Grove Equity Solutions ("AGES")*

AWM owns 60% of AGES with the remainder held as presented in the following table.

| Aspen Grove                     |              | Ownership at 12/31/15 |  |
|---------------------------------|--------------|-----------------------|--|
| <u>Names</u>                    | <u>Units</u> | <u>Percentage</u>     |  |
| Aequitas Wealth Management, LLC | 120,000      | 60.0%                 |  |
| Gary Price                      | 35,000       | 17.5%                 |  |
| Tim Feehan                      | 35,000       | 17.5%                 |  |
| Ron Robertson                   | 10,000       | 5.0%                  |  |
| Total:                          | 200,000      | 100.0%                |  |

AGES bought Strategic Capital Group (an RIA) from Gary Price and Ron Robertson financed by a seller note; AGES subsequently borrowed funds from ACL to facilitate a merger with Private Advisory Group ("PAG"). AGES now owns approximately 68% of PAG, owes Aequitas Corporate Lending \$1.7 million, and still owes Gary Price/Ron Robertson the seller note in the amount of approximately \$4.8 million. AGES had improperly attempted to expel Aequitas as a member; the Receiver has asserted his rights to continue as the majority equity owner of AGES and will be seeking to monetize this investment.

*c. PAG*

AGES owns 68% of PAG with the remainder held as presented in the following table.



| Private Advisory Group, LLC       |         | Ownership |         |            |
|-----------------------------------|---------|-----------|---------|------------|
| Member                            | Class A | Class B   | Total   | Percentage |
| Aspen Grove Equity Solutions, LLC | 68,230  | 0         | 68,230  | 68.20%     |
| Bean Holdings LLC                 | 27,400  | 0         | 27,400  | 27.40%     |
| Douglas Maurer                    | 0       | 4,370     | 4,370   | 4.40%      |
| Total:                            | 95,630  | 4,370     | 100,000 | 100.00%    |

AGES acquired its interest in PAG in July 2014 at which time PAG absorbed more than \$400 million in assets under management from another investment firm, Strategic Capital Group (SCG).<sup>23</sup>

PAG is experiencing substantial pressure and loss of assets due to its affiliation with Aequis and large holdings by its clients of Private Notes.<sup>24</sup>

*d. Aequis Wealth Management Partner Fund LLC ("AWMPF")*

AWMPF's sole asset is an interest in Accelerate IT ("AITV").<sup>25</sup> AITV is a US-based venture capital firm with offices in Palo Alto, Santa Monica, La Jolla, Boston, and London, that is focused on commercialization of technologies between the United States and Europe, Middle East and Africa. AITV invests in early-stage, medium-growth and late-stage information technology companies that demonstrate significant opportunities for growth. On January 30, 2016, the managing members of AITV improperly attempted to remove Aequis from its interest in AITV. The Receiver has contested the removal of Aequis and intends to fully evaluate the Receivership Entity's position in this matter, and to provide a report to the Court regarding its position and whether it intends to enforce its rights under the AITV GP Operating Agreement.

<sup>23</sup> Two months after closing, the SEC fined SCG and Gary Price for purchasing bonds through his personal broker-dealer before selling them to SCG Clients at a mark-up.

<http://www.sec.gov/News/PressRelease/Detail/PressRelease/1370542983435>

<sup>24</sup> ACF utilized the issuance of unsecured promissory notes ("Private Notes") to raise hundreds of millions of dollars from more than a thousand investors. As of December 31, 2015, approximately \$312 million in Private Notes were outstanding to more than 1,500 investors. An estimated 330 clients of PAG, representing \$128 million of assets under management were invested in Aequis sponsored investment products.

<sup>25</sup> <http://accelerateit.com/>

5. Portland Seed Fund<sup>26</sup>

Portland Seed fund is an investment in a local venture capital fund providing early stage capital to Oregon based start-ups. The Receiver has not had an opportunity to review this investment and, thus, has not determined any recoverable value.

6. Luxembourg Bonds

The Receivership Entity is involved in a complex trust structure related to several series of bonds offered on the Luxembourg Stock Exchange to non-U.S. investors. The issuer of such bonds is Aequitas Income Opportunities S.A. (the "Issuer"), which is not part of the Receivership Entity. The Issuer purchased limited partnership interests in Aequitas International Opportunities LP, a Cayman Islands limited partnership ("Cayman") which is one of the "Extended Entities" under the Final Receivership Order. Cayman is the holder of certificates of beneficial interest in ACCH5 (part of the Receivership Entity), which is wholly-owned by AH (also part of the Receivership Entity). ACCH5 established a series of Grantor Trusts that purchased and currently holds certain C+ and F+ Freedom loan portfolios.

As of the date of this report, the Receiver has performed a preliminary analysis regarding the complex structure of the entities and assets and has fielded questions and inquiries from third parties about certain aspects of the debt and equity holdings of the various parties, but no conclusions have been reached at this point regarding the assets and liabilities of these various entities.

7. Aequitas Asset Management Oregon ("AAM")

AAM's sole investment is in Innovator Management,<sup>27</sup> a 1940-Act investment advisory platform that is owned equally with Clifton Larson Allen. The platform currently

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<sup>26</sup> <http://www.portlandseedfund.com/>

<sup>27</sup> <http://innovatorfunds.com/>

advises a mutual fund, Innovator McKinley Income Fund, and an ETF, Innovator IBD ETF. The single biggest asset is the exclusive right to develop additional Investor's Business Daily branded ETFs. The Receiver has received an offer that would produce minimal funds to the Receivership Entity. Additionally, another interested party is entering into due diligence regarding the acquisition of this asset.

8. Aequitas Senior Housing Operations, LLC

The Receivership Entity owns a minority interest in a development in Austin, Texas consisting of 120 independent senior lifestyle apartments, approximately 60 assisted living studio suites and one-bedroom units, and 10 private and semi-private memory care units.

The project is currently over-budget and behind schedule, with occupancy expected to commence in Q4 2016. Due to the typically extended period before stabilization, these types of projects often do not experience a liquidity event (either sale or refinance) until several years after occupancy commences.

The majority owners have made a cash offer of \$1.5 million to repurchase the interest. The Receiver is evaluating the offer.

9. Aequitas Hybrid Fund ("AHF")

ACF owns 29.2% of AHF. AH owns 14% of AHF. AHF is a middle market mezzanine debt fund established in 2006. It has been in wind-down/liquidation mode for several years. The sole asset of AHF is a note receivable from MSP in the amount of \$10.3 million as of December 31, 2015, which the Receiver believes is significantly impaired.

10. Aequitas Income Opportunity Fund II, LLC ("IOF2")

IOF2 is a debt fund used by Aequitas for fundraising and which subsequently used those funds to make loans to other Aequitas investment vehicles or portfolio



companies. IOF2 has \$104.6 million in debt outstanding to investors. A summary of investments and loans made by IOF2 is contained herein as Exhibit B. Book values, which are stated as of December 31, 2015, are subject to material impairment and are not indicative of expected recovery.

11. ETCF

ACF owns 15.4% of ETCF, and AIM owns 11% of ETCF. ETCF's sole investment is in \$8.8 million Series A convertible preferred stock in ETC Global Holdings, Inc. which was purchased in September 2011. This investment is redeemable at the option of both the holders or ETC after September 23, 2016 at \$5.00 per share (par) plus accrued and unpaid dividends (accruing 5% annually). The Receiver has not yet determined an estimate of value.

12. 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.<sup>28</sup> The Receiver is in active discussions with Window Rock Capital Partners LLC (the sponsor of the underlying fund) to sell the Receivership Entity's interest.

13. Aequitas Enhanced Income Fund, LLC ("EIF")

EIF is a debt fund used by Aequitas for fundraising and which subsequently used those funds to make loans to other Aequitas investment vehicles or portfolio companies. EIF owes \$14.2 million of debt to non-controlling members (investors) and \$1.4 million to ACF. A summary of investments and loans made by EIF is contained herein as Exhibit B. Book values, which are stated as of December 31, 2015, are subject to material impairment and are not indicative of expected recovery.

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<sup>28</sup> <http://windowrock.com/>



14. IPF

IPF is an equity fund used by Aequis for fundraising and which subsequently used those funds to make investments in and loans to other Aequis investment vehicles or portfolio companies. IPF owes \$9.2 million to non-controlling members and \$10.5 million total to CSF and ACF. A summary of investments made by IPF is contained herein as Exhibit B. Book values, which are stated as of December 31, 2015, are subject to material impairment and are not indicative of expected recovery. CSF owns 46.3% of IPF, and ACF owns 8% of IPF.

15. APF Holdings, LLC ("APFH")

AM also owns 100% of APFH. APFH holds a controlling interest in APF.

16. APF

APF is an equity fund. The ownership interests in APF are presented in the following table.

| Aequis Partner Fund, LLC |  | Ownership         |
|--------------------------|--|-------------------|
| <u>Name</u>              |  | <u>Percentage</u> |
| Aequis Management, LLC   |  | 83.6%             |
| William C. McCormick     |  | 0.6%              |
| PatRick Investments      |  | 7.9%              |
| Rick Terrell             |  | 7.9%              |
| Total                    |  | 100.0%            |

APF has an interest in the following companies:

a. MSP

MSP was originally a holding company formed to acquire companies in the marketing, printing, and graphic arts industries. Over time the holding company acquired the assets of three traditional printing companies, a packaging company, and Ivey Performance Marketing (a branding, marketing, and digital technology company). At this point, only the Ivey Performance Marketing business is active, with the other

operations either being shut down, sold off, or rolled into Ivey Performance Marketing. While the equity of MSP is owned by APF, there is approximately \$10 million subordinated debt which is the sole remaining asset of AHF. Due to the seasonality of the business and the loss of a key customer in early 2016, the Receiver – after consultation with the IAC – has agreed to provide bridge financing of up to \$750 thousand while MSP is repositioning its business and preparing to sell itself as a going concern. Marketing of the business is expected in 2017.

*b. Skagit Gardens, Inc.*

As outlined in detail in Section V, C, Skagit Gardens filed bankruptcy and its assets were sold. Skagit Gardens was a producer of unique annual and perennial plants sold primarily to garden centers, landscapers and other growers. As previously discussed, the Receiver halted funding of this asset as there was no meaningful value to be harvested for the Receivership Entity (and its investors). Subsequently, on May 27, 2016, Skagit and its subsidiaries filed for Chapter 11 bankruptcy<sup>29</sup> and was sold in a §363 sale to Early Morning, LLC – which sale was confirmed by the Court on July 8, 2016. The Receivership Entity has an \$11.8 million claim as an unsecured creditor. At this time, there is no expectation of any meaningful proceeds from the sale to be distributed to the Receivership Entity as it will share on a pro rata basis in the remaining proceeds of \$100 thousand.

*c. Cloudware, Inc.*

Cloudware is a web service company that creates integrated website features such as forms, surveys and membership sites. The Receiver has not had an opportunity to review this investment and, thus, has not determined any recoverable value.

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<sup>29</sup> Lead Case No. 16-12879-TV/D

d. *Cana's Feast Winery, LLC ("Cana's Feast")*<sup>30</sup>

Cana's Feast is a winery located in Carlton, Oregon. The Receiver has not had an opportunity to review this investment and, thus, has not determined any recoverable value, but does not expect it to be material.

e. *Certified Solutions Software, Inc. ("CSS")*<sup>31</sup>

CSS creates internet of things (IoT) and enterprise digital identity security for data, devices, and applications. CSS also builds and supports platforms to enable secure commerce for global businesses connected to the Internet. The Receiver has not had an opportunity to review this investment and, thus, has not determined any recoverable value.

f. *Synchronex, LLC*<sup>32</sup>

Synchronex provides technology solutions to the publishing industry via multiple products. It offers syncAccess, a cloud-based pay meter solution that helps newspaper publishers to develop, configure, own, and evolve mobile and digital products. Synchronex Single Copy Edition is a solution that collects sales data from various sales locations. Dispatch is a solution that manages newspaper re-deliveries by using smartphone and tablet devices. The company also provides a back office solution, including sales forecasting, customer management, inventory control, billing, and accounts receivable and payable services to magazine, mass market books, and newspaper distributors. ViewPoint provides business process and data management solutions. Synchronex was founded in 1997 and is based in Issaquah, Washington with an additional office in Virginia. The Receiver will be evaluating the value of its interests in Synchronex and exploring its monetization.

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<sup>30</sup> <http://www.canasfeastwinery.com/>

<sup>31</sup> <https://www.css-security.com/>

<sup>32</sup> <http://www.synchronex.com/en/>



**E. Other Assets**

**1. Real Property and Collateral in Coeur d'Alene, Idaho**

Aequitas made a loan to Synchronex, Inc. (the predecessor to Synchronex, LLC), which loan was guaranteed by the then principals of Synchronex, Inc. and by a lien on property in Idaho (which has no road access) that was owned by the principals (and was adjoining other property owned by a principal). Shortly thereafter Synchronex, Inc. defaulted on the loan and Aequitas ultimately foreclosed on the property. The property, known as Lot 6 Casco Bay in Coeur d' Alene, Idaho, was listed for sale in 2013 for \$690 thousand – at which price it did not sell. Additionally, Aequitas advanced funds under a Joint Sale Agreement for expenses related to maintaining an adjacent property. The funds are secured by a lien on the adjacent property in the amount of \$244 thousand, plus interest accruing at 10.0%. The Receiver is reviewing the specifics of the asset to determine an appropriate value range and monetization strategy.

**2. Exclusive Resorts membership**

Aequitas purchased a membership in Exclusive Resorts – a destination club with a collection of privately managed luxury residences in locations all over the world. Club members pay an initiation fee and annual dues to gain access to multimillion dollar properties for anywhere from 20 to 60 days per year. Club memberships are often purchased as an alternative to buying a second home. Aequitas paid approximately \$367 thousand in fees over the last six years. The membership expired on August 1, 2016. Based on the Receiver's research, no amounts paid are presently refundable and the unused plan days cannot be sold or bartered. The membership could have been sold, but only to current or former principals of the company. After consultation with the IAC, the Receiver contacted the pool of eligible purchasers and established a minimum price of \$10 thousand (the approximate cost of court filings and notice to effectuate



such a sale). No parties expressed an interest and the membership was allowed to lapse.

3. Crescent Bay Lot Bank Fund<sup>33</sup>

Crescent Bay is a land/homesite banking fund out of Scottsdale, AZ. Aequitas originally committed \$5 million to the fund, but did not fund beyond an initial \$500 thousand investment. The Receiver is reviewing the specifics of the asset to determine an appropriate value range and monetization strategy.

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

The Receiver is actively working and negotiating with NEXT in order to secure approximately 60 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 \$160 thousand in additional proceeds. To date, the Receiver has been able to recover approximately \$60 thousand in proceeds through these actions.

As previously discussed, subsequent to June 30<sup>th</sup>, 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.

**XI. Aequitas' Corporate Governance Prior to the Receivership**

The Receiver's continuing operational review involves a review of Aequitas' corporate governance. The financial records indicate a large number of transactions

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<sup>33</sup> <http://www.crescentbayholdings.com/>

lending money to affiliates and selling assets among the affiliates and funds. All of these transactions will be evaluated.

Aequitas' corporate governance was managed through a number of meetings and committees. At the top of the governance structure was the AM Management Committee ("AM Management Committee"). The AM Management Committee was made up of the company's executives and met on a bi-weekly basis. This committee functioned similarly to combined board of directors and senior executive committee, focusing on high-level corporate strategy and handling the most important and challenging matters facing the company.

Beneath the AM Management Committee were sets of meetings that can generally be divided into the following categories: (i) investment decision making; (ii) asset origination and management; (iii) capital raising and wealth management; (iv) operations and enterprise management; and (v) audit and compliance. Members of the AM Management Committee attended these lower level meetings and would present critical issues raised at the lower level meetings to the AM Management Committee for final resolution. Aequitas also had an Advisory Board<sup>34</sup> made up of experienced business men and women. The Advisory Board served as advisors to AM and the company's executives and appears not to have had direct authority over the management of the company.

The following sections describe some of the key meetings from each of the five areas of Aequitas' corporate governance structure. It should be noted that in the corporate records, meetings were frequently added or removed, names and attendees were changed and the objectives of the meetings were sometimes modified. The below

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<sup>34</sup> As of January 28, 2016, the Aequitas Advisory Board consisted of William McCormick, Edmund Jensen, Patrick Terrell, Martin Brantley, William Glasgow J.D., Keith Barnes, Donna Miles, Bob Zukis and Gerry Frank. Aequitas records show many of the advisors resigned on January 29, 2016.

descriptions are summaries and examples and are not meant to imply that these meetings served only the purpose described herein.

**A. Investment Decision Making**

Aequitas' primary investment decision-making body was the Investment Committee ("IC"). The IC members with authority to vote on investment decisions were Bob Jesenik, Brian Oliver and Andrew MacRitchie, but many other individuals attended these meetings, including other executives, members of the Advisory Board, Aequitas' financial analysts and third party executives pitching investments. The IC met on a weekly basis and minutes were recorded. In general, new investment opportunities or proposed modifications to existing investments would be presented at the meeting by analysts or guests, and the committee would deliberate on the proposal and either approve or reject the proposal or request a presentation of additional information at a subsequent IC meeting. The IC also approved valuations of Aequitas' equity positions on a quarterly basis (through the third quarter, 2015).

Other investment decisions, or meetings with information important to the investment decision-making process, were handled through Office of the Chief Investment Officer ("OCIO") meetings. Bob Jesenik was the Chief Investment Officer and was the sole and final decision maker at these meetings. One of the larger and more important of these OCIO meetings was the OCIO Asset-Liability Management meeting ("OCIO ALM"). The OCIO ALM meetings were attended by many individuals, including executives, department heads and financial analysts. A number of diverse issues were discussed at these meetings, but OCIO ALM primarily looked at the assets held by Aequitas' various special purpose vehicles and the liabilities backed directly or indirectly by those assets and determined what assets were available for deployment to Aequitas' funds (mainly IOF2 or EIF) or directly to third-party investors.



Other OCIO or OCIO-like meetings included OCIO Product Roadmap (creation of new funds, products or investment structures), OCIO Integrated Tax (high level tax and legal planning) and Cash Management (routine meetings between the treasury department and CEO/CFO regarding cash planning and balancing).

**B. Asset Origination and Management**

The asset origination and management meetings were a set of meetings that screened new investment and capital market opportunities, managed strategic relationships and tracked asset performance. They were typically attended by at least one member of the executive team, employees from Aequis investment origination departments (Private Equity, Private Credit/Specialty Finance, or Capital Markets) and employees from the sales or marketing departments. Investment opportunities and modifications that passed the scrutiny of these asset origination and management meetings were often, but not always, presented at an IC meeting for final approval.

The meetings names generally began with "AOD," short for "Aequis Origination and Distribution," though distribution of Aequis product was not typically the focus. On the origination side: (i) AOD Private Equity discussed investment opportunities for, and handled the management of, Aequis' primary private equity fund, Aequis Capital Opportunities Fund; (ii) AOD Private Credit sourced finance opportunities, primarily in the consumer credit space, and became the managing body for some of Aequis' private credit strategies, such as the Freedom Financial F+ and C+ consumer loan portfolios; (iii) AFSN "ELT," short for Aequis Financial Services Network "Executive Leadership Team," sourced potential strategic partners in the financial services industry; and (iv) AOD Origination was a combination of the three foregoing meetings and specifically dealt with the origination pipeline and capital markets opportunities.



While some of the other meetings had asset management functions, the Portfolio Company Review Meeting was dedicated to asset management. The meeting was used to track the performance of Aequis's various asset portfolios and non-Aequis Capital Opportunities Fund equity position. While no new opportunities were discussed at this meeting, recommendations to modify existing portfolios were generated through this meeting process.

**C. Capital Raising and Wealth Management**

These meetings were focused on Aequis's sales and capital raising efforts. There were essentially two meetings driving these efforts: (i) the Capital Raising ELT (sometimes referred to as AOD Capital Raising); and (ii) the Wealth Management ELT.

The Capital Raising ELT was a typical sales meeting focusing on the retail sales pipeline for Aequis's investment products, new sales and marketing initiatives, and insight into the characteristics of investment products (rates, terms, structure, etc.) that current and potential investors might be interested in. Many of the attendees at this meeting were members of Aequis's in-house sales team (Aequis Capital Partners) and the marketing department.

The Wealth Management ELT, in contrast to the Capital Raising ELT, focused on sales efforts through registered investment advisors as well as strategic partnerships with, or even acquisitions of, such advisors. Attendance at this meeting was more limited than the Capital Raising ELT and consisted of executives and heads of the sales and marketing departments.

**D. Operations and Enterprise Management**

Day-to-day operations and interdepartmental coordination was managed through the Aequis Enterprise Services ELT ("AES ELT"). AES ELT met on a weekly basis and consisted of a few executives and the heads of all of Aequis's departments (finance,

capital markets, tax, legal, portfolio management, accounting, compliance, information technology, business information, marketing, human resources, etc.). The objective of this meeting was to implement and operationalize the decisions made at the higher level investment, asset management, or sales meetings and make sure each department's efforts were coordinated with the priorities of the company. In addition, each department would then meet on a regular basis to further pass these priorities and objectives on to the rank and file employees.

**E. Audit and Compliance**

Aequitas had a number of different committees and meetings to deal with specific audit and compliance issues. Conflicts of interest were handled through the Conflicts Review Committee ("CRC") and/or the Limited Partners Advisory Committee ("LPAC"). The LPAC was made up of representatives of the limited partners of Aequitas Capital Opportunities Fund and only handled conflicts related to the fund. Both the CRC and LPAC were made up of individuals not directly affiliated with Aequitas, though sometimes members of the Advisory Board would fill these positions. Meetings were scheduled on an as needed basis, but generally there were meetings of the CRC and LPAC two to four times per year. Partly because decisions needed to be made quickly at Aequitas and partly because scheduling these CRC and LPAC meetings was challenging, investments with potential conflicts would progress and be implemented prior to, but subject to, CRC and/or LPAC approval.

Compliance matters were handled based on subject. A Consumer Services Audit Committee, made up of employees who specialized in Aequitas' consumer businesses, handled issues arising from Aequitas' consumer receivables portfolios, e.g., complaints and general compliance with state and federal consumer laws. The Compliance Committee, sometimes referred to as the Office of the Chief Compliance Officer, dealt

primarily with securities law and regulation compliance for Aequitas' funds and its registered investment advisor. Andy MacRitchie was Aequitas' Chief Compliance Officer.

Lastly, the Audit Committee, made up of the Chief Financial Officer and finance and accounting employees, focused on the completion of Aequitas' financial audits and handled issues raised by auditors and addressed weaknesses identified by auditors.

The above reflects an initial review of the governance and decision making structure and provides a general framework as it relates to the operations of Aequitas. A more detailed analysis of this structure will be incorporated as the Receiver completes the investigative phase of the Receivership.

## **XII. 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. This large volume of work does not come without a necessary and reasonable cost to the investors. At all stages, the Receiver has been cognizant of the need to minimize professional fees consistent with the mandate to preserve and reasonably maximize value for the investors.

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 final fee application. Detailed time records and supporting documents have been 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 March 17 through June 30, 2016)

| Entity                         | Fees (\$)        | Percentage  | Expenses (\$)  | Percentage  | Total (\$)       | Percentage  |
|--------------------------------|------------------|-------------|----------------|-------------|------------------|-------------|
| Receiver                       | 440,220          | 14%         | 12,829         | 9%          | 453,049          | 14%         |
| FTI Consulting                 | 1,221,608        | 39%         | 82,412         | 55%         | 1,304,020        | 40%         |
| Pepper Hamilton                | 660,989          | 21%         | 40,487         | 27%         | 701,476          | 21%         |
| Schwabe, Williamson & Wyatt    | 617,933          | 20%         | 10,067         | 7%          | 627,999          | 19%         |
| Morrison Foerster              | 73,355           | 2%          | 845            | 1%          | 74,200           | 2%          |
| Law Office of Stanley H. Shure | 55,928           | 2%          | 1,901          | 1%          | 57,829           | 2%          |
| Akin Gump                      | 49,258           | 2%          | -              | 0%          | 49,258           | 2%          |
| Ater Wynne                     | 10,356           | 0%          | -              | 0%          | 10,356           | 0%          |
| <b>Total:</b>                  | <b>3,129,647</b> | <b>100%</b> | <b>148,540</b> | <b>100%</b> | <b>3,278,188</b> | <b>100%</b> |

### **XIII. Receivership Claimants**

The Receiver has compiled a list of claimants. A summary table is attached to this report as Exhibit D. The summary table reflects the Aequitas entities where claimants invested/loaned funds. It does not reflect the subsequent investment/loan by that Aequitas entity. In the interest of privacy and security, the Receiver – with the consent of the Commission – has elected to defer providing the identifying information at this time. 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, will be detailed and contain instructions. It will contain separate categories for unpaid principal, pre-Receivership accrued but unpaid interest and post-Receivership accrued interest, as applicable.

### **XIV. 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 distribution to investors. This Receivership is complex and it may take considerable time until distributions to investors



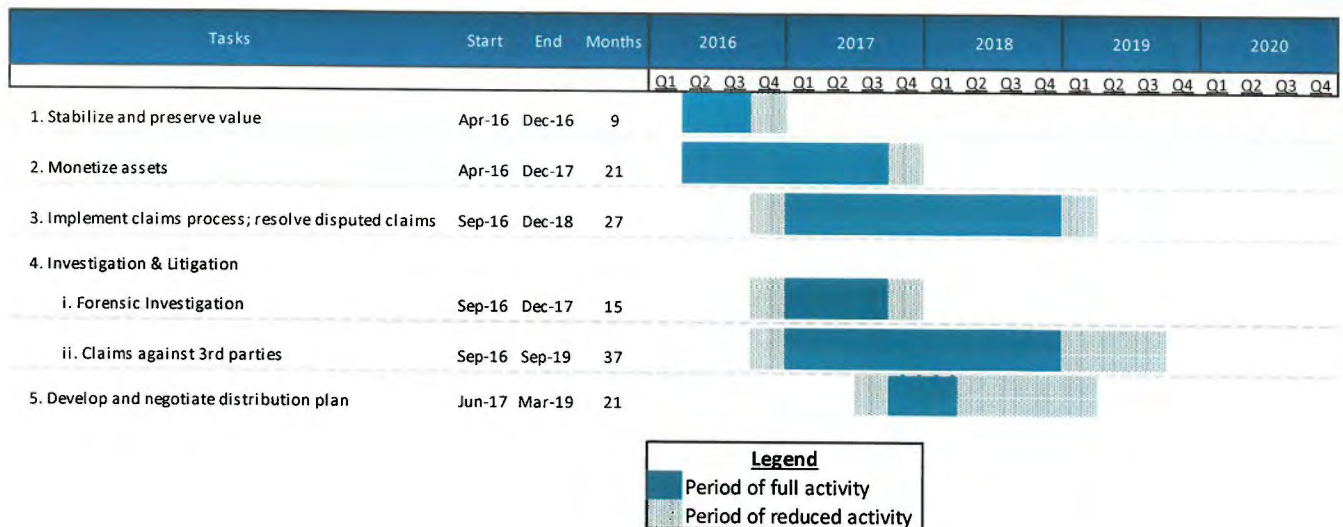
can be made. The following sections discuss various aspects of the Receivership and estimates of timing and recovery. These estimates are preliminary and subject to material change.

**A. Actions to be Taken**

Typically, a receivership revolves around four key processes – 1) stabilize and preserve value with subsequent monetization of assets; 2) institute a claims submission and resolution process; 3) perform forensic investigation and potential litigation and prosecution of causes of action (including insurance claims) and 4) develop, seek approval for, and implement a distribution plan. These steps are not linear and can vary dramatically in timing – both in terms of starting date and duration.

**B. Timetable**

The duration of this Receivership is highly dependent on a number of variables including what is discovered during the investigation and whether the Receiver can achieve a consensual distribution plan amongst the major constituencies. Key drivers of the proposed timeline are the ability to reach a settlement with the CFPB and other key stakeholders regarding CSF, the orderly marketing and monetization of the Receivership Property, the findings of the forensic investigation, and the duration of litigation. The chart below provides an initial estimate of the potential timing of the various Receivership work threads.



### C. Expected Recovery

#### 1. Proceeds from Asset Sales

Based on a very preliminary review, the Receiver has estimated the gross recovery from asset sales to be \$240 million to \$320 million, leaving a net amount of \$120 to \$200 million after payment of approximately \$120 million of senior secured debt. While the Receiver is working diligently to maximize the value returned to the investors, there is still significant downside risk. Therefore, this estimate is subject to change and could vary materially. There remain significant assets that need to be brought to market and the estimated value tested against potential purchasers. Additionally, these estimates do not consider the operating costs of the Receivership Entity.

#### 2. Proceeds from Litigation

As the Receiver has not commenced a fulsome investigation into possible claims and causes of action, an estimate of recovery from litigation cannot be made at this time. Similarly, there are possible theories of recovery from litigation against third parties against whom only investors, and not the Receiver, have a cause of action. The Receiver is seeking to coordinate these various actions to maximize proceeds from all

sources and restrain professional costs. As the litigation is in its very early stages and the Receiver has not yet begun its forensic investigation, the Receiver cannot make an estimate of the magnitude of likely litigation recoveries.

3. Proceeds from SEC Litigation

Docket number 198 sets forth the initial timing for the SEC litigation. As the trial against the Individual Defendants will not commence until June 3, 2018, it is premature to speculate what proceeds (if any) may be disgorged. Further, the disposition of those funds is at the discretion of the SEC and the Receiver has had no discussions regarding the availability of those funds as a source of recovery for the investors.

4. Distribution Plan

This report does not predispose a distribution plan and no distribution plan is being contemplated or proposed at this time. As described above, the development of a distribution plan relies on the monetization of assets, the outcome of litigation against third parties, the outcome of litigation brought by the SEC and the recoveries from insurance, together with factual and legal analyses of respective rights and priorities of different investors. The distribution plan will be complicated by numerous factors, such as structural and contractual subordination, investors utilizing dividend reinvestment plans versus current payment of interest, different interest rates, and the consideration of reclaiming distributions and late investment entrants.

Consequently, consideration of the parameters of a proposed plan for distribution must be deferred until the investigation phase is completed, a reasonable estimate of distributable funds (and their sources) is known, and the necessary factual and legal issues have been researched.

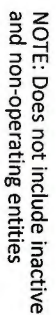
Exhibits

- A. Aequitas Entity Structure
- B. Summary of Holdings by Aequitas Fund
- C. Notes Receivable at Aequitas Commercial Finance
- D. Summary of Receivership Claimants
- E. Report of Cash Receipts and Disbursements (Standardized Fund Accounting Report)
- F. Acronyms Glossary



# Exhibit A

|                        |                                |                                  |                           |                       |                |                |       |                        |
|------------------------|--------------------------------|----------------------------------|---------------------------|-----------------------|----------------|----------------|-------|------------------------|
| Ownership Relationship | Trust Beneficiary Relationship | Investment Advisory Relationship | Aequitas Operating Entity | Aequitas Managed Fund | Private Credit | Private Equity | Other | On Chart in Other Area |
|------------------------|--------------------------------|----------------------------------|---------------------------|-----------------------|----------------|----------------|-------|------------------------|



**STANDARDIZED FUND ACCOUNTING REPORT for Aequitas Income Opportunity Fund II, LLC (IOF II) - Cash Basis**Receivership; Civil Court Case No. 3:16-cv-00438-PK  
REPORTING PERIOD 03/16/2016 TO 06/30/2016

| FUND ACCOUNTING (See Instructions): |   |          |          |             |
|-------------------------------------|---|----------|----------|-------------|
|                                     |   | Detail   | Subtotal | Grand Total |
| Line 1                              | Beginning Balance (As of 03/16/16)                                    |          |          | \$17,436.79 |
| <b>Increases in Fund Balance:</b>   |   |          |          |             |
| Line 2                              | Business Income   | -        | -        |             |
| Line 3                              | Cash and Securities   | -        | -        |             |
| Line 4                              | Interest/Dividend Income  | -        | -        |             |
| Line 5                              | Business Asset Liquidation  | -        | -        |             |
| Line 6                              | Personal Asset Liquidation  | -        | -        |             |
| Line 7                              | Third-Party Litigation  | -        | -        |             |
| Line 8                              | Miscellaneous - Other   | -        | -        |             |
|                                     | <b>Total Funds Available (Lines 1-8):</b>                             |          |          | \$17,436.79 |
| <b>Decreases in Fund Balance:</b>   |   |          |          |             |
| Line 9                              | Disbursements to Senior Secured Lenders/Investors                     | -        | -        |             |
| Line 10                             | Disbursements for Receivership Operations                             |          | \$300.00 |             |
| Line 10a                            | Internal Loans  | -        | -        |             |
| Line 10b                            | Disbursements to Receiver or Other Professionals                      | -        | -        |             |
| Line 10c                            | Business Asset Expenses   | -        | -        |             |
| Line 10d                            | Personal Asset Expenses   | -        | -        |             |
| Line 10e                            | Hospital Settlements & Investment Expenses                            | -        | -        |             |
|                                     | Third-Party Litigation Expenses                                       | -        | -        |             |
|                                     | 1. Attorney Fees  | -        | -        |             |
|                                     | 2. Litigation Expenses  | -        | -        |             |
|                                     | Total Third-party Litigation Expenses                                 | -        | -        |             |
| Line 10f                            | Tax Administrator Fees and Bonds                                      | -        | -        |             |
| Line 10g                            | Federal and State Tax Payments  | \$300.00 |          |             |
|                                     | <b>Total Disbursements for Receivership Operations</b>                |          | \$300.00 | \$300.00    |
| Line 11                             | Disbursements for Distribution Expenses Paid by the Fund:             |          |          |             |
| Line 11a                            | Distribution Plan Development Expenses:                               |          |          |             |
|                                     | 1. Fees:  |          |          |             |
|                                     | Fund Administrator  | -        | -        |             |
|                                     | Independent Distribution Consultant (IDC)                             | -        | -        |             |
|                                     | Distribution Agent  | -        | -        |             |
|                                     | Consultants   | -        | -        |             |
|                                     | Legal Advisers  | -        | -        |             |
|                                     | Tax Advisers  | -        | -        |             |
|                                     | 2. Administrative Expenses  | -        | -        |             |
|                                     | 3. Miscellaneous  | -        | -        |             |
|                                     | Total Plan Development Expenses                                       | -        | -        |             |
| Line 11b                            | Distribution Plan Implementation Expenses:                            |          |          |             |
|                                     | 1. Fees:  |          |          |             |
|                                     | Fund Administrator  | -        | -        |             |
|                                     | IDC   | -        | -        |             |
|                                     | Distribution Agent  | -        | -        |             |
|                                     | Consultants   | -        | -        |             |
|                                     | Legal Advisers  | -        | -        |             |
|                                     | Tax Advisers  | -        | -        |             |
|                                     | 2. Administrative Expenses  | -        | -        |             |
|                                     | 3. Investor Identification:   |          |          |             |
|                                     | Notice/Publishing Approved Plan                                       | -        | -        |             |
|                                     | Claimant Identification   | -        | -        |             |
|                                     | Claims Processing   | -        | -        |             |
|                                     | Web Site Maintenance/Call Center                                      | -        | -        |             |
|                                     | 4. Fund Administrator Bond  | -        | -        |             |
|                                     | 5. Miscellaneous  | -        | -        |             |
|                                     | 6. Federal Account for Investor Restitution (FAIR) Reporting Expenses | -        | -        |             |
|                                     | Total Plan Implementation Expenses                                    | -        | -        |             |
|                                     | <b>Total Disbursements for Distribution Expenses Paid by the Fund</b> |          |          |             |
| Line 12                             | Disbursements to Court/Other:   |          |          |             |
| Line 12a                            | Investment Expenses/Court Registry Investment System (CRIS) Fees      | -        | -        |             |
| Line 12b                            | Federal Tax Payments  | -        | -        |             |
|                                     | <b>Total Disbursements to Court/Other:</b>                            |          |          |             |
|                                     | <b>Total Funds Disbursed (Lines 9-11):</b>                            |          |          | \$300.00    |
| Line 13                             | Ending Balance (As of 06/30/16):                                      |          |          | \$17,136.79 |
| Line 14                             | Ending Balance of Fund - Net Assets:                                  |          |          |             |
| Line 14a                            | Cash & Cash Equivalents   | -        | -        | \$17,136.79 |
| Line 14b                            | Investments   | -        | -        |             |
| Line 14c                            | Other Assets or Uncleared Funds                                       | -        | -        |             |
|                                     | <b>Total Ending Balance of Fund - Net Assets</b>                      |          |          | \$17,136.79 |

| OTHER SUPPLEMENTAL INFORMATION: |  |        |          |
|---------------------------------|--|--------|----------|
|                                 |  | Detail | Subtotal |
| Line 15                         | Report of Items NOT To Be Paid by the Fund:                          |        |          |
|                                 | Disbursements for Plan Administration Expenses Not Paid by the Fund: |        |          |



|          |  |   |   |   |
|----------|--|---|---|---|
| Line 15a | Plan Development Expenses Not Paid by the Fund:                                  |   |   |   |
|          | 1. Fees:   |   |   |   |
|          | Fund Administrator   | - |   |   |
|          | IDC  | - |   |   |
|          | Distribution Agent   | - |   |   |
|          | Consultants  | - |   |   |
|          | Legal Advisers   | - |   |   |
|          | Tax Advisers   | - |   |   |
|          | 2. Administrative Expenses   | - |   |   |
|          | 3. Miscellaneous   | - |   |   |
|          | <b>Total Plan Development Expenses Not Paid by the Fund</b>                      | - |   |   |
| Line 15b | Plan Implementation Expenses Not Paid by the Fund:                               |   |   |   |
|          | 1. Fees:   |   |   |   |
|          | Fund Administrator   | - |   |   |
|          | IDC  | - |   |   |
|          | Distribution Agent   | - |   |   |
|          | Consultants  | - |   |   |
|          | Legal Advisers   | - |   |   |
|          | Tax Advisers   | - |   |   |
|          | 2. Administrative Expenses   | - |   |   |
|          | 3. Investor Identification:  | - |   |   |
|          | Notice/Publishing Approved Plan  | - |   |   |
|          | Claimant Identification  | - |   |   |
|          | Claims Processing  | - |   |   |
|          | Web Site Maintenance/Call Center   | - |   |   |
|          | 4. Fund Administrator Bond   | - |   |   |
|          | 5. Miscellaneous   | - |   |   |
|          | 6. FAIR Reporting Expenses   | - |   |   |
|          | <b>Total Plan Implementation Expenses Not Paid by the Fund</b>                   | - |   |   |
| Line 15c | <b>Tax Administrator Fees &amp; Bonds Not Paid by the Fund</b>                   | - |   |   |
|          | <b>Total Disbursements for Plan Administrative Expenses Not Paid by the fund</b> | - |   |   |
| Line 16  | <b>Disbursements to Court/Other Not Paid by the Fund:</b>                        | - | - |   |
| Line 16a | Investment Expenses/CRIS Fees  | - |   |   |
| Line 16b | Federal Tax Payments   | - |   |   |
|          | <b>Total Disbursements to Court/Other Not Paid by the Fund:</b>                  | - |   |   |
| Line 17  | <b>DC &amp; State Tax Payments</b>   | - | - |   |
| Line 18  | <b>No. of Claims:</b>  |   |   |   |
| Line 18a | # of Claims Received This Reporting Period                                       |   |   | - |
| Line 18b | # of Claims Received Since Inception of Fund                                     |   |   | - |
| Line 19  | <b>No. of Claimants / Investors:</b>   |   |   |   |
| Line 19a | # of Claimants / Investors Paid This Reporting Period                            |   |   | - |
| Line 19b | # of Claimants / Investors Paid Since Inception of Fund                          |   |   | - |

Receiver:

By:

(signature)

Ronald F. Greenspan

(printed name)

Receiver

(title)

Date: September 9, 2016



**STANDARDIZED FUND ACCOUNTING REPORT for Aequitas Income Opportunity Fund, LLC (IOF) - Cash Basis**

Receivership; Civil Court Case No. 3:16-cv-00438-PK  
REPORTING PERIOD 03/16/2016 TO 06/30/2016

| FUND ACCOUNTING (See Instructions): |   |              |              |              |
|-------------------------------------|---|--------------|--------------|--------------|
|                                     |   | Detail       | Subtotal     | Grand Total  |
| Line 1                              | Beginning Balance (As of 03/16/16)                                    |              |              | \$235,071.99 |
| <b>Increases in Fund Balance:</b>   |   |              |              |              |
| Line 2                              | Business Income   | -            | -            |              |
| Line 3                              | Cash and Securities   | -            | -            |              |
| Line 4                              | Interest/Dividend Income  | \$1,994.09   | \$1,994.09   |              |
| Line 5                              | Business Asset Liquidation  | \$112,110.32 | \$112,110.32 |              |
| Line 6                              | Personal Asset Liquidation  | -            | -            |              |
| Line 7                              | Third-Party Litigation  | -            | -            |              |
| Line 8                              | Miscellaneous - Other   | -            | -            |              |
|                                     | <b>Total Funds Available (Lines 1-8):</b>                             |              | \$114,104.41 | \$349,176.40 |
| <b>Decreases in Fund Balance:</b>   |   |              |              |              |
| Line 9                              | Disbursements to Senior Secured Lenders/Investors                     | -            | -            |              |
| Line 10                             | Disbursements for Receivership Operations                             | -            | \$5,300.00   |              |
| Line 10a                            | Internal Loans  | -            | -            |              |
| Line 10b                            | Disbursements to Receiver or Other Professionals                      | -            | -            |              |
| Line 10c                            | Business Asset Expenses   | \$4,500.00   |              |              |
| Line 10d                            | Personal Asset Expenses   | -            | -            |              |
| Line 10e                            | Hospital Settlements & Investment Expenses                            | -            | -            |              |
|                                     | Third-Party Litigation Expenses                                       | -            | -            |              |
|                                     | 1. Attorney Fees  | -            | -            |              |
|                                     | 2. Litigation Expenses  | -            | -            |              |
|                                     | Total Third-party Litigation Expenses                                 | -            | -            |              |
| Line 10f                            | Tax Administrator Fees and Bonds                                      | -            | -            |              |
| Line 10g                            | Federal and State Tax Payments  | \$800.00     |              |              |
|                                     | <b>Total Disbursements for Receivership Operations</b>                |              | \$5,300.00   | \$5,300.00   |
| Line 11                             | Disbursements for Distribution Expenses Paid by the Fund:             | -            | -            |              |
| Line 11a                            | Distribution Plan Development Expenses:                               | -            | -            |              |
|                                     | 1. Fees:  | -            | -            |              |
|                                     | Fund Administrator  | -            | -            |              |
|                                     | Independent Distribution Consultant (IDC)                             | -            | -            |              |
|                                     | Distribution Agent  | -            | -            |              |
|                                     | Consultants   | -            | -            |              |
|                                     | Legal Advisers  | -            | -            |              |
|                                     | Tax Advisers  | -            | -            |              |
|                                     | 2. Administrative Expenses  | -            | -            |              |
|                                     | 3. Miscellaneous  | -            | -            |              |
|                                     | Total Plan Development Expenses                                       | -            | -            |              |
| Line 11b                            | Distribution Plan Implementation Expenses:                            | -            | -            |              |
|                                     | 1. Fees:  | -            | -            |              |
|                                     | Fund Administrator  | -            | -            |              |
|                                     | IDC   | -            | -            |              |
|                                     | Distribution Agent  | -            | -            |              |
|                                     | Consultants   | -            | -            |              |
|                                     | Legal Advisers  | -            | -            |              |
|                                     | Tax Advisers  | -            | -            |              |
|                                     | 2. Administrative Expenses  | -            | -            |              |
|                                     | 3. Investor Identification:   | -            | -            |              |
|                                     | Notice/Publishing Approved Plan                                       | -            | -            |              |
|                                     | Claimant Identification   | -            | -            |              |
|                                     | Claims Processing   | -            | -            |              |
|                                     | Web Site Maintenance/Call Center                                      | -            | -            |              |
|                                     | 4. Fund Administrator Bond  | -            | -            |              |
|                                     | 5. Miscellaneous  | -            | -            |              |
|                                     | 6. Federal Account for Investor Restitution (FAIR) Reporting Expenses | -            | -            |              |
|                                     | Total Plan Implementation Expenses                                    | -            | -            |              |
|                                     | <b>Total Disbursements for Distribution Expenses Paid by the Fund</b> |              |              |              |
| Line 12                             | Disbursements to Court/Other:   | -            | -            |              |
| Line 12a                            | Investment Expenses/Court Registry Investment System (CRIS) Fees      | -            | -            |              |
| Line 12b                            | Federal Tax Payments  | -            | -            |              |
|                                     | <b>Total Disbursements to Court/Other:</b>                            | -            | -            |              |
|                                     | <b>Total Funds Disbursed (Lines 9-11):</b>                            |              |              | \$5,300.00   |
| Line 13                             | Ending Balance (As of 06/30/16):                                      | -            | -            | \$343,876.40 |
| Line 14                             | Ending Balance of Fund - Net Assets:                                  | -            | -            |              |
| Line 14a                            | Cash & Cash Equivalents   | -            | -            | \$343,876.40 |
| Line 14b                            | Investments   | -            | -            |              |
| Line 14c                            | Other Assets or Uncleared Funds                                       | -            | -            |              |
|                                     | <b>Total Ending Balance of Fund - Net Assets</b>                      | -            | -            | \$343,876.40 |

| OTHER SUPPLEMENTAL INFORMATION: |   |        |          |             |
|---------------------------------|---|--------|----------|-------------|
|                                 |   | Detail | Subtotal | Grand Total |
| Line 15                         | Report of Items NOT To Be Paid by the Fund:<br>Disbursements for Plan Administration Expenses Not Paid by the Fund: | -      | -        |             |

|          |   |  |  |  |
|----------|---|--|--|--|
| Line 15a | Plan Development Expenses Not Paid by the Fund:                           |  |  |  |
|          | 1. Fees:  |  |  |  |
|          | Fund Administrator  |  |  |  |
|          | IDC   |  |  |  |
|          | Distribution Agent  |  |  |  |
|          | Consultants   |  |  |  |
|          | Legal Advisers  |  |  |  |
|          | Tax Advisers  |  |  |  |
|          | 2. Administrative Expenses  |  |  |  |
|          | 3. Miscellaneous  |  |  |  |
|          | Total Plan Development Expenses Not Paid by the Fund                      |  |  |  |
| Line 15b | Plan Implementation Expenses Not Paid by the Fund:                        |  |  |  |
|          | 1. Fees:  |  |  |  |
|          | Fund Administrator  |  |  |  |
|          | IDC   |  |  |  |
|          | Distribution Agent  |  |  |  |
|          | Consultants   |  |  |  |
|          | Legal Advisers  |  |  |  |
|          | Tax Advisers  |  |  |  |
|          | 2. Administrative Expenses  |  |  |  |
|          | 3. Investor Identification:   |  |  |  |
|          | Notice/Publishing Approved Plan   |  |  |  |
|          | Claimant Identification   |  |  |  |
|          | Claims Processing   |  |  |  |
|          | Web Site Maintenance/Call Center  |  |  |  |
|          | 4. Fund Administrator Bond  |  |  |  |
|          | 5. Miscellaneous  |  |  |  |
|          | 6. FAIR Reporting Expenses  |  |  |  |
|          | Total Plan Implementation Expenses Not Paid by the Fund                   |  |  |  |
| Line 15c | Tax Administrator Fees & Bonds Not Paid by the Fund                       |  |  |  |
|          | Total Disbursements for Plan Administrative Expenses Not Paid by the fund |  |  |  |
| Line 16  | Disbursements to Court/Other Not Paid by the Fund:                        |  |  |  |
| Line 16a | Investment Expenses/CRIS Fees   |  |  |  |
| Line 16b | Federal Tax Payments  |  |  |  |
|          | Total Disbursements to Court/Other Not Paid by the Fund:                  |  |  |  |
| Line 17  | DC & State Tax Payments   |  |  |  |
| Line 18  | No. of Claims:  |  |  |  |
| Line 18a | # of Claims Received This Reporting Period                                |  |  |  |
| Line 18b | # of Claims Received Since Inception of Fund                              |  |  |  |
| Line 19  | No. of Claimants / Investors:   |  |  |  |
| Line 19a | # of Claimants / Investors Paid This Reporting Period                     |  |  |  |
| Line 19b | # of Claimants / Investors Paid Since Inception of Fund                   |  |  |  |

Note – On behalf of IPF, CSF collected estimated cash of \$533 thousand from receivables owned by IPF.

Receiver:

By:

(signature)

Ronald F. Greenspan

(printed name)

Receiver

(title)

Date: September 9, 2016

**STANDARDIZED FUND ACCOUNTING REPORT for Aequitas Income Protection Fund, LLC (IPF) - Cash Basis**

Receivership; Civil Court Case No. 3:16-cv-00438-PK

REPORTING PERIOD 03/16/2016 TO 06/30/2016

| FUND ACCOUNTING (See Instructions): |   |          |          |             |
|-------------------------------------|---|----------|----------|-------------|
|                                     |   | Detail   | Subtotal | Grand Total |
| Line 1                              | Beginning Balance (As of 03/16/16)                                    |          |          | \$4,037.08  |
| <i>Increases in Fund Balance:</i>   |   |          |          |             |
| Line 2                              | Business Income   | -        | -        | -           |
| Line 3                              | Cash and Securities   | -        | -        | -           |
| Line 4                              | Interest/Dividend Income  | -        | -        | -           |
| Line 5                              | Business Asset Liquidation  | -        | -        | -           |
| Line 6                              | Personal Asset Liquidation  | -        | -        | -           |
| Line 7                              | Third-Party Litigation  | -        | -        | -           |
| Line 8                              | Miscellaneous - Other   | -        | -        | -           |
|                                     | <b>Total Funds Available (Lines 1-8):</b>                             |          | -        | \$4,037.08  |
| <i>Decreases in Fund Balance:</i>   |   |          |          |             |
| Line 9                              | Disbursements to Senior Secured Lenders/Investors                     | -        | -        | -           |
| Line 10                             | Disbursements for Receivership Operations                             |          | \$450.00 |             |
| Line 10                             | Internal Loans  | -        | -        | -           |
| Line 10a                            | Disbursements to Receiver or Other Professionals                      | -        | -        | -           |
| Line 10b                            | Business Asset Expenses   | -        | -        | -           |
| Line 10c                            | Personal Asset Expenses   | -        | -        | -           |
| Line 10d                            | Hospital Settlements & Investment Expenses                            | -        | -        | -           |
| Line 10e                            | Third-Party Litigation Expenses                                       | -        | -        | -           |
|                                     | 1. Attorney Fees  | -        | -        | -           |
|                                     | 2. Litigation Expenses  | -        | -        | -           |
|                                     | Total Third-party Litigation Expenses                                 | -        | -        | -           |
| Line 10f                            | Tax Administrator Fees and Bonds                                      | -        | -        | -           |
| Line 10g                            | Federal and State Tax Payments  | \$450.00 | -        | -           |
|                                     | <b>Total Disbursements for Receivership Operations</b>                |          | \$450.00 | \$450.00    |
| Line 11                             | Disbursements for Distribution Expenses Paid by the Fund:             | -        | -        | -           |
| Line 11a                            | Distribution Plan Development Expenses:                               |          |          |             |
|                                     | 1. Fees:  | -        | -        | -           |
|                                     | Fund Administrator  | -        | -        | -           |
|                                     | Independent Distribution Consultant (IDC)                             | -        | -        | -           |
|                                     | Distribution Agent  | -        | -        | -           |
|                                     | Consultants   | -        | -        | -           |
|                                     | Legal Advisers  | -        | -        | -           |
|                                     | Tax Advisers  | -        | -        | -           |
|                                     | 2. Administrative Expenses  | -        | -        | -           |
|                                     | 3. Miscellaneous  | -        | -        | -           |
|                                     | Total Plan Development Expenses                                       | -        | -        | -           |
| Line 11b                            | Distribution Plan Implementation Expenses:                            | -        | -        | -           |
|                                     | 1. Fees:  | -        | -        | -           |
|                                     | Fund Administrator  | -        | -        | -           |
|                                     | IDC   | -        | -        | -           |
|                                     | Distribution Agent  | -        | -        | -           |
|                                     | Consultants   | -        | -        | -           |
|                                     | Legal Advisers  | -        | -        | -           |
|                                     | Tax Advisers  | -        | -        | -           |
|                                     | 2. Administrative Expenses  | -        | -        | -           |
|                                     | 3. Investor Identification:   | -        | -        | -           |
|                                     | Notice/Publishing Approved Plan                                       | -        | -        | -           |
|                                     | Claimant Identification   | -        | -        | -           |
|                                     | Claims Processing   | -        | -        | -           |
|                                     | Web Site Maintenance/Call Center                                      | -        | -        | -           |
|                                     | 4. Fund Administrator Bond  | -        | -        | -           |
|                                     | 5. Miscellaneous  | -        | -        | -           |
|                                     | 6. Federal Account for Investor Restitution (FAIR) Reporting Expenses | -        | -        | -           |
|                                     | Total Plan Implementation Expenses                                    | -        | -        | -           |
|                                     | <b>Total Disbursements for Distribution Expenses Paid by the Fund</b> |          |          |             |
| Line 12                             | Disbursements to Court/Other:   | -        | -        | -           |
| Line 12a                            | Investment Expenses/Court Registry Investment System (CRIS) Fees      | -        | -        | -           |
| Line 12b                            | Federal Tax Payments  | -        | -        | -           |
|                                     | <b>Total Disbursements to Court/Other:</b>                            | -        | -        | -           |
|                                     | <b>Total Funds Disbursed (Lines 9-11):</b>                            |          |          | \$450.00    |
| Line 13                             | Ending Balance (As of 06/30/16):                                      | -        | -        | \$3,587.08  |
| Line 14                             | Ending Balance of Fund - Net Assets:                                  | -        | -        |             |
| Line 14a                            | Cash & Cash Equivalents   | -        | -        | \$3,587.08  |
| Line 14b                            | Investments   | -        | -        |             |
| Line 14c                            | Other Assets or Uncleared Funds                                       | -        | -        |             |
|                                     | <b>Total Ending Balance of Fund - Net Assets</b>                      | -        | -        | \$3,587.08  |

| OTHER SUPPLEMENTAL INFORMATION: |  |        |          |
|---------------------------------|--|--------|----------|
|                                 |  | Detail | Subtotal |
| Line 15                         | Report of Items NOT To Be Paid by the Fund:                          |        |          |
|                                 | Disbursements for Plan Administration Expenses Not Paid by the Fund: | -      | -        |

|          |   |  |  |  |
|----------|---|--|--|--|
| Line 15a | Plan Development Expenses Not Paid by the Fund:                           |  |  |  |
|          | 1. Fees:  |  |  |  |
|          | Fund Administrator  |  |  |  |
|          | IDC   |  |  |  |
|          | Distribution Agent  |  |  |  |
|          | Consultants   |  |  |  |
|          | Legal Advisers  |  |  |  |
|          | Tax Advisers  |  |  |  |
|          | 2. Administrative Expenses  |  |  |  |
|          | 3. Miscellaneous  |  |  |  |
|          | Total Plan Development Expenses Not Paid by the Fund                      |  |  |  |
| Line 15b | Plan Implementation Expenses Not Paid by the Fund:                        |  |  |  |
|          | 1. Fees:  |  |  |  |
|          | Fund Administrator  |  |  |  |
|          | IDC   |  |  |  |
|          | Distribution Agent  |  |  |  |
|          | Consultants   |  |  |  |
|          | Legal Advisers  |  |  |  |
|          | Tax Advisers  |  |  |  |
|          | 2. Administrative Expenses  |  |  |  |
|          | 3. Investor Identification:   |  |  |  |
|          | Notice/Publishing Approved Plan   |  |  |  |
|          | Claimant Identification   |  |  |  |
|          | Claims Processing   |  |  |  |
|          | Web Site Maintenance/Call Center  |  |  |  |
|          | 4. Fund Administrator Bond  |  |  |  |
|          | 5. Miscellaneous  |  |  |  |
|          | 6. FAIR Reporting Expenses  |  |  |  |
|          | Total Plan Implementation Expenses Not Paid by the Fund                   |  |  |  |
| Line 15c | Tax Administrator Fees & Bonds Not Paid by the Fund                       |  |  |  |
|          | Total Disbursements for Plan Administrative Expenses Not Paid by the fund |  |  |  |
| Line 16  | Disbursements to Court/Other Not Paid by the Fund:                        |  |  |  |
| Line 16a | Investment Expenses/CRIS Fees   |  |  |  |
| Line 16b | Federal Tax Payments  |  |  |  |
|          | Total Disbursements to Court/Other Not Paid by the Fund:                  |  |  |  |
| Line 17  | DC & State Tax Payments   |  |  |  |
| Line 18  | No. of Claims:  |  |  |  |
| Line 18a | # of Claims Received This Reporting Period                                |  |  |  |
| Line 18b | # of Claims Received Since Inception of Fund                              |  |  |  |
| Line 19  | No. of Claimants / Investors:   |  |  |  |
| Line 19a | # of Claimants / Investors Paid This Reporting Period                     |  |  |  |
| Line 19b | # of Claimants / Investors Paid Since Inception of Fund                   |  |  |  |

Receiver:

By:

(signature)

Ronald F. Greenspan

(printed name)

Receiver

(title)

Date: September 9, 2016



**STANDARDIZED FUND ACCOUNTING REPORT for Aequitas International Holdings, LLC (AIH) - Cash Basis**

Receivership; Civil Court Case No. 3:16-cv-00438-PK  
REPORTING PERIOD 03/16/2016 TO 06/30/2016

| FUND ACCOUNTING (See Instructions): |   |             |             |             |
|-------------------------------------|---|-------------|-------------|-------------|
|                                     |   | Detail      | Subtotal    | Grand Total |
| Line 1                              | Beginning Balance (As of 03/16/16)                                    |             |             | \$3.66      |
|                                     | <b>Increases in Fund Balance:</b>                                     |             |             |             |
| Line 2                              | Business Income   | -           | -           |             |
| Line 3                              | Cash and Securities   | \$15,000.00 | \$15,000.00 |             |
| Line 4                              | Interest/Dividend Income  | -           | -           |             |
| Line 5                              | Business Asset Liquidation  | -           | -           |             |
| Line 6                              | Personal Asset Liquidation  | -           | -           |             |
| Line 7                              | Third-Party Litigation  | -           | -           |             |
| Line 8                              | Miscellaneous - Other   | -           | -           |             |
|                                     | <b>Total Funds Available (Lines 1-8):</b>                             |             | \$15,000.00 | \$15,003.66 |
|                                     | <b>Decreases in Fund Balance:</b>                                     |             |             |             |
| Line 9                              | Disbursements to Senior Secured Lenders/Investors                     | -           | -           |             |
| Line 10                             | Disbursements for Receivership Operations                             |             | \$100.00    |             |
| Line 10                             | Internal Loans  | -           | -           |             |
| Line 10a                            | Disbursements to Receiver or Other Professionals                      | -           | -           |             |
| Line 10b                            | Business Asset Expenses   | \$100.00    |             |             |
| Line 10c                            | Personal Asset Expenses   | -           | -           |             |
| Line 10d                            | Hospital Settlements & Investment Expenses                            | -           | -           |             |
| Line 10e                            | Third-Party Litigation Expenses                                       | -           | -           |             |
|                                     | 1. Attorney Fees  | -           | -           |             |
|                                     | 2. Litigation Expenses  | -           | -           |             |
|                                     | Total Third-party Litigation Expenses                                 | -           | -           |             |
| Line 10f                            | Tax Administrator Fees and Bonds                                      | -           | -           |             |
| Line 10g                            | Federal and State Tax Payments  | -           | -           |             |
|                                     | <b>Total Disbursements for Receivership Operations</b>                |             | \$100.00    | \$100.00    |
| Line 11                             | <b>Disbursements for Distribution Expenses Paid by the Fund:</b>      |             |             |             |
| Line 11a                            | Distribution Plan Development Expenses:                               |             |             |             |
|                                     | 1. Fees:  |             |             |             |
|                                     | Fund Administrator  | -           | -           |             |
|                                     | Independent Distribution Consultant (IDC)                             | -           | -           |             |
|                                     | Distribution Agent  | -           | -           |             |
|                                     | Consultants   | -           | -           |             |
|                                     | Legal Advisers  | -           | -           |             |
|                                     | Tax Advisers  | -           | -           |             |
|                                     | 2. Administrative Expenses  | -           | -           |             |
|                                     | 3. Miscellaneous  | -           | -           |             |
|                                     | Total Plan Development Expenses                                       | -           | -           |             |
| Line 11b                            | Distribution Plan Implementation Expenses:                            |             |             |             |
|                                     | 1. Fees:  |             |             |             |
|                                     | Fund Administrator  | -           | -           |             |
|                                     | IDC   | -           | -           |             |
|                                     | Distribution Agent  | -           | -           |             |
|                                     | Consultants   | -           | -           |             |
|                                     | Legal Advisers  | -           | -           |             |
|                                     | Tax Advisers  | -           | -           |             |
|                                     | 2. Administrative Expenses  | -           | -           |             |
|                                     | 3. Investor Identification:   |             |             |             |
|                                     | Notice/Publishing Approved Plan                                       | -           | -           |             |
|                                     | Claimant Identification   | -           | -           |             |
|                                     | Claims Processing   | -           | -           |             |
|                                     | Web Site Maintenance/Call Center                                      | -           | -           |             |
|                                     | 4. Fund Administrator Bond  | -           | -           |             |
|                                     | 5. Miscellaneous  | -           | -           |             |
|                                     | 6. Federal Account for Investor Restitution (FAIR) Reporting Expenses | -           | -           |             |
|                                     | Total Plan Implementation Expenses                                    | -           | -           |             |
|                                     | <b>Total Disbursements for Distribution Expenses Paid by the Fund</b> |             |             |             |
| Line 12                             | <b>Disbursements to Court/Other:</b>                                  |             |             |             |
| Line 12a                            | Investment Expenses/Court Registry Investment System (CRIS) Fees      | -           | -           |             |
| Line 12b                            | Federal Tax Payments  | -           | -           |             |
|                                     | <b>Total Disbursements to Court/Other:</b>                            |             |             |             |
|                                     | <b>Total Funds Disbursed (Lines 9-11):</b>                            |             |             | \$100.00    |
| Line 13                             | Ending Balance (As of 06/30/16):                                      |             |             | \$14,903.66 |
| Line 14                             | <b>Ending Balance of Fund - Net Assets:</b>                           |             |             |             |
| Line 14a                            | Cash & Cash Equivalents   | -           | -           |             |
| Line 14b                            | Investments   | -           | -           | \$14,903.66 |
| Line 14c                            | Other Assets or Uncleared Funds                                       | -           | -           |             |
|                                     | <b>Total Ending Balance of Fund - Net Assets</b>                      |             |             | \$14,903.66 |

| OTHER SUPPLEMENTAL INFORMATION: |   |          |             |
|---------------------------------|---|----------|-------------|
|                                 | Detail  | Subtotal | Grand Total |
| Line 15                         | Report of Items NOT To Be Paid by the Fund:<br>Disbursements for Plan Administration Expenses Not Paid by the Fund: | -        | -           |

|          |   |  |  |  |
|----------|---|--|--|--|
| Line 15a | Plan Development Expenses Not Paid by the Fund:                           |  |  |  |
|          | 1. Fees:  |  |  |  |
|          | Fund Administrator  |  |  |  |
|          | IDC   |  |  |  |
|          | Distribution Agent  |  |  |  |
|          | Consultants   |  |  |  |
|          | Legal Advisers  |  |  |  |
|          | Tax Advisers  |  |  |  |
|          | 2. Administrative Expenses  |  |  |  |
|          | 3. Miscellaneous  |  |  |  |
|          | Total Plan Development Expenses Not Paid by the Fund                      |  |  |  |
| Line 15b | Plan Implementation Expenses Not Paid by the Fund:                        |  |  |  |
|          | 1. Fees:  |  |  |  |
|          | Fund Administrator  |  |  |  |
|          | IDC   |  |  |  |
|          | Distribution Agent  |  |  |  |
|          | Consultants   |  |  |  |
|          | Legal Advisers  |  |  |  |
|          | Tax Advisers  |  |  |  |
|          | 2. Administrative Expenses  |  |  |  |
|          | 3. Investor Identification:   |  |  |  |
|          | Notice/Publishing Approved Plan   |  |  |  |
|          | Claimant Identification   |  |  |  |
|          | Claims Processing   |  |  |  |
|          | Web Site Maintenance/Call Center  |  |  |  |
|          | 4. Fund Administrator Bond  |  |  |  |
|          | 5. Miscellaneous  |  |  |  |
|          | 6. FAIR Reporting Expenses  |  |  |  |
|          | Total Plan Implementation Expenses Not Paid by the Fund                   |  |  |  |
| Line 15c | Tax Administrator Fees & Bonds Not Paid by the Fund                       |  |  |  |
|          | Total Disbursements for Plan Administrative Expenses Not Paid by the fund |  |  |  |
| Line 16  | Disbursements to Court/Other Not Paid by the Fund:                        |  |  |  |
| Line 16a | Investment Expenses/CRIS Fees   |  |  |  |
| Line 16b | Federal Tax Payments  |  |  |  |
|          | Total Disbursements to Court/Other Not Paid by the Fund:                  |  |  |  |
| Line 17  | DC & State Tax Payments   |  |  |  |
| Line 18  | No. of Claims:  |  |  |  |
| Line 18a | # of Claims Received This Reporting Period                                |  |  |  |
| Line 18b | # of Claims Received Since Inception of Fund                              |  |  |  |
| Line 19  | No. of Claimants / Investors:   |  |  |  |
| Line 19a | # of Claimants / Investors Paid This Reporting Period                     |  |  |  |
| Line 19b | # of Claimants / Investors Paid Since Inception of Fund                   |  |  |  |

Receiver:

By:

(signature)

Ronald F. Greenspan

(printed name)

Receiver

(title)

Date: September 9, 2016

**STANDARDIZED FUND ACCOUNTING REPORT for Aequitas Investment Management, LLC (AIM) - Cash Basis**

Receivership; Civil Court Case No. 3:16-cv-00438-PK  
REPORTING PERIOD 03/16/2016 TO 06/30/2016

| FUND ACCOUNTING (See Instructions): |   |        |          |             |
|-------------------------------------|---|--------|----------|-------------|
|                                     |   | Detail | Subtotal | Grand Total |
| Line 1                              | Beginning Balance (As of 03/16/16)                                    |        |          | \$119.78    |
| <i>Increases in Fund Balance:</i>   |   |        |          |             |
| Line 2                              | Business Income   | -      | -        |             |
| Line 3                              | Cash and Securities   | -      | -        |             |
| Line 4                              | Interest/Dividend Income  | -      | -        |             |
| Line 5                              | Business Asset Liquidation  | -      | -        |             |
| Line 6                              | Personal Asset Liquidation  | -      | -        |             |
| Line 7                              | Third-Party Litigation  | -      | -        |             |
| Line 8                              | Miscellaneous - Other   | -      | -        |             |
|                                     | <b>Total Funds Available (Lines 1-8):</b>                             |        | -        | \$119.78    |
| <i>Decreases in Fund Balance:</i>   |   |        |          |             |
| Line 9                              | Disbursements to Senior Secured Lenders/Investors                     | -      | -        |             |
| Line 10                             | Disbursements for Receivership Operations                             | -      | -        |             |
| Line 10                             | Internal Loans  | -      | -        |             |
| Line 10a                            | Disbursements to Receiver or Other Professionals                      | -      | -        |             |
| Line 10b                            | Business Asset Expenses   | -      | -        |             |
| Line 10c                            | Personal Asset Expenses   | -      | -        |             |
| Line 10d                            | Hospital Settlements & Investment Expenses                            | -      | -        |             |
| Line 10e                            | Third-Party Litigation Expenses                                       | -      | -        |             |
|                                     | 1. Attorney Fees  | -      | -        |             |
|                                     | 2. Litigation Expenses  | -      | -        |             |
|                                     | Total Third-party Litigation Expenses                                 | -      | -        |             |
| Line 10f                            | Tax Administrator Fees and Bonds                                      | -      | -        |             |
| Line 10g                            | Federal and State Tax Payments  | -      | -        |             |
|                                     | <b>Total Disbursements for Receivership Operations</b>                |        | -        |             |
| Line 11                             | Disbursements for Distribution Expenses Paid by the Fund:             | -      | -        |             |
| Line 11a                            | Distribution Plan Development Expenses:                               | -      | -        |             |
|                                     | 1. Fees:  | -      | -        |             |
|                                     | Fund Administrator  | -      | -        |             |
|                                     | Independent Distribution Consultant (IDC)                             | -      | -        |             |
|                                     | Distribution Agent  | -      | -        |             |
|                                     | Consultants   | -      | -        |             |
|                                     | Legal Advisers  | -      | -        |             |
|                                     | Tax Advisers  | -      | -        |             |
|                                     | 2. Administrative Expenses  | -      | -        |             |
|                                     | 3. Miscellaneous  | -      | -        |             |
|                                     | Total Plan Development Expenses                                       | -      | -        |             |
| Line 11b                            | Distribution Plan Implementation Expenses:                            | -      | -        |             |
|                                     | 1. Fees:  | -      | -        |             |
|                                     | Fund Administrator  | -      | -        |             |
|                                     | IDC   | -      | -        |             |
|                                     | Distribution Agent  | -      | -        |             |
|                                     | Consultants   | -      | -        |             |
|                                     | Legal Advisers  | -      | -        |             |
|                                     | Tax Advisers  | -      | -        |             |
|                                     | 2. Administrative Expenses  | -      | -        |             |
|                                     | 3. Investor Identification:   | -      | -        |             |
|                                     | Notice/Publishing Approved Plan                                       | -      | -        |             |
|                                     | Claimant Identification   | -      | -        |             |
|                                     | Claims Processing   | -      | -        |             |
|                                     | Web Site Maintenance/Call Center                                      | -      | -        |             |
|                                     | 4. Fund Administrator Bond  | -      | -        |             |
|                                     | 5. Miscellaneous  | -      | -        |             |
|                                     | 6. Federal Account for Investor Restitution (FAIR) Reporting Expenses | -      | -        |             |
|                                     | Total Plan Implementation Expenses                                    | -      | -        |             |
|                                     | <b>Total Disbursements for Distribution Expenses Paid by the Fund</b> |        | -        |             |
| Line 12                             | Disbursements to Court/Other:   | -      | -        |             |
| Line 12a                            | Investment Expenses/Court Registry Investment System (CRIS) Fees      | -      | -        |             |
| Line 12b                            | Federal Tax Payments  | -      | -        |             |
|                                     | <b>Total Disbursements to Court/Other:</b>                            | -      | -        |             |
|                                     | <b>Total Funds Disbursed (Lines 9-11):</b>                            |        | -        | \$0.00      |
| Line 13                             | Ending Balance (As of 06/30/16):                                      | -      | -        | \$119.78    |
| Line 14                             | Ending Balance of Fund - Net Assets:                                  | -      | -        |             |
| Line 14a                            | Cash & Cash Equivalents   | -      | -        | \$119.78    |
| Line 14b                            | Investments   | -      | -        |             |
| Line 14c                            | Other Assets or Uncleared Funds                                       | -      | -        |             |
|                                     | <b>Total Ending Balance of Fund - Net Assets</b>                      | -      | -        | \$119.78    |

| OTHER SUPPLEMENTAL INFORMATION: |   |          |             |
|---------------------------------|---|----------|-------------|
|                                 | Detail  | Subtotal | Grand Total |
| Line 15                         | Report of Items NOT To Be Paid by the Fund:<br>Disbursements for Plan Administration Expenses Not Paid by the Fund: | -        | -           |

|          |   |  |  |  |
|----------|---|--|--|--|
| Line 15a | Plan Development Expenses Not Paid by the Fund:                           |  |  |  |
|          | 1. Fees:  |  |  |  |
|          | Fund Administrator  |  |  |  |
|          | IDC   |  |  |  |
|          | Distribution Agent  |  |  |  |
|          | Consultants   |  |  |  |
|          | Legal Advisers  |  |  |  |
|          | Tax Advisers  |  |  |  |
|          | 2. Administrative Expenses  |  |  |  |
|          | 3. Miscellaneous  |  |  |  |
|          | Total Plan Development Expenses Not Paid by the Fund                      |  |  |  |
| Line 15b | Plan Implementation Expenses Not Paid by the Fund:                        |  |  |  |
|          | 1. Fees:  |  |  |  |
|          | Fund Administrator  |  |  |  |
|          | IDC   |  |  |  |
|          | Distribution Agent  |  |  |  |
|          | Consultants   |  |  |  |
|          | Legal Advisers  |  |  |  |
|          | Tax Advisers  |  |  |  |
|          | 2. Administrative Expenses  |  |  |  |
|          | 3. Investor Identification:   |  |  |  |
|          | Notice/Publishing Approved Plan   |  |  |  |
|          | Claimant Identification   |  |  |  |
|          | Claims Processing   |  |  |  |
|          | Web Site Maintenance/Call Center  |  |  |  |
|          | 4. Fund Administrator Bond  |  |  |  |
|          | 5. Miscellaneous  |  |  |  |
|          | 6. FAIR Reporting Expenses  |  |  |  |
|          | Total Plan Implementation Expenses Not Paid by the Fund                   |  |  |  |
| Line 15c | Tax Administrator Fees & Bonds Not Paid by the Fund                       |  |  |  |
|          | Total Disbursements for Plan Administrative Expenses Not Paid by the fund |  |  |  |
| Line 16  | Disbursements to Court/Other Not Paid by the Fund:                        |  |  |  |
| Line 16a | Investment Expenses/CRIS Fees   |  |  |  |
| Line 16b | Federal Tax Payments  |  |  |  |
|          | Total Disbursements to Court/Other Not Paid by the Fund:                  |  |  |  |
| Line 17  | DC & State Tax Payments   |  |  |  |
| Line 18  | No. of Claims:  |  |  |  |
| Line 18a | # of Claims Received This Reporting Period                                |  |  |  |
| Line 18b | # of Claims Received Since Inception of Fund                              |  |  |  |
| Line 19  | No. of Claimants / Investors:   |  |  |  |
| Line 19a | # of Claimants / Investors Paid This Reporting Period                     |  |  |  |
| Line 19b | # of Claimants / Investors Paid Since Inception of Fund                   |  |  |  |

Receiver:

By:

(signature)

Ronald F. Greenspan

(printed name)

Receiver

(title)

Date: September 9, 2016



**STANDARDIZED FUND ACCOUNTING REPORT for Aequitas Peer-To-Peer Funding, LLC (AP2PF) - Cash Basis**

Receivership; Civil Court Case No. 3:16-cv-00438-PK  
REPORTING PERIOD 03/16/2016 TO 06/30/2016

| FUND ACCOUNTING (See Instructions): |   |             |             |             |
|-------------------------------------|---|-------------|-------------|-------------|
|                                     |   | Detail      | Subtotal    | Grand Total |
| Line 1                              | Beginning Balance (As of 03/16/16)                                    |             |             | \$43,352.91 |
| <b>Increases in Fund Balance:</b>   |   |             |             |             |
| Line 2                              | Business Income   | -           | -           |             |
| Line 3                              | Cash and Securities   | -           | -           |             |
| Line 4                              | Interest/Dividend Income  | -           | -           |             |
| Line 5                              | Business Asset Liquidation  | \$26,990.24 | \$26,990.24 |             |
| Line 6                              | Personal Asset Liquidation  | -           | -           |             |
| Line 7                              | Third-Party Litigation  | -           | -           |             |
| Line 8                              | Miscellaneous - Other   | -           | -           |             |
|                                     | <b>Total Funds Available (Lines 1-8):</b>                             |             | \$26,990.24 | \$70,343.15 |
| <b>Decreases in Fund Balance:</b>   |   |             |             |             |
| Line 9                              | Disbursements to Senior Secured Lenders/Investors                     | -           | -           |             |
| Line 10                             | Disbursements for Receivership Operations                             |             | \$2,055.99  |             |
| Line 10                             | Internal Loans  | \$0.39      |             |             |
| Line 10a                            | Disbursements to Receiver or Other Professionals                      | -           |             |             |
| Line 10b                            | Business Asset Expenses   | \$955.60    |             |             |
| Line 10c                            | Personal Asset Expenses   | -           |             |             |
| Line 10d                            | Hospital Settlements & Investment Expenses                            | -           |             |             |
| Line 10e                            | Third-Party Litigation Expenses                                       | -           |             |             |
|                                     | 1. Attorney Fees  | -           |             |             |
|                                     | 2. Litigation Expenses  | -           |             |             |
|                                     | Total Third-party Litigation Expenses                                 | -           |             |             |
| Line 10f                            | Tax Administrator Fees and Bonds                                      | -           |             |             |
| Line 10g                            | Federal and State Tax Payments  | \$1,100.00  |             |             |
|                                     | <b>Total Disbursements for Receivership Operations</b>                |             | \$2,055.99  | \$2,055.99  |
| Line 11                             | Disbursements for Distribution Expenses Paid by the Fund:             | -           | -           |             |
| Line 11a                            | Distribution Plan Development Expenses:                               |             |             |             |
|                                     | 1. Fees:  | -           |             |             |
|                                     | Fund Administrator  | -           |             |             |
|                                     | Independent Distribution Consultant (IDC)                             | -           |             |             |
|                                     | Distribution Agent  | -           |             |             |
|                                     | Consultants   | -           |             |             |
|                                     | Legal Advisers  | -           |             |             |
|                                     | Tax Advisers  | -           |             |             |
|                                     | 2. Administrative Expenses  | -           |             |             |
|                                     | 3. Miscellaneous  | -           |             |             |
|                                     | Total Plan Development Expenses                                       | -           |             |             |
| Line 11b                            | Distribution Plan Implementation Expenses:                            |             |             |             |
|                                     | 1. Fees:  | -           |             |             |
|                                     | Fund Administrator  | -           |             |             |
|                                     | IDC   | -           |             |             |
|                                     | Distribution Agent  | -           |             |             |
|                                     | Consultants   | -           |             |             |
|                                     | Legal Advisers  | -           |             |             |
|                                     | Tax Advisers  | -           |             |             |
|                                     | 2. Administrative Expenses  | -           |             |             |
|                                     | 3. Investor Identification:   | -           |             |             |
|                                     | Notice/Publishing Approved Plan                                       | -           |             |             |
|                                     | Claimant Identification   | -           |             |             |
|                                     | Claims Processing   | -           |             |             |
|                                     | Web Site Maintenance/Call Center                                      | -           |             |             |
|                                     | 4. Fund Administrator Bond  | -           |             |             |
|                                     | 5. Miscellaneous  | -           |             |             |
|                                     | 6. Federal Account for Investor Restitution (FAIR) Reporting Expenses | -           |             |             |
|                                     | Total Plan Implementation Expenses                                    | -           |             |             |
|                                     | <b>Total Disbursements for Distribution Expenses Paid by the Fund</b> | -           |             |             |
| Line 12                             | Disbursements to Court/Other:   | -           | -           |             |
| Line 12a                            | Investment Expenses/Court Registry Investment System (CRIS) Fees      | -           |             |             |
| Line 12b                            | Federal Tax Payments  | -           |             |             |
|                                     | <b>Total Disbursements to Court/Other:</b>                            | -           |             |             |
|                                     | <b>Total Funds Disbursed (Lines 9-11):</b>                            |             |             | \$2,055.99  |
| Line 13                             | Ending Balance (As of 06/30/16):                                      | -           | -           | \$68,287.16 |
| Line 14                             | Ending Balance of Fund - Net Assets:                                  | -           | -           |             |
| Line 14a                            | Cash & Cash Equivalents   | -           |             | \$68,287.16 |
| Line 14b                            | Investments   | -           |             |             |
| Line 14c                            | Other Assets or Uncleared Funds                                       | -           |             |             |
|                                     | <b>Total Ending Balance of Fund - Net Assets</b>                      |             |             | \$68,287.16 |

| OTHER SUPPLEMENTAL INFORMATION: |   |        |          |
|---------------------------------|---|--------|----------|
|                                 |   | Detail | Subtotal |
| Line 15                         | Report of Items NOT To Be Paid by the Fund:<br>Disbursements for Plan Administration Expenses Not Paid by the Fund: | -      | -        |

|          |   |  |  |  |
|----------|---|--|--|--|
| Line 15a | Plan Development Expenses Not Paid by the Fund:                           |  |  |  |
|          | 1. Fees:  |  |  |  |
|          | Fund Administrator  |  |  |  |
|          | IDC   |  |  |  |
|          | Distribution Agent  |  |  |  |
|          | Consultants   |  |  |  |
|          | Legal Advisers  |  |  |  |
|          | Tax Advisers  |  |  |  |
|          | 2. Administrative Expenses  |  |  |  |
|          | 3. Miscellaneous  |  |  |  |
|          | Total Plan Development Expenses Not Paid by the Fund                      |  |  |  |
| Line 15b | Plan Implementation Expenses Not Paid by the Fund:                        |  |  |  |
|          | 1. Fees:  |  |  |  |
|          | Fund Administrator  |  |  |  |
|          | IDC   |  |  |  |
|          | Distribution Agent  |  |  |  |
|          | Consultants   |  |  |  |
|          | Legal Advisers  |  |  |  |
|          | Tax Advisers  |  |  |  |
|          | 2. Administrative Expenses  |  |  |  |
|          | 3. Investor Identification:   |  |  |  |
|          | Notice/Publishing Approved Plan   |  |  |  |
|          | Claimant Identification   |  |  |  |
|          | Claims Processing   |  |  |  |
|          | Web Site Maintenance/Call Center  |  |  |  |
|          | 4. Fund Administrator Bond  |  |  |  |
|          | 5. Miscellaneous  |  |  |  |
|          | 6. FAIR Reporting Expenses  |  |  |  |
|          | Total Plan Implementation Expenses Not Paid by the Fund                   |  |  |  |
| Line 15c | Tax Administrator Fees & Bonds Not Paid by the Fund                       |  |  |  |
|          | Total Disbursements for Plan Administrative Expenses Not Paid by the fund |  |  |  |
| Line 16  | Disbursements to Court/Other Not Paid by the Fund:                        |  |  |  |
| Line 16a | Investment Expenses/CRIS Fees   |  |  |  |
| Line 16b | Federal Tax Payments  |  |  |  |
|          | Total Disbursements to Court/Other Not Paid by the Fund:                  |  |  |  |
| Line 17  | DC & State Tax Payments   |  |  |  |
| Line 18  | No. of Claims:  |  |  |  |
| Line 18a | # of Claims Received This Reporting Period                                |  |  |  |
| Line 18b | # of Claims Received Since Inception of Fund                              |  |  |  |
| Line 19  | No. of Claimants / Investors:   |  |  |  |
| Line 19a | # of Claimants / Investors Paid This Reporting Period                     |  |  |  |
| Line 19b | # of Claimants / Investors Paid Since Inception of Fund                   |  |  |  |

Note -- see subschedule for more detail.

Receiver:

By:

\_\_\_\_\_  
(signature)  
Ronald F. Greenspan  
\_\_\_\_\_  
(printed name)

\_\_\_\_\_  
Receiver  
\_\_\_\_\_  
(title)

Date: September 9, 2016

Subschedule for **Aequitas Peer-to-Peer Funding (AP2PF)** - Cash Basis  
Receivership; Civil Court Case No. 3:16-cv-00438-PK  
Reporting Period 03/16/2016 to 06/30/2016

| FUND ACCOUNTING: |   |             |           |           |                  |           |
|------------------|---|-------------|-----------|-----------|------------------|-----------|
|                  |   | Subcategory | Detail    | Subtotal  | Grand Total      | Reference |
| Line 1           | Beginning Balance (As of 03/16/2016):                     |             |           |           | 43,352.91        |           |
|                  | <b>Increases in Fund Balance:</b>                         |             |           |           |                  |           |
| Line 2           | Business Income   | -           | -         | -         |                  |           |
| Line 3           | Cash and Securities                                       | -           | -         | -         |                  |           |
| Line 4           | Interest/Dividend Income                                  | -           | -         | -         |                  |           |
| Line 5           | Business Asset Liquidation                                | -           | 26,990.24 | 26,990.24 |                  |           |
|                  | Collections   |             |           |           |                  |           |
|                  | Aequitas Peer-To-Peer Funding, LLC                        | 26,990.24   |           |           |                  | 1         |
| Line 6           | Personal Asset Liquidation                                | -           | -         | -         |                  |           |
| Line 7           | Third-Party Litigation Income                             | -           | -         | -         |                  |           |
| Line 8           | Miscellaneous - Other                                     | -           | -         | -         |                  |           |
|                  | Total Funds Available (Lines 1 - 8):                      |             |           |           | 70,343.15        |           |
|                  | <b>Decreases in Fund Balance:</b>                         |             |           |           |                  |           |
| Line 9           | Disbursements to Senior Secured Lenders/Investors         | -           | -         | -         |                  |           |
| Line 10          | Disbursements for Receivership Operations                 |             |           | 2,055.99  |                  |           |
| Line 10          | Internal Loans  | -           | 0.39      |           |                  |           |
|                  | Internal Loan To:   |             |           |           |                  |           |
|                  | Aequitas Capital Management, Inc.                         | 0.39        |           |           |                  |           |
| Line 10a         | Disbursements to Receiver or Other Professionals          | -           | -         |           |                  |           |
| Line 10b         | Business Asset Expenses                                   | -           | 955.60    |           |                  |           |
|                  | Servicing Fees  | 955.60      |           |           |                  |           |
| Line 10c         | Personal Asset Expenses                                   | -           | -         |           |                  |           |
| Line 10d         | Hospital Settlements & Investment Expenses                | -           | -         |           |                  |           |
| Line 10e         | Third-Party Litigation Expenses                           | -           | -         |           |                  |           |
|                  | 1. Attorney Fees  | -           | -         |           |                  |           |
|                  | 2. Litigation Expenses                                    | -           | -         |           |                  |           |
|                  | Total Third-Party Litigation Expenses                     | -           | -         |           |                  |           |
| Line 10f         | Tax Administrator Fees and Bonds                          | -           | -         |           |                  |           |
| Line 10g         | Federal and State Tax Payments                            | 1,100.00    | 1,100.00  |           |                  |           |
|                  | Total Disbursements for Receivership Operations           |             |           | 2,055.99  | 2,055.99         |           |
| Line 11          | Disbursements for Distribution Expenses Paid by the Fund: |             |           |           |                  |           |
| Line 12          | Disbursements to Court/Other:                             | -           | -         |           |                  |           |
|                  | Total Funds Disbursed (Lines 9 - 11):                     |             |           |           | 2,055.99         |           |
| Line 13          | Ending Balance (As of 06/30/2016):                        |             |           |           | <b>68,287.16</b> |           |

| Reference # | Item  | Amount       | Corresponding Notes           |
|-------------|---|--------------|-------------------------------|
| 1           | Collections: Aequitas Peer-To-Peer Funding, LLC | \$ 26,990.24 | Collections from OnDeck, LLC. |

**STANDARDIZED FUND ACCOUNTING REPORT for Aequitas Private Client Fund, LLC (PCF) - Cash Basis**

Receivership; Civil Court Case No. 3:16-cv-00438-PK  
REPORTING PERIOD 03/16/2016 TO 06/30/2016

| FUND ACCOUNTING (See Instructions): |   |            |            |             |
|-------------------------------------|---|------------|------------|-------------|
|                                     |   | Detail     | Subtotal   | Grand Total |
| Line 1                              | Beginning Balance (As of 03/16/16)                                    |            |            | \$7,599.71  |
| <b>Increases in Fund Balance:</b>   |   |            |            |             |
| Line 2                              | Business Income   | -          | -          | -           |
| Line 3                              | Cash and Securities   | \$2,000.00 | \$2,000.00 | -           |
| Line 4                              | Interest/Dividend Income  | -          | -          | -           |
| Line 5                              | Business Asset Liquidation  | -          | -          | -           |
| Line 6                              | Personal Asset Liquidation  | -          | -          | -           |
| Line 7                              | Third-Party Litigation  | -          | -          | -           |
| Line 8                              | Miscellaneous - Other   | -          | -          | -           |
|                                     | <b>Total Funds Available (Lines 1-8):</b>                             |            | \$2,000.00 | \$9,599.71  |
| <b>Decreases in Fund Balance:</b>   |   |            |            |             |
| Line 9                              | Disbursements to Senior Secured Lenders/Investors                     | -          | -          | -           |
| Line 10                             | Disbursements for Receivership Operations                             |            | \$6,400.00 | -           |
| Line 10                             | Internal Loans  | -          | -          | -           |
| Line 10a                            | Disbursements to Receiver or Other Professionals                      | -          | -          | -           |
| Line 10b                            | Business Asset Expenses   | \$4,500.00 | -          | -           |
| Line 10c                            | Personal Asset Expenses   | -          | -          | -           |
| Line 10d                            | Hospital Settlements & Investment Expenses                            | -          | -          | -           |
| Line 10e                            | Third-Party Litigation Expenses                                       | -          | -          | -           |
|                                     | 1. Attorney Fees  | -          | -          | -           |
|                                     | 2. Litigation Expenses  | -          | -          | -           |
|                                     | Total Third-party Litigation Expenses                                 | -          | -          | -           |
| Line 10f                            | Tax Administrator Fees and Bonds                                      | -          | -          | -           |
| Line 10g                            | Federal and State Tax Payments  | \$1,900.00 | -          | -           |
|                                     | <b>Total Disbursements for Receivership Operations</b>                |            | \$6,400.00 | \$6,400.00  |
| Line 11                             | <b>Disbursements for Distribution Expenses Paid by the Fund:</b>      | -          | -          | -           |
| Line 11a                            | Distribution Plan Development Expenses:                               | -          | -          | -           |
|                                     | 1. Fees:  | -          | -          | -           |
|                                     | Fund Administrator  | -          | -          | -           |
|                                     | Independent Distribution Consultant (IDC)                             | -          | -          | -           |
|                                     | Distribution Agent  | -          | -          | -           |
|                                     | Consultants   | -          | -          | -           |
|                                     | Legal Advisers  | -          | -          | -           |
|                                     | Tax Advisers  | -          | -          | -           |
|                                     | 2. Administrative Expenses  | -          | -          | -           |
|                                     | 3. Miscellaneous  | -          | -          | -           |
|                                     | Total Plan Development Expenses                                       | -          | -          | -           |
| Line 11b                            | Distribution Plan Implementation Expenses:                            | -          | -          | -           |
|                                     | 1. Fees:  | -          | -          | -           |
|                                     | Fund Administrator  | -          | -          | -           |
|                                     | IDC   | -          | -          | -           |
|                                     | Distribution Agent  | -          | -          | -           |
|                                     | Consultants   | -          | -          | -           |
|                                     | Legal Advisers  | -          | -          | -           |
|                                     | Tax Advisers  | -          | -          | -           |
|                                     | 2. Administrative Expenses  | -          | -          | -           |
|                                     | 3. Investor Identification:   | -          | -          | -           |
|                                     | Notice/Publishing Approved Plan                                       | -          | -          | -           |
|                                     | Claimant Identification   | -          | -          | -           |
|                                     | Claims Processing   | -          | -          | -           |
|                                     | Web Site Maintenance/Call Center                                      | -          | -          | -           |
|                                     | 4. Fund Administrator Bond  | -          | -          | -           |
|                                     | 5. Miscellaneous  | -          | -          | -           |
|                                     | 6. Federal Account for Investor Restitution (FAIR) Reporting Expenses | -          | -          | -           |
|                                     | Total Plan Implementation Expenses                                    | -          | -          | -           |
|                                     | <b>Total Disbursements for Distribution Expenses Paid by the Fund</b> |            |            |             |
| Line 12                             | <b>Disbursements to Court/Other:</b>                                  | -          | -          | -           |
| Line 12a                            | Investment Expenses/Court Registry Investment System (CRIS) Fees      | -          | -          | -           |
| Line 12b                            | Federal Tax Payments  | -          | -          | -           |
|                                     | <b>Total Disbursements to Court/Other:</b>                            | -          | -          | -           |
|                                     | <b>Total Funds Disbursed (Lines 9-11):</b>                            |            |            | \$6,400.00  |
| Line 13                             | Ending Balance (As of 06/30/16):                                      | -          | -          | \$3,199.71  |
| Line 14                             | <b>Ending Balance of Fund - Net Assets:</b>                           | -          | -          | -           |
| Line 14a                            | Cash & Cash Equivalents   | -          | -          | \$3,199.71  |
| Line 14b                            | Investments   | -          | -          | -           |
| Line 14c                            | Other Assets or Uncleared Funds                                       | -          | -          | -           |
|                                     | <b>Total Ending Balance of Fund - Net Assets</b>                      | -          | -          | \$3,199.71  |

| OTHER SUPPLEMENTAL INFORMATION: |   |        |          |
|---------------------------------|---|--------|----------|
|                                 |   | Detail | Subtotal |
| Line 15                         | Report of Items NOT To Be Paid by the Fund:<br>Disbursements for Plan Administration Expenses Not Paid by the Fund: | -      | -        |



|          |   |  |  |  |
|----------|---|--|--|--|
| Line 15a | Plan Development Expenses Not Paid by the Fund:                           |  |  |  |
|          | 1. Fees:  |  |  |  |
|          | Fund Administrator  |  |  |  |
|          | IDC   |  |  |  |
|          | Distribution Agent  |  |  |  |
|          | Consultants   |  |  |  |
|          | Legal Advisers  |  |  |  |
|          | Tax Advisers  |  |  |  |
|          | 2. Administrative Expenses  |  |  |  |
|          | 3. Miscellaneous  |  |  |  |
|          | Total Plan Development Expenses Not Paid by the Fund                      |  |  |  |
| Line 15b | Plan Implementation Expenses Not Paid by the Fund:                        |  |  |  |
|          | 1. Fees:  |  |  |  |
|          | Fund Administrator  |  |  |  |
|          | IDC   |  |  |  |
|          | Distribution Agent  |  |  |  |
|          | Consultants   |  |  |  |
|          | Legal Advisers  |  |  |  |
|          | Tax Advisers  |  |  |  |
|          | 2. Administrative Expenses  |  |  |  |
|          | 3. Investor Identification:   |  |  |  |
|          | Notice/Publishing Approved Plan   |  |  |  |
|          | Claimant Identification   |  |  |  |
|          | Claims Processing   |  |  |  |
|          | Web Site Maintenance/Call Center  |  |  |  |
|          | 4. Fund Administrator Bond  |  |  |  |
|          | 5. Miscellaneous  |  |  |  |
|          | 6. FAIR Reporting Expenses  |  |  |  |
|          | Total Plan Implementation Expenses Not Paid by the Fund                   |  |  |  |
| Line 15c | Tax Administrator Fees & Bonds Not Paid by the Fund                       |  |  |  |
|          | Total Disbursements for Plan Administrative Expenses Not Paid by the fund |  |  |  |
| Line 16  | Disbursements to Court/Other Not Paid by the Fund:                        |  |  |  |
| Line 16a | Investment Expenses/CRIS Fees   |  |  |  |
| Line 16b | Federal Tax Payments  |  |  |  |
|          | Total Disbursements to Court/Other Not Paid by the Fund:                  |  |  |  |
| Line 17  | DC & State Tax Payments   |  |  |  |
| Line 18  | No. of Claims:  |  |  |  |
| Line 18a | # of Claims Received This Reporting Period                                |  |  |  |
| Line 18b | # of Claims Received Since Inception of Fund                              |  |  |  |
| Line 19  | No. of Claimants / Investors:   |  |  |  |
| Line 19a | # of Claimants / Investors Paid This Reporting Period                     |  |  |  |
| Line 19b | # of Claimants / Investors Paid Since Inception of Fund                   |  |  |  |

Receiver:

By:

(signature)

Ronald F. Greenspan

(printed name)

Receiver

(title)

Date: September 9, 2016

**STANDARDIZED FUND ACCOUNTING REPORT for Aequitas Senior Housing Operations, LLC (ASHO) - Cash Basis**

Receivership; Civil Court Case No. 3:16-cv-00438-PK  
REPORTING PERIOD 03/16/2016 TO 06/30/2016

| FUND ACCOUNTING (See Instructions): |   |          |          |             |
|-------------------------------------|---|----------|----------|-------------|
|                                     |   | Detail   | Subtotal | Grand Total |
| Line 1                              | Beginning Balance (As of 03/16/16)                                    |          |          | -           |
| <b>Increases in Fund Balance:</b>   |   |          |          |             |
| Line 2                              | Business Income   | -        | -        | -           |
| Line 3                              | Cash and Securities   | \$300.00 | \$300.00 | -           |
| Line 4                              | Interest/Dividend Income  | -        | -        | -           |
| Line 5                              | Business Asset Liquidation  | -        | -        | -           |
| Line 6                              | Personal Asset Liquidation  | -        | -        | -           |
| Line 7                              | Third-Party Litigation  | -        | -        | -           |
| Line 8                              | Miscellaneous - Other   | -        | -        | -           |
|                                     | <b>Total Funds Available (Lines 1-8):</b>                             |          | \$300.00 | \$300.00    |
| <b>Decreases in Fund Balance:</b>   |   |          |          |             |
| Line 9                              | Disbursements to Senior Secured Lenders/Investors                     | -        | -        | -           |
| Line 10                             | Disbursements for Receivership Operations                             |          | \$300.00 | -           |
| Line 10                             | Internal Loans  | -        | -        | -           |
| Line 10a                            | Disbursements to Receiver or Other Professionals                      | -        | -        | -           |
| Line 10b                            | Business Asset Expenses   | -        | -        | -           |
| Line 10c                            | Personal Asset Expenses   | -        | -        | -           |
| Line 10d                            | Hospital Settlements & Investment Expenses                            | -        | -        | -           |
| Line 10e                            | Third-Party Litigation Expenses                                       | -        | -        | -           |
|                                     | 1. Attorney Fees  | -        | -        | -           |
|                                     | 2. Litigation Expenses  | -        | -        | -           |
|                                     | Total Third-party Litigation Expenses                                 | -        | -        | -           |
| Line 10f                            | Tax Administrator Fees and Bonds                                      | -        | -        | -           |
| Line 10g                            | Federal and State Tax Payments  | \$300.00 | -        | -           |
|                                     | <b>Total Disbursements for Receivership Operations</b>                |          | \$300.00 | \$300.00    |
| Line 11                             | Disbursements for Distribution Expenses Paid by the Fund:             | -        | -        | -           |
| Line 11a                            | Distribution Plan Development Expenses:                               | -        | -        | -           |
|                                     | 1. Fees:  | -        | -        | -           |
|                                     | Fund Administrator  | -        | -        | -           |
|                                     | Independent Distribution Consultant (IDC)                             | -        | -        | -           |
|                                     | Distribution Agent  | -        | -        | -           |
|                                     | Consultants   | -        | -        | -           |
|                                     | Legal Advisers  | -        | -        | -           |
|                                     | Tax Advisers  | -        | -        | -           |
|                                     | 2. Administrative Expenses  | -        | -        | -           |
|                                     | 3. Miscellaneous  | -        | -        | -           |
|                                     | Total Plan Development Expenses                                       | -        | -        | -           |
| Line 11b                            | Distribution Plan Implementation Expenses:                            | -        | -        | -           |
|                                     | 1. Fees:  | -        | -        | -           |
|                                     | Fund Administrator  | -        | -        | -           |
|                                     | IDC   | -        | -        | -           |
|                                     | Distribution Agent  | -        | -        | -           |
|                                     | Consultants   | -        | -        | -           |
|                                     | Legal Advisers  | -        | -        | -           |
|                                     | Tax Advisers  | -        | -        | -           |
|                                     | 2. Administrative Expenses  | -        | -        | -           |
|                                     | 3. Investor Identification:   | -        | -        | -           |
|                                     | Notice/Publishing Approved Plan                                       | -        | -        | -           |
|                                     | Claimant Identification   | -        | -        | -           |
|                                     | Claims Processing   | -        | -        | -           |
|                                     | Web Site Maintenance/Call Center                                      | -        | -        | -           |
|                                     | 4. Fund Administrator Bond  | -        | -        | -           |
|                                     | 5. Miscellaneous  | -        | -        | -           |
|                                     | 6. Federal Account for Investor Restitution (FAIR) Reporting Expenses | -        | -        | -           |
|                                     | Total Plan Implementation Expenses                                    | -        | -        | -           |
|                                     | <b>Total Disbursements for Distribution Expenses Paid by the Fund</b> |          |          |             |
| Line 12                             | Disbursements to Court/Other:   | -        | -        | -           |
| Line 12a                            | Investment Expenses/Court Registry Investment System (CRIS) Fees      | -        | -        | -           |
| Line 12b                            | Federal Tax Payments  | -        | -        | -           |
|                                     | <b>Total Disbursements to Court/Other:</b>                            | -        | -        | -           |
|                                     | <b>Total Funds Disbursed (Lines 9-11):</b>                            |          |          | \$300.00    |
| Line 13                             | Ending Balance (As of 06/30/16):                                      | -        | -        | \$0.00      |
| Line 14                             | Ending Balance of Fund - Net Assets:                                  | -        | -        |             |
| Line 14a                            | Cash & Cash Equivalents   | -        | -        | \$0.00      |
| Line 14b                            | Investments   | -        | -        |             |
| Line 14c                            | Other Assets or Uncleared Funds                                       | -        | -        |             |
|                                     | <b>Total Ending Balance of Fund - Net Assets</b>                      | -        | -        | \$0.00      |

| OTHER SUPPLEMENTAL INFORMATION: |   |          |             |
|---------------------------------|---|----------|-------------|
|                                 | Detail  | Subtotal | Grand Total |
| Line 15                         | Report of Items NOT To Be Paid by the Fund:<br>Disbursements for Plan Administration Expenses Not Paid by the Fund: | -        | -           |

|          |   |  |  |  |
|----------|---|--|--|--|
| Line 15a | Plan Development Expenses Not Paid by the Fund:                           |  |  |  |
|          | 1. Fees:  |  |  |  |
|          | Fund Administrator  |  |  |  |
|          | IDC   |  |  |  |
|          | Distribution Agent  |  |  |  |
|          | Consultants   |  |  |  |
|          | Legal Advisers  |  |  |  |
|          | Tax Advisers  |  |  |  |
|          | 2. Administrative Expenses  |  |  |  |
|          | 3. Miscellaneous  |  |  |  |
|          | Total Plan Development Expenses Not Paid by the Fund                      |  |  |  |
| Line 15b | Plan Implementation Expenses Not Paid by the Fund:                        |  |  |  |
|          | 1. Fees:  |  |  |  |
|          | Fund Administrator  |  |  |  |
|          | IDC   |  |  |  |
|          | Distribution Agent  |  |  |  |
|          | Consultants   |  |  |  |
|          | Legal Advisers  |  |  |  |
|          | Tax Advisers  |  |  |  |
|          | 2. Administrative Expenses  |  |  |  |
|          | 3. Investor Identification:   |  |  |  |
|          | Notice/Publishing Approved Plan   |  |  |  |
|          | Claimant Identification   |  |  |  |
|          | Claims Processing   |  |  |  |
|          | Web Site Maintenance/Call Center  |  |  |  |
|          | 4. Fund Administrator Bond  |  |  |  |
|          | 5. Miscellaneous  |  |  |  |
|          | 6. FAIR Reporting Expenses  |  |  |  |
|          | Total Plan Implementation Expenses Not Paid by the Fund                   |  |  |  |
| Line 15c | Tax Administrator Fees & Bonds Not Paid by the Fund                       |  |  |  |
|          | Total Disbursements for Plan Administrative Expenses Not Paid by the fund |  |  |  |
| Line 16  | Disbursements to Court/Other Not Paid by the Fund:                        |  |  |  |
| Line 16a | Investment Expenses/CRIS Fees   |  |  |  |
| Line 16b | Federal Tax Payments  |  |  |  |
|          | Total Disbursements to Court/Other Not Paid by the Fund:                  |  |  |  |
| Line 17  | DC & State Tax Payments   |  |  |  |
| Line 18  | No. of Claims:  |  |  |  |
| Line 18a | # of Claims Received This Reporting Period                                |  |  |  |
| Line 18b | # of Claims Received Since Inception of Fund                              |  |  |  |
| Line 19  | No. of Claimants / Investors:   |  |  |  |
| Line 19a | # of Claimants / Investors Paid This Reporting Period                     |  |  |  |
| Line 19b | # of Claimants / Investors Paid Since Inception of Fund                   |  |  |  |

Receiver:

By:

(signature)

Ronald F. Greenspan

(printed name)

Receiver

(title)

Date: September 9, 2016

**STANDARDIZED FUND ACCOUNTING REPORT for Aequitas Senior Housing, LLC (ASH) - Cash Basis**

Receivership; Civil Court Case No. 3:16-cv-00438-PK  
REPORTING PERIOD 03/16/2016 TO 06/30/2016

| FUND ACCOUNTING (See Instructions): |   |          |          |             |
|-------------------------------------|---|----------|----------|-------------|
|                                     |   | Detail   | Subtotal | Grand Total |
| Line 1                              | Beginning Balance (As of 03/16/16)                                    |          |          | \$12.99     |
|                                     | <i>Increases in Fund Balance:</i>                                     |          |          |             |
| Line 2                              | Business Income   | -        | -        | -           |
| Line 3                              | Cash and Securities   | \$300.00 | \$300.00 | -           |
| Line 4                              | Interest/Dividend Income  | -        | -        | -           |
| Line 5                              | Business Asset Liquidation  | -        | -        | -           |
| Line 6                              | Personal Asset Liquidation  | -        | -        | -           |
| Line 7                              | Third-Party Litigation  | -        | -        | -           |
| Line 8                              | Miscellaneous - Other   | -        | -        | -           |
|                                     | <b>Total Funds Available (Lines 1-8):</b>                             |          | \$300.00 | \$312.99    |
|                                     | <i>Decreases in Fund Balance:</i>                                     |          |          |             |
| Line 9                              | Disbursements to Senior Secured Lenders/Investors                     | -        | -        | -           |
| Line 10                             | Disbursements for Receivership Operations                             |          | \$300.00 | -           |
| Line 10                             | Internal Loans  | -        | -        | -           |
| Line 10a                            | Disbursements to Receiver or Other Professionals                      | -        | -        | -           |
| Line 10b                            | Business Asset Expenses   | -        | -        | -           |
| Line 10c                            | Personal Asset Expenses   | -        | -        | -           |
| Line 10d                            | Hospital Settlements & Investment Expenses                            | -        | -        | -           |
| Line 10e                            | Third-Party Litigation Expenses                                       | -        | -        | -           |
|                                     | 1. Attorney Fees  | -        | -        | -           |
|                                     | 2. Litigation Expenses  | -        | -        | -           |
|                                     | Total Third-party Litigation Expenses                                 | -        | -        | -           |
| Line 10f                            | Tax Administrator Fees and Bonds                                      | -        | -        | -           |
| Line 10g                            | Federal and State Tax Payments  | \$300.00 | -        | -           |
|                                     | <b>Total Disbursements for Receivership Operations</b>                |          | \$300.00 | \$300.00    |
| Line 11                             | Disbursements for Distribution Expenses Paid by the Fund:             | -        | -        | -           |
| Line 11a                            | Distribution Plan Development Expenses:                               |          |          |             |
|                                     | 1. Fees:  | -        | -        | -           |
|                                     | Fund Administrator  | -        | -        | -           |
|                                     | Independent Distribution Consultant (IDC)                             | -        | -        | -           |
|                                     | Distribution Agent  | -        | -        | -           |
|                                     | Consultants   | -        | -        | -           |
|                                     | Legal Advisers  | -        | -        | -           |
|                                     | Tax Advisers  | -        | -        | -           |
|                                     | 2. Administrative Expenses  | -        | -        | -           |
|                                     | 3. Miscellaneous  | -        | -        | -           |
|                                     | Total Plan Development Expenses                                       | -        | -        | -           |
| Line 11b                            | Distribution Plan Implementation Expenses:                            |          |          |             |
|                                     | 1. Fees:  | -        | -        | -           |
|                                     | Fund Administrator  | -        | -        | -           |
|                                     | IDC   | -        | -        | -           |
|                                     | Distribution Agent  | -        | -        | -           |
|                                     | Consultants   | -        | -        | -           |
|                                     | Legal Advisers  | -        | -        | -           |
|                                     | Tax Advisers  | -        | -        | -           |
|                                     | 2. Administrative Expenses  | -        | -        | -           |
|                                     | 3. Investor Identification:   | -        | -        | -           |
|                                     | Notice/Publishing Approved Plan                                       | -        | -        | -           |
|                                     | Claimant Identification   | -        | -        | -           |
|                                     | Claims Processing   | -        | -        | -           |
|                                     | Web Site Maintenance/Call Center                                      | -        | -        | -           |
|                                     | 4. Fund Administrator Bond  | -        | -        | -           |
|                                     | 5. Miscellaneous  | -        | -        | -           |
|                                     | 6. Federal Account for Investor Restitution (FAIR) Reporting Expenses | -        | -        | -           |
|                                     | Total Plan Implementation Expenses                                    | -        | -        | -           |
|                                     | <b>Total Disbursements for Distribution Expenses Paid by the Fund</b> |          |          |             |
| Line 12                             | Disbursements to Court/Other:   | -        | -        | -           |
| Line 12a                            | Investment Expenses/Court Registry Investment System (CRIS) Fees      | -        | -        | -           |
| Line 12b                            | Federal Tax Payments  | -        | -        | -           |
|                                     | <b>Total Disbursements to Court/Other:</b>                            | -        | -        | -           |
|                                     | <b>Total Funds Disbursed (Lines 9-11):</b>                            |          |          | \$300.00    |
| Line 13                             | Ending Balance (As of 06/30/16):                                      | -        | -        | \$12.99     |
| Line 14                             | Ending Balance of Fund - Net Assets:                                  | -        | -        |             |
| Line 14a                            | Cash & Cash Equivalents   | -        | -        | \$12.99     |
| Line 14b                            | Investments   | -        | -        | -           |
| Line 14c                            | Other Assets or Uncleared Funds                                       | -        | -        | -           |
|                                     | <b>Total Ending Balance of Fund - Net Assets</b>                      | -        | -        | \$12.99     |

| OTHER SUPPLEMENTAL INFORMATION: |   |          |             |
|---------------------------------|---|----------|-------------|
|                                 | Detail  | Subtotal | Grand Total |
| Line 15                         | Report of Items NOT To Be Paid by the Fund:<br>Disbursements for Plan Administration Expenses Not Paid by the Fund: | -        | -           |



|          |  |  |  |  |
|----------|--|--|--|--|
| Line 15a | Plan Development Expenses Not Paid by the Fund:                                  |  |  |  |
|          | 1. Fees:   |  |  |  |
|          | Fund Administrator   |  |  |  |
|          | IDC  |  |  |  |
|          | Distribution Agent   |  |  |  |
|          | Consultants  |  |  |  |
|          | Legal Advisers   |  |  |  |
|          | Tax Advisers   |  |  |  |
|          | 2. Administrative Expenses   |  |  |  |
|          | 3. Miscellaneous   |  |  |  |
|          | <b>Total Plan Development Expenses Not Paid by the Fund</b>                      |  |  |  |
| Line 15b | Plan Implementation Expenses Not Paid by the Fund:                               |  |  |  |
|          | 1. Fees:   |  |  |  |
|          | Fund Administrator   |  |  |  |
|          | IDC  |  |  |  |
|          | Distribution Agent   |  |  |  |
|          | Consultants  |  |  |  |
|          | Legal Advisers   |  |  |  |
|          | Tax Advisers   |  |  |  |
|          | 2. Administrative Expenses   |  |  |  |
|          | 3. Investor Identification:  |  |  |  |
|          | Notice/Publishing Approved Plan  |  |  |  |
|          | Claimant Identification  |  |  |  |
|          | Claims Processing  |  |  |  |
|          | Web Site Maintenance/Call Center   |  |  |  |
|          | 4. Fund Administrator Bond   |  |  |  |
|          | 5. Miscellaneous   |  |  |  |
|          | 6. FAIR Reporting Expenses   |  |  |  |
|          | <b>Total Plan Implementation Expenses Not Paid by the Fund</b>                   |  |  |  |
| Line 15c | Tax Administrator Fees & Bonds Not Paid by the Fund                              |  |  |  |
|          | <b>Total Disbursements for Plan Administrative Expenses Not Paid by the fund</b> |  |  |  |
| Line 16  | Disbursements to Court/Other Not Paid by the Fund:                               |  |  |  |
| Line 16a | Investment Expenses/CRIS Fees  |  |  |  |
| Line 16b | Federal Tax Payments   |  |  |  |
|          | <b>Total Disbursements to Court/Other Not Paid by the Fund:</b>                  |  |  |  |
| Line 17  | DC & State Tax Payments  |  |  |  |
| Line 18  | <b>No. of Claims:</b>  |  |  |  |
| Line 18a | # of Claims Received This Reporting Period                                       |  |  |  |
| Line 18b | # of Claims Received Since Inception of Fund                                     |  |  |  |
| Line 19  | <b>No. of Claimants / Investors:</b>   |  |  |  |
| Line 19a | # of Claimants / Investors Paid This Reporting Period                            |  |  |  |
| Line 19b | # of Claimants / Investors Paid Since Inception of Fund                          |  |  |  |

Receiver:

By:

(signature)

Ronald F. Greenspan

(printed name)

Receiver

(title)

Date: September 9, 2016

**STANDARDIZED FUND ACCOUNTING REPORT for Aequitas Wealth Management Partner Fund, LLC (AWMPF) - Cash Basis**

Receivership; Civil Court Case No. 3:16-cv-00438-PK  
REPORTING PERIOD 03/16/2016 TO 06/30/2016

| FUND ACCOUNTING (See Instructions): |   |          |          |             |
|-------------------------------------|---|----------|----------|-------------|
|                                     |   | Detail   | Subtotal | Grand Total |
| Line 1                              | Beginning Balance (As of 03/16/16)                                    |          |          |             |
| <b>Increases in Fund Balance:</b>   |   |          |          |             |
| Line 2                              | Business Income   | -        | -        | -           |
| Line 3                              | Cash and Securities   | \$300.00 | \$300.00 |             |
| Line 4                              | Interest/Dividend Income  | -        | -        | -           |
| Line 5                              | Business Asset Liquidation  | -        | -        | -           |
| Line 6                              | Personal Asset Liquidation  | -        | -        | -           |
| Line 7                              | Third-Party Litigation  | -        | -        | -           |
| Line 8                              | Miscellaneous - Other   | -        | -        | -           |
|                                     | <b>Total Funds Available (Lines 1-8):</b>                             |          | \$300.00 | \$300.00    |
| <b>Decreases in Fund Balance:</b>   |   |          |          |             |
| Line 9                              | Disbursements to Senior Secured Lenders/Investors                     | -        | -        | -           |
| Line 10                             | Disbursements for Receivership Operations                             |          | \$300.00 |             |
| Line 10                             | Internal Loans  | -        | -        | -           |
| Line 10a                            | Disbursements to Receiver or Other Professionals                      | -        | -        | -           |
| Line 10b                            | Business Asset Expenses   | -        | -        | -           |
| Line 10c                            | Personal Asset Expenses   | -        | -        | -           |
| Line 10d                            | Hospital Settlements & Investment Expenses                            | -        | -        | -           |
| Line 10e                            | Third-Party Litigation Expenses                                       | -        | -        | -           |
|                                     | 1. Attorney Fees  | -        | -        | -           |
|                                     | 2. Litigation Expenses  | -        | -        | -           |
|                                     | Total Third-party Litigation Expenses                                 | -        | -        | -           |
| Line 10f                            | Tax Administrator Fees and Bonds                                      | -        | -        | -           |
| Line 10g                            | Federal and State Tax Payments  | \$300.00 |          |             |
|                                     | <b>Total Disbursements for Receivership Operations</b>                |          | \$300.00 | \$300.00    |
| Line 11                             | Disbursements for Distribution Expenses Paid by the Fund:             |          |          |             |
| Line 11a                            | Distribution Plan Development Expenses:                               |          |          |             |
|                                     | 1. Fees:  |          |          |             |
|                                     | Fund Administrator  | -        | -        | -           |
|                                     | Independent Distribution Consultant (IDC)                             | -        | -        | -           |
|                                     | Distribution Agent  | -        | -        | -           |
|                                     | Consultants   | -        | -        | -           |
|                                     | Legal Advisers  | -        | -        | -           |
|                                     | Tax Advisers  | -        | -        | -           |
|                                     | 2. Administrative Expenses  | -        | -        | -           |
|                                     | 3. Miscellaneous  | -        | -        | -           |
|                                     | Total Plan Development Expenses                                       | -        | -        | -           |
| Line 11b                            | Distribution Plan Implementation Expenses:                            |          |          |             |
|                                     | 1. Fees:  |          |          |             |
|                                     | Fund Administrator  | -        | -        | -           |
|                                     | IDC   | -        | -        | -           |
|                                     | Distribution Agent  | -        | -        | -           |
|                                     | Consultants   | -        | -        | -           |
|                                     | Legal Advisers  | -        | -        | -           |
|                                     | Tax Advisers  | -        | -        | -           |
|                                     | 2. Administrative Expenses  | -        | -        | -           |
|                                     | 3. Investor Identification:   |          |          |             |
|                                     | Notice/Publishing Approved Plan                                       | -        | -        | -           |
|                                     | Claimant Identification   | -        | -        | -           |
|                                     | Claims Processing   | -        | -        | -           |
|                                     | Web Site Maintenance/Call Center                                      | -        | -        | -           |
|                                     | 4. Fund Administrator Bond  | -        | -        | -           |
|                                     | 5. Miscellaneous  | -        | -        | -           |
|                                     | 6. Federal Account for Investor Restitution (FAIR) Reporting Expenses | -        | -        | -           |
|                                     | Total Plan Implementation Expenses                                    | -        | -        | -           |
|                                     | <b>Total Disbursements for Distribution Expenses Paid by the Fund</b> |          |          |             |
| Line 12                             | Disbursements to Court/Other:   |          |          |             |
| Line 12a                            | Investment Expenses/Court Registry Investment System (CRIS) Fees      | -        | -        | -           |
| Line 12b                            | Federal Tax Payments  | -        | -        | -           |
|                                     | <b>Total Disbursements to Court/Other:</b>                            |          |          |             |
|                                     | <b>Total Funds Disbursed (Lines 9-11):</b>                            |          |          | \$300.00    |
| Line 13                             | Ending Balance (As of 06/30/16):                                      |          |          | \$0.00      |
| Line 14                             | Ending Balance of Fund - Net Assets:                                  |          |          |             |
| Line 14a                            | Cash & Cash Equivalents   | -        | -        |             |
| Line 14b                            | Investments   | -        | -        | \$0.00      |
| Line 14c                            | Other Assets or Uncleared Funds                                       | -        | -        |             |
|                                     | <b>Total Ending Balance of Fund - Net Assets</b>                      |          |          | \$0.00      |

| OTHER SUPPLEMENTAL INFORMATION: |   |          |             |
|---------------------------------|---|----------|-------------|
|                                 | Detail  | Subtotal | Grand Total |
| Line 15                         | Report of Items NOT To Be Paid by the Fund:<br>Disbursements for Plan Administration Expenses Not Paid by the Fund: | -        | -           |

|          |   |  |  |  |
|----------|---|--|--|--|
| Line 15a | Plan Development Expenses Not Paid by the Fund:                           |  |  |  |
|          | 1. Fees:  |  |  |  |
|          | Fund Administrator  |  |  |  |
|          | IDC   |  |  |  |
|          | Distribution Agent  |  |  |  |
|          | Consultants   |  |  |  |
|          | Legal Advisers  |  |  |  |
|          | Tax Advisers  |  |  |  |
|          | 2. Administrative Expenses  |  |  |  |
|          | 3. Miscellaneous  |  |  |  |
|          | Total Plan Development Expenses Not Paid by the Fund                      |  |  |  |
| Line 15b | Plan Implementation Expenses Not Paid by the Fund:                        |  |  |  |
|          | 1. Fees:  |  |  |  |
|          | Fund Administrator  |  |  |  |
|          | IDC   |  |  |  |
|          | Distribution Agent  |  |  |  |
|          | Consultants   |  |  |  |
|          | Legal Advisers  |  |  |  |
|          | Tax Advisers  |  |  |  |
|          | 2. Administrative Expenses  |  |  |  |
|          | 3. Investor Identification:   |  |  |  |
|          | Notice/Publishing Approved Plan   |  |  |  |
|          | Claimant Identification   |  |  |  |
|          | Claims Processing   |  |  |  |
|          | Web Site Maintenance/Call Center  |  |  |  |
|          | 4. Fund Administrator Bond  |  |  |  |
|          | 5. Miscellaneous  |  |  |  |
|          | 6. FAIR Reporting Expenses  |  |  |  |
|          | Total Plan Implementation Expenses Not Paid by the Fund                   |  |  |  |
| Line 15c | Tax Administrator Fees & Bonds Not Paid by the Fund                       |  |  |  |
|          | Total Disbursements for Plan Administrative Expenses Not Paid by the fund |  |  |  |
| Line 16  | Disbursements to Court/Other Not Paid by the Fund:                        |  |  |  |
| Line 16a | Investment Expenses/CRIS Fees   |  |  |  |
| Line 16b | Federal Tax Payments  |  |  |  |
|          | Total Disbursements to Court/Other Not Paid by the Fund:                  |  |  |  |
| Line 17  | DC & State Tax Payments   |  |  |  |
| Line 18  | No. of Claims:  |  |  |  |
| Line 18a | # of Claims Received This Reporting Period                                |  |  |  |
| Line 18b | # of Claims Received Since Inception of Fund                              |  |  |  |
| Line 19  | No. of Claimants / Investors:   |  |  |  |
| Line 19a | # of Claimants / Investors Paid This Reporting Period                     |  |  |  |
| Line 19b | # of Claimants / Investors Paid Since Inception of Fund                   |  |  |  |

Receiver:

By:

(signature)

Ronald F. Greenspan

(printed name)

Receiver

(title)

Date: September 9, 2016

**STANDARDIZED FUND ACCOUNTING REPORT for Aequitas Wealth Management, LLC (AWM) - Cash Basis**

Receivership; Civil Court Case No. 3:16-cv-00438-PK  
REPORTING PERIOD 03/16/2016 TO 06/30/2016

| FUND ACCOUNTING (See Instructions): |   |          |          |             |
|-------------------------------------|---|----------|----------|-------------|
|                                     |   | Detail   | Subtotal | Grand Total |
| Line 1                              | Beginning Balance (As of 03/16/16)                                    |          |          |             |
| <b>Increases in Fund Balance:</b>   |   |          |          |             |
| Line 2                              | Business Income   |          |          |             |
| Line 3                              | Cash and Securities   | \$900.00 | \$900.00 |             |
| Line 4                              | Interest/Dividend Income  |          |          |             |
| Line 5                              | Business Asset Liquidation  |          |          |             |
| Line 6                              | Personal Asset Liquidation  |          |          |             |
| Line 7                              | Third-Party Litigation  |          |          |             |
| Line 8                              | Miscellaneous - Other   |          |          |             |
|                                     | <b>Total Funds Available (Lines 1-8):</b>                             |          | \$900.00 | \$900.00    |
| <b>Decreases in Fund Balance:</b>   |   |          |          |             |
| Line 9                              | Disbursements to Senior Secured Lenders/Investors                     |          |          |             |
| Line 10                             | Disbursements for Receivership Operations                             |          | \$900.00 |             |
| Line 10i                            | Internal Loans  | \$600.00 |          |             |
| Line 10a                            | Disbursements to Receiver or Other Professionals                      |          |          |             |
| Line 10b                            | Business Asset Expenses   |          |          |             |
| Line 10c                            | Personal Asset Expenses   |          |          |             |
| Line 10d                            | Hospital Settlements & Investment Expenses                            |          |          |             |
| Line 10e                            | Third-Party Litigation Expenses                                       |          |          |             |
|                                     | 1. Attorney Fees  |          |          |             |
|                                     | 2. Litigation Expenses  |          |          |             |
|                                     | Total Third-party Litigation Expenses                                 |          |          |             |
| Line 10f                            | Tax Administrator Fees and Bonds                                      |          |          |             |
| Line 10g                            | Federal and State Tax Payments  | \$300.00 |          |             |
|                                     | <b>Total Disbursements for Receivership Operations</b>                |          | \$900.00 | \$900.00    |
| Line 11                             | <b>Disbursements for Distribution Expenses Paid by the Fund:</b>      |          |          |             |
| Line 11a                            | <b>Distribution Plan Development Expenses:</b>                        |          |          |             |
|                                     | 1. Fees:  |          |          |             |
|                                     | Fund Administrator  |          |          |             |
|                                     | Independent Distribution Consultant (IDC)                             |          |          |             |
|                                     | Distribution Agent  |          |          |             |
|                                     | Consultants   |          |          |             |
|                                     | Legal Advisers  |          |          |             |
|                                     | Tax Advisers  |          |          |             |
|                                     | 2. Administrative Expenses  |          |          |             |
|                                     | 3. Miscellaneous  |          |          |             |
|                                     | Total Plan Development Expenses                                       |          |          |             |
| Line 11b                            | <b>Distribution Plan Implementation Expenses:</b>                     |          |          |             |
|                                     | 1. Fees:  |          |          |             |
|                                     | Fund Administrator  |          |          |             |
|                                     | IDC   |          |          |             |
|                                     | Distribution Agent  |          |          |             |
|                                     | Consultants   |          |          |             |
|                                     | Legal Advisers  |          |          |             |
|                                     | Tax Advisers  |          |          |             |
|                                     | 2. Administrative Expenses  |          |          |             |
|                                     | 3. Investor Identification:   |          |          |             |
|                                     | Notice/Publishing Approved Plan                                       |          |          |             |
|                                     | Claimant Identification   |          |          |             |
|                                     | Claims Processing   |          |          |             |
|                                     | Web Site Maintenance/Call Center                                      |          |          |             |
|                                     | 4. Fund Administrator Bond  |          |          |             |
|                                     | 5. Miscellaneous  |          |          |             |
|                                     | 6. Federal Account for Investor Restitution (FAIR) Reporting Expenses |          |          |             |
|                                     | Total Plan Implementation Expenses                                    |          |          |             |
|                                     | <b>Total Disbursements for Distribution Expenses Paid by the Fund</b> |          |          |             |
| Line 12                             | <b>Disbursements to Court/Other:</b>                                  |          |          |             |
| Line 12a                            | Investment Expenses/Court Registry Investment System (CRIS) Fees      |          |          |             |
| Line 12b                            | Federal Tax Payments  |          |          |             |
|                                     | <b>Total Disbursements to Court/Other:</b>                            |          |          |             |
|                                     | <b>Total Funds Disbursed (Lines 9-11):</b>                            |          |          | \$900.00    |
| Line 13                             | Ending Balance (As of 06/30/16):                                      |          |          | \$0.00      |
| Line 14                             | <b>Ending Balance of Fund - Net Assets:</b>                           |          |          |             |
| Line 14a                            | Cash & Cash Equivalents   |          |          | \$0.00      |
| Line 14b                            | Investments   |          |          |             |
| Line 14c                            | Other Assets or Uncleared Funds                                       |          |          |             |
|                                     | <b>Total Ending Balance of Fund - Net Assets</b>                      |          |          | \$0.00      |

| OTHER SUPPLEMENTAL INFORMATION: |   |        |          |
|---------------------------------|---|--------|----------|
|                                 |   | Detail | Subtotal |
| Line 15                         | Report of Items NOT To Be Paid by the Fund:<br>Disbursements for Plan Administration Expenses Not Paid by the Fund: |        |          |



|          |   |  |  |  |
|----------|---|--|--|--|
| Line 15a | Plan Development Expenses Not Paid by the Fund:                           |  |  |  |
|          | 1. Fees:  |  |  |  |
|          | Fund Administrator  |  |  |  |
|          | IDC   |  |  |  |
|          | Distribution Agent  |  |  |  |
|          | Consultants   |  |  |  |
|          | Legal Advisers  |  |  |  |
|          | Tax Advisers  |  |  |  |
|          | 2. Administrative Expenses  |  |  |  |
|          | 3. Miscellaneous  |  |  |  |
|          | Total Plan Development Expenses Not Paid by the Fund                      |  |  |  |
| Line 15b | Plan Implementation Expenses Not Paid by the Fund:                        |  |  |  |
|          | 1. Fees:  |  |  |  |
|          | Fund Administrator  |  |  |  |
|          | IDC   |  |  |  |
|          | Distribution Agent  |  |  |  |
|          | Consultants   |  |  |  |
|          | Legal Advisers  |  |  |  |
|          | Tax Advisers  |  |  |  |
|          | 2. Administrative Expenses  |  |  |  |
|          | 3. Investor Identification:   |  |  |  |
|          | Notice/Publishing Approved Plan   |  |  |  |
|          | Claimant Identification   |  |  |  |
|          | Claims Processing   |  |  |  |
|          | Web Site Maintenance/Call Center  |  |  |  |
|          | 4. Fund Administrator Bond  |  |  |  |
|          | 5. Miscellaneous  |  |  |  |
|          | 6. FAIR Reporting Expenses  |  |  |  |
|          | Total Plan Implementation Expenses Not Paid by the Fund                   |  |  |  |
| Line 15c | Tax Administrator Fees & Bonds Not Paid by the Fund                       |  |  |  |
|          | Total Disbursements for Plan Administrative Expenses Not Paid by the fund |  |  |  |
| Line 16  | Disbursements to Court/Other Not Paid by the Fund:                        |  |  |  |
| Line 16a | Investment Expenses/CRIS Fees   |  |  |  |
| Line 16b | Federal Tax Payments  |  |  |  |
|          | Total Disbursements to Court/Other Not Paid by the Fund:                  |  |  |  |
| Line 17  | DC & State Tax Payments   |  |  |  |
| Line 18  | No. of Claims:  |  |  |  |
| Line 18a | # of Claims Received This Reporting Period                                |  |  |  |
| Line 18b | # of Claims Received Since Inception of Fund                              |  |  |  |
| Line 19  | No. of Claimants / Investors:   |  |  |  |
| Line 19a | # of Claimants / Investors Paid This Reporting Period                     |  |  |  |
| Line 19b | # of Claimants / Investors Paid Since Inception of Fund                   |  |  |  |

Receiver:

By:

(signature)

Ronald F. Greenspan

(printed name)

Receiver

(title)

Date: September 9, 2016

**STANDARDIZED FUND ACCOUNTING REPORT for Aequitas WRFF I, LLC (AWRFFI) - Cash Basis**

Receivership; Civil Court Case No. 3:16-cv-00438-PK  
REPORTING PERIOD 03/16/2016 TO 06/30/2016

| FUND ACCOUNTING (See Instructions): |   |          |          |             |
|-------------------------------------|---|----------|----------|-------------|
|                                     |   | Detail   | Subtotal | Grand Total |
| Line 1                              | Beginning Balance (As of 03/16/16)                                    |          |          | \$100.00    |
| <b>Increases in Fund Balance:</b>   |   |          |          |             |
| Line 2                              | Business Income   | -        | -        |             |
| Line 3                              | Cash and Securities   | \$300.00 | \$300.00 |             |
| Line 4                              | Interest/Dividend Income  | -        | -        |             |
| Line 5                              | Business Asset Liquidation  | -        | -        |             |
| Line 6                              | Personal Asset Liquidation  | -        | -        |             |
| Line 7                              | Third-Party Litigation  | -        | -        |             |
| Line 8                              | Miscellaneous - Other   | -        | -        |             |
|                                     | <b>Total Funds Available (Lines 1-8):</b>                             |          | \$300.00 | \$400.00    |
| <b>Decreases in Fund Balance:</b>   |   |          |          |             |
| Line 9                              | Disbursements to Senior Secured Lenders/Investors                     | -        | -        |             |
| Line 10                             | Disbursements for Receivership Operations                             |          | \$300.00 |             |
| Line 10                             | Internal Loans  | -        | -        |             |
| Line 10a                            | Disbursements to Receiver or Other Professionals                      | -        | -        |             |
| Line 10b                            | Business Asset Expenses   | -        | -        |             |
| Line 10c                            | Personal Asset Expenses   | -        | -        |             |
| Line 10d                            | Hospital Settlements & Investment Expenses                            | -        | -        |             |
| Line 10e                            | Third-Party Litigation Expenses                                       | -        | -        |             |
|                                     | 1. Attorney Fees  | -        | -        |             |
|                                     | 2. Litigation Expenses  | -        | -        |             |
|                                     | Total Third-party Litigation Expenses                                 | -        | -        |             |
| Line 10f                            | Tax Administrator Fees and Bonds                                      | -        | -        |             |
| Line 10g                            | Federal and State Tax Payments  | \$300.00 |          |             |
|                                     | <b>Total Disbursements for Receivership Operations</b>                |          | \$300.00 | \$300.00    |
| Line 11                             | <b>Disbursements for Distribution Expenses Paid by the Fund:</b>      |          |          |             |
| Line 11a                            | Distribution Plan Development Expenses:                               |          |          |             |
|                                     | 1. Fees:  |          |          |             |
|                                     | Fund Administrator  | -        | -        |             |
|                                     | Independent Distribution Consultant (IDC)                             | -        | -        |             |
|                                     | Distribution Agent  | -        | -        |             |
|                                     | Consultants   | -        | -        |             |
|                                     | Legal Advisers  | -        | -        |             |
|                                     | Tax Advisers  | -        | -        |             |
|                                     | 2. Administrative Expenses  | -        | -        |             |
|                                     | 3. Miscellaneous  | -        | -        |             |
|                                     | Total Plan Development Expenses                                       | -        | -        |             |
| Line 11b                            | Distribution Plan Implementation Expenses:                            |          |          |             |
|                                     | 1. Fees:  |          |          |             |
|                                     | Fund Administrator  | -        | -        |             |
|                                     | IDC   | -        | -        |             |
|                                     | Distribution Agent  | -        | -        |             |
|                                     | Consultants   | -        | -        |             |
|                                     | Legal Advisers  | -        | -        |             |
|                                     | Tax Advisers  | -        | -        |             |
|                                     | 2. Administrative Expenses  | -        | -        |             |
|                                     | 3. Investor Identification:   |          |          |             |
|                                     | Notice/Publishing Approved Plan                                       | -        | -        |             |
|                                     | Claimant Identification   | -        | -        |             |
|                                     | Claims Processing   | -        | -        |             |
|                                     | Web Site Maintenance/Call Center                                      | -        | -        |             |
|                                     | 4. Fund Administrator Bond  | -        | -        |             |
|                                     | 5. Miscellaneous  | -        | -        |             |
|                                     | 6. Federal Account for Investor Restitution (FAIR)                    | -        | -        |             |
|                                     | Reporting Expenses  | -        | -        |             |
|                                     | Total Plan Implementation Expenses                                    | -        | -        |             |
|                                     | <b>Total Disbursements for Distribution Expenses Paid by the Fund</b> |          |          |             |
| Line 12                             | <b>Disbursements to Court/Other:</b>                                  |          |          |             |
| Line 12a                            | Investment Expenses/Court Registry Investment                         | -        | -        |             |
| Line 12b                            | System (CRIS) Fees  | -        | -        |             |
|                                     | Federal Tax Payments  | -        | -        |             |
|                                     | <b>Total Disbursements to Court/Other:</b>                            |          |          |             |
|                                     | <b>Total Funds Disbursed (Lines 9-11):</b>                            |          |          | \$300.00    |
| Line 13                             | Ending Balance (As of 06/30/16):                                      |          |          | \$100.00    |
| Line 14                             | <b>Ending Balance of Fund - Net Assets:</b>                           |          |          |             |
| Line 14a                            | Cash & Cash Equivalents   | -        | -        | \$100.00    |
| Line 14b                            | Investments   | -        | -        |             |
| Line 14c                            | Other Assets or Uncleared Funds                                       | -        | -        |             |
|                                     | <b>Total Ending Balance of Fund - Net Assets</b>                      |          |          | \$100.00    |

**OTHER SUPPLEMENTAL INFORMATION:**

|         |  | Detail | Subtotal | Grand Total |
|---------|--|--------|----------|-------------|
| Line 15 | Report of Items NOT To Be Paid by the Fund:        |        |          |             |
|         | Disbursements for Plan Administration Expenses Not | -      | -        |             |

|          |   |   |   |   |
|----------|---|---|---|---|
| Line 15a | <b>Paid by the Fund:</b><br><i>Plan Development Expenses Not Paid by the Fund:</i><br>1. Fees:<br>Fund Administrator<br>IDC<br>Distribution Agent<br>Consultants<br>Legal Advisers<br>Tax Advisers<br>2. Administrative Expenses<br>3. Miscellaneous<br><b>Total Plan Development Expenses Not Paid by the Fund</b>   | - | - | - |
| Line 15b | <i>Plan Implementation Expenses Not Paid by the Fund:</i><br>1. Fees:<br>Fund Administrator<br>IDC<br>Distribution Agent<br>Consultants<br>Legal Advisers<br>Tax Advisers<br>2. Administrative Expenses<br>3. Investor Identification:<br>Notice/Publishing Approved Plan<br>Claimant Identification<br>Claims Processing<br>Web Site Maintenance/Call Center<br>4. Fund Administrator Bond<br>5. Miscellaneous<br>6. FAIR Reporting Expenses<br><b>Total Plan Implementation Expenses Not Paid by the Fund</b> | - | - | - |
| Line 15c | <b>Tax Administrator Fees &amp; Bonds Not Paid by the Fund</b><br><b>Total Disbursements for Plan Administrative Expenses Not Paid by the fund</b>  | - | - | - |
| Line 16  | <b>Disbursements to Court/Other Not Paid by the Fund:</b>   | - | - | - |
| Line 16a | <i>Investment Expenses/CRIS Fees</i>  | - | - | - |
| Line 16b | <i>Federal Tax Payments</i><br><b>Total Disbursements to Court/Other Not Paid by the Fund:</b>  | - | - | - |
| Line 17  | <b>DC &amp; State Tax Payments</b>  | - | - | - |
| Line 18  | <b>No. of Claims:</b><br><i># of Claims Received This Reporting Period</i><br><i># of Claims Received Since Inception of Fund</i>   | - | - | - |
| Line 19  | <b>No. of Claimants / Investors:</b><br><i># of Claimants / Investors Paid This Reporting Period</i><br><i># of Claimants / Investors Paid Since Inception of Fund</i>  | - | - | - |

Receiver:

By:

(signature)  
Ronald F. Greenspan  
(printed name)

Receiver  
(title)

Date: September 9, 2016

**STANDARDIZED FUND ACCOUNTING REPORT for Aspen Grove Equity Solutions, LLC (Aspen) - Cash Basis**

Receivership; Civil Court Case No. 3:16-cv-00438-PK  
REPORTING PERIOD 03/16/2016 TO 06/30/2016

| FUND ACCOUNTING (See Instructions): |   |        |          |             |
|-------------------------------------|---|--------|----------|-------------|
|                                     |   | Detail | Subtotal | Grand Total |
| Line 1                              | Beginning Balance (As of 03/16/16)                                    |        |          | \$85,601.94 |
| <b>Increases in Fund Balance:</b>   |   |        |          |             |
| Line 2                              | Business Income   | -      | -        |             |
| Line 3                              | Cash and Securities   | -      | -        |             |
| Line 4                              | Interest/Dividend Income  | -      | -        |             |
| Line 5                              | Business Asset Liquidation  | -      | -        |             |
| Line 6                              | Personal Asset Liquidation  | -      | -        |             |
| Line 7                              | Third-Party Litigation  | -      | -        |             |
| Line 8                              | Miscellaneous - Other   | -      | -        |             |
|                                     | <b>Total Funds Available (Lines 1-8):</b>                             |        |          | \$85,601.94 |
| <b>Decreases in Fund Balance:</b>   |   |        |          |             |
| Line 9                              | Disbursements to Senior Secured Lenders/Investors                     | -      | -        |             |
| Line 10                             | Disbursements for Receivership Operations                             | -      | -        |             |
| Line 10                             | Internal Loans  | -      | -        |             |
| Line 10a                            | Disbursements to Receiver or Other Professionals                      | -      | -        |             |
| Line 10b                            | Business Asset Expenses   | -      | -        |             |
| Line 10c                            | Personal Asset Expenses   | -      | -        |             |
| Line 10d                            | Hospital Settlements & Investment Expenses                            | -      | -        |             |
| Line 10e                            | Third-Party Litigation Expenses                                       | -      | -        |             |
|                                     | 1. Attorney Fees  | -      | -        |             |
|                                     | 2. Litigation Expenses  | -      | -        |             |
|                                     | Total Third-party Litigation Expenses                                 | -      | -        |             |
| Line 10f                            | Tax Administrator Fees and Bonds                                      | -      | -        |             |
| Line 10g                            | Federal and State Tax Payments  | -      | -        |             |
|                                     | <b>Total Disbursements for Receivership Operations</b>                |        |          |             |
| Line 11                             | <b>Disbursements for Distribution Expenses Paid by the Fund:</b>      |        |          |             |
| Line 11a                            | Distribution Plan Development Expenses:                               |        |          |             |
|                                     | 1. Fees:  |        |          |             |
|                                     | Fund Administrator  | -      | -        |             |
|                                     | Independent Distribution Consultant (IDC)                             | -      | -        |             |
|                                     | Distribution Agent  | -      | -        |             |
|                                     | Consultants   | -      | -        |             |
|                                     | Legal Advisers  | -      | -        |             |
|                                     | Tax Advisers  | -      | -        |             |
|                                     | 2. Administrative Expenses  | -      | -        |             |
|                                     | 3. Miscellaneous  | -      | -        |             |
|                                     | Total Plan Development Expenses                                       | -      | -        |             |
| Line 11b                            | Distribution Plan Implementation Expenses:                            |        |          |             |
|                                     | 1. Fees:  |        |          |             |
|                                     | Fund Administrator  | -      | -        |             |
|                                     | IDC   | -      | -        |             |
|                                     | Distribution Agent  | -      | -        |             |
|                                     | Consultants   | -      | -        |             |
|                                     | Legal Advisers  | -      | -        |             |
|                                     | Tax Advisers  | -      | -        |             |
|                                     | 2. Administrative Expenses  | -      | -        |             |
|                                     | 3. Investor Identification:   |        |          |             |
|                                     | Notice/Publishing Approved Plan                                       | -      | -        |             |
|                                     | Claimant Identification   | -      | -        |             |
|                                     | Claims Processing   | -      | -        |             |
|                                     | Web Site Maintenance/Call Center                                      | -      | -        |             |
|                                     | 4. Fund Administrator Bond  | -      | -        |             |
|                                     | 5. Miscellaneous  | -      | -        |             |
|                                     | 6. Federal Account for Investor Restitution (FAIR)                    | -      | -        |             |
|                                     | Reporting Expenses  | -      | -        |             |
|                                     | Total Plan Implementation Expenses                                    | -      | -        |             |
|                                     | <b>Total Disbursements for Distribution Expenses Paid by the Fund</b> |        |          |             |
| Line 12                             | <b>Disbursements to Court/Other:</b>                                  |        |          |             |
| Line 12a                            | Investment Expenses/Court Registry Investment System (CRIS) Fees      | -      | -        |             |
| Line 12b                            | Federal Tax Payments  | -      | -        |             |
|                                     | <b>Total Disbursements to Court/Other:</b>                            |        |          |             |
|                                     | <b>Total Funds Disbursed (Lines 9-11):</b>                            |        |          | \$0.00      |
| Line 13                             | Ending Balance (As of 06/30/16):                                      | -      | -        | \$85,601.94 |
| Line 14                             | <b>Ending Balance of Fund - Net Assets:</b>                           |        |          |             |
| Line 14a                            | Cash & Cash Equivalents   | -      | -        | \$85,601.94 |
| Line 14b                            | Investments   | -      | -        |             |
| Line 14c                            | Other Assets or Uncleared Funds                                       | -      | -        |             |
|                                     | <b>Total Ending Balance of Fund - Net Assets</b>                      |        |          | \$85,601.94 |

| OTHER SUPPLEMENTAL INFORMATION: |   |        |          |             |
|---------------------------------|---|--------|----------|-------------|
|                                 |   | Detail | Subtotal | Grand Total |
| Line 15                         | Report of Items NOT To Be Paid by the Fund:             |        |          |             |
|                                 | Disbursements for Plan Administration Expenses Not Paid | -      | -        |             |



|          |  |  |  |  |
|----------|--|--|--|--|
| Line 15a | <b>by the Fund:</b>  |  |  |  |
|          | <i>Plan Development Expenses Not Paid by the Fund:</i>                           |  |  |  |
|          | 1. Fees:   |  |  |  |
|          | Fund Administrator   |  |  |  |
|          | IDC  |  |  |  |
|          | Distribution Agent   |  |  |  |
|          | Consultants  |  |  |  |
|          | Legal Advisers   |  |  |  |
|          | Tax Advisers   |  |  |  |
|          | 2. Administrative Expenses   |  |  |  |
| Line 15b | 3. Miscellaneous   |  |  |  |
|          | <b>Total Plan Development Expenses Not Paid by the Fund</b>                      |  |  |  |
|          | <i>Plan Implementation Expenses Not Paid by the Fund:</i>                        |  |  |  |
|          | 1. Fees:   |  |  |  |
|          | Fund Administrator   |  |  |  |
|          | IDC  |  |  |  |
|          | Distribution Agent   |  |  |  |
|          | Consultants  |  |  |  |
|          | Legal Advisers   |  |  |  |
|          | Tax Advisers   |  |  |  |
| Line 15c | 2. Administrative Expenses   |  |  |  |
|          | 3. Investor Identification:  |  |  |  |
|          | Notice/Publishing Approved Plan  |  |  |  |
|          | Claimant Identification  |  |  |  |
|          | Claims Processing  |  |  |  |
|          | Web Site Maintenance/Call Center   |  |  |  |
|          | 4. Fund Administrator Bond   |  |  |  |
|          | 5. Miscellaneous   |  |  |  |
|          | 6. FAIR Reporting Expenses   |  |  |  |
|          | <b>Total Plan Implementation Expenses Not Paid by the Fund</b>                   |  |  |  |
| Line 16  | <i>Tax Administrator Fees &amp; Bonds Not Paid by the Fund</i>                   |  |  |  |
|          | <b>Total Disbursements for Plan Administrative Expenses Not Paid by the fund</b> |  |  |  |
|          | <b>Disbursements to Court/Other Not Paid by the Fund:</b>                        |  |  |  |
|          | <i>Investment Expenses/CRIS Fees</i>   |  |  |  |
|          | <i>Federal Tax Payments</i>  |  |  |  |
|          | <b>Total Disbursements to Court/Other Not Paid by the Fund:</b>                  |  |  |  |
|          | <b>DC &amp; State Tax Payments</b>   |  |  |  |
|          | <b>No. of Claims:</b>  |  |  |  |
|          | <i># of Claims Received This Reporting Period</i>                                |  |  |  |
|          | <i># of Claims Received Since Inception of Fund</i>                              |  |  |  |
| Line 19  | <b>No. of Claimants / Investors:</b>   |  |  |  |
|          | <i># of Claimants / Investors Paid This Reporting Period</i>                     |  |  |  |
|          | <i># of Claimants / Investors Paid Since Inception of Fund</i>                   |  |  |  |

Receiver:

By:

(signature)

Ronald F. Greenspan

(printed name)

Receiver

(title)

Date: September 9, 2016

**STANDARDIZED FUND ACCOUNTING REPORT for Campus Student Funding, LLC (CSF) - Cash Basis**

Receivership; Civil Court Case No. 3:16-cv-00438-PK

REPORTING PERIOD 03/16/2016 TO 06/30/2016

| FUND ACCOUNTING (See Instructions): |   |                |                |                |
|-------------------------------------|---|----------------|----------------|----------------|
|                                     |   | Detail         | Subtotal       | Grand Total    |
| Line 1                              | Beginning Balance (As of 03/16/16)                                    |                |                | \$2,170,204.80 |
| Line 2                              | <b>Increases in Fund Balance:</b>                                     |                |                |                |
| Line 3                              | Business Income   | -              | -              | -              |
| Line 4                              | Cash and Securities   | -              | -              | -              |
| Line 5                              | Interest/Dividend Income  | -              | -              | -              |
| Line 6                              | Business Asset Liquidation  | \$5,848,104.51 | \$5,848,104.51 | -              |
| Line 7                              | Personal Asset Liquidation  | -              | -              | -              |
| Line 8                              | Third-Party Litigation  | -              | -              | -              |
|                                     | Miscellaneous - Other   | -              | -              | -              |
|                                     | <b>Total Funds Available (Lines 1-8):</b>                             |                | \$5,848,104.51 | \$8,018,309.31 |
|                                     | <b>Decreases in Fund Balance:</b>                                     |                |                |                |
| Line 9                              | Disbursements to Senior Secured Lenders/Investors                     | \$746,302.96   | \$746,302.96   | -              |
| Line 10                             | Disbursements for Receivership Operations                             |                | \$1,195,588.85 | -              |
| Line 10                             | Internal Loans  | -              | -              | -              |
| Line 10a                            | Disbursements to Receiver or Other Professionals                      | \$560,051.54   | -              | -              |
| Line 10b                            | Business Asset Expenses   | \$634,459.46   | -              | -              |
| Line 10c                            | Personal Asset Expenses   | -              | -              | -              |
| Line 10d                            | Hospital Settlements & Investment Expenses                            | -              | -              | -              |
| Line 10e                            | Third-Party Litigation Expenses                                       | -              | -              | -              |
|                                     | 1. Attorney Fees  | -              | -              | -              |
|                                     | 2. Litigation Expenses  | -              | -              | -              |
|                                     | Total Third-party Litigation Expenses                                 | -              | -              | -              |
| Line 10f                            | Tax Administrator Fees and Bonds                                      | -              | -              | -              |
| Line 10g                            | Federal and State Tax Payments  | \$1,077.85     | -              | -              |
|                                     | <b>Total Disbursements for Receivership Operations</b>                | -              | \$1,941,891.81 | \$1,941,891.81 |
| Line 11                             | <b>Disbursements for Distribution Expenses Paid by the Fund:</b>      |                |                |                |
| Line 11a                            | Distribution Plan Development Expenses:                               |                |                |                |
|                                     | 1. Fees:  |                |                |                |
|                                     | Fund Administrator  | -              | -              | -              |
|                                     | Independent Distribution Consultant (IDC)                             | -              | -              | -              |
|                                     | Distribution Agent  | -              | -              | -              |
|                                     | Consultants   | -              | -              | -              |
|                                     | Legal Advisers  | -              | -              | -              |
|                                     | Tax Advisers  | -              | -              | -              |
|                                     | 2. Administrative Expenses  | -              | -              | -              |
|                                     | 3. Miscellaneous  | -              | -              | -              |
|                                     | Total Plan Development Expenses                                       | -              | -              | -              |
| Line 11b                            | Distribution Plan Implementation Expenses:                            |                |                |                |
|                                     | 1. Fees:  |                |                |                |
|                                     | Fund Administrator  | -              | -              | -              |
|                                     | IDC   | -              | -              | -              |
|                                     | Distribution Agent  | -              | -              | -              |
|                                     | Consultants   | -              | -              | -              |
|                                     | Legal Advisers  | -              | -              | -              |
|                                     | Tax Advisers  | -              | -              | -              |
|                                     | 2. Administrative Expenses  | -              | -              | -              |
|                                     | 3. Investor Identification:   |                |                |                |
|                                     | Notice/Publishing Approved Plan                                       | -              | -              | -              |
|                                     | Claimant Identification   | -              | -              | -              |
|                                     | Claims Processing   | -              | -              | -              |
|                                     | Web Site Maintenance/Call Center                                      | -              | -              | -              |
|                                     | 4. Fund Administrator Bond  | -              | -              | -              |
|                                     | 5. Miscellaneous  | -              | -              | -              |
|                                     | 6. Federal Account for Investor Restitution (FAIR) Reporting Expenses | -              | -              | -              |
|                                     | Total Plan Implementation Expenses                                    | -              | -              | -              |
|                                     | <b>Total Disbursements for Distribution Expenses Paid by the Fund</b> |                |                |                |
| Line 12                             | <b>Disbursements to Court/Other:</b>                                  |                |                |                |
| Line 12a                            | Investment Expenses/Court Registry Investment System (CRIS) Fees      | -              | -              | -              |
| Line 12b                            | Federal Tax Payments  | -              | -              | -              |
|                                     | <b>Total Disbursements to Court/Other:</b>                            |                |                |                |
|                                     | <b>Total Funds Disbursed (Lines 9-11):</b>                            |                |                | \$1,941,891.81 |
| Line 13                             | Ending Balance (As of 06/30/16):                                      |                |                | \$6,076,417.50 |
| Line 14                             | <b>Ending Balance of Fund - Net Assets:</b>                           |                |                |                |
| Line 14a                            | Cash & Cash Equivalents   | -              | -              | -              |
| Line 14b                            | Investments   | -              | -              | \$6,076,417.50 |
| Line 14c                            | Other Assets or Uncleared Funds                                       | -              | -              | -              |
|                                     | <b>Total Ending Balance of Fund - Net Assets</b>                      |                |                | \$6,076,417.50 |

| OTHER SUPPLEMENTAL INFORMATION: |  |        |          |
|---------------------------------|--|--------|----------|
|                                 |  | Detail | Subtotal |
| Line 15                         | Report of Items NOT To Be Paid by the Fund:                          |        |          |
|                                 | Disbursements for Plan Administration Expenses Not Paid by the Fund: | -      | -        |

|          |   |   |   |   |
|----------|---|---|---|---|
| Line 15a | Plan Development Expenses Not Paid by the Fund:                           | - |   |   |
|          | 1. Fees:  | - |   |   |
|          | Fund Administrator  | - |   |   |
|          | IDC   | - |   |   |
|          | Distribution Agent  | - |   |   |
|          | Consultants   | - |   |   |
|          | Legal Advisers  | - |   |   |
|          | Tax Advisers  | - |   |   |
|          | 2. Administrative Expenses  | - |   |   |
|          | 3. Miscellaneous  | - |   |   |
|          | Total Plan Development Expenses Not Paid by the Fund                      | - |   |   |
| Line 15b | Plan Implementation Expenses Not Paid by the Fund:                        | - |   |   |
|          | 1. Fees:  | - |   |   |
|          | Fund Administrator  | - |   |   |
|          | IDC   | - |   |   |
|          | Distribution Agent  | - |   |   |
|          | Consultants   | - |   |   |
|          | Legal Advisers  | - |   |   |
|          | Tax Advisers  | - |   |   |
|          | 2. Administrative Expenses  | - |   |   |
|          | 3. Investor Identification:   | - |   |   |
|          | Notice/Publishing Approved Plan   | - |   |   |
|          | Claimant Identification   | - |   |   |
|          | Claims Processing   | - |   |   |
|          | Web Site Maintenance/Call Center  | - |   |   |
|          | 4. Fund Administrator Bond  | - |   |   |
|          | 5. Miscellaneous  | - |   |   |
|          | 6. FAIR Reporting Expenses  | - |   |   |
|          | Total Plan Implementation Expenses Not Paid by the Fund                   | - |   |   |
| Line 15c | Tax Administrator Fees & Bonds Not Paid by the Fund                       | - |   |   |
|          | Total Disbursements for Plan Administrative Expenses Not Paid by the fund | - |   |   |
| Line 16  | Disbursements to Court/Other Not Paid by the Fund:                        | - | - |   |
| Line 16a | Investment Expenses/CRIS Fees   | - |   |   |
| Line 16b | Federal Tax Payments  | - |   |   |
|          | Total Disbursements to Court/Other Not Paid by the Fund:                  | - |   |   |
| Line 17  | DC & State Tax Payments   | - | - |   |
| Line 18  | No. of Claims:  |   |   |   |
| Line 18a | # of Claims Received This Reporting Period                                |   |   | - |
| Line 18b | # of Claims Received Since Inception of Fund                              |   |   | - |
| Line 19  | No. of Claimants / Investors:   |   |   |   |
| Line 19a | # of Claimants / Investors Paid This Reporting Period                     |   |   | 1 |
| Line 19b | # of Claimants / Investors Paid Since Inception of Fund                   |   |   | 1 |

Note - see subschedule for more detail.

Receiver:

By:

(signature)

Ronald F. Greenspan

(printed name)

Receiver

(title)

Date: September 9, 2016

Subschedule for **Campus Student Funding, LLC (CSF)** - Cash Basis  
Receivership; Civil Court Case No. 3:16-cv-00438-PK  
Reporting Period 03/16/2016 to 06/30/2016

| FUND ACCOUNTING: |   |              |              |              |              |           |
|------------------|---|--------------|--------------|--------------|--------------|-----------|
| Line             |   | Subcategory  | Detail       | Subtotal     | Grand Total  | Reference |
| Line 1           | Beginning Balance (As of 03/16/2016):                     |              |              |              | 2,170,204.80 |           |
|                  | Internal Transfer (Same Entity)                           | -            | -            | -            |              |           |
|                  | Increases in Fund Balance:                                |              |              |              |              |           |
| Line 2           | Business Income   | -            | -            | -            |              |           |
| Line 3           | Cash and Securities                                       | -            | -            | -            |              |           |
| Line 4           | Interest/Dividend Income                                  | -            | -            | -            |              |           |
| Line 5           | Business Asset Liquidation                                | -            | 5,848,104.51 | 5,848,104.51 |              |           |
|                  | Collections   | -            | -            | -            |              |           |
|                  | Campus Student Funding, LLC                               | 5,848,104.51 | -            | -            |              |           |
| Line 6           | Personal Asset Liquidation                                | -            | -            | -            |              |           |
| Line 7           | Third-Party Litigation Income                             | -            | -            | -            |              |           |
| Line 8           | Miscellaneous - Other                                     | -            | -            | -            |              |           |
|                  | Total Funds Available (Lines 1 - 8):                      |              |              |              | 8,018,309.31 |           |
|                  | Decreases in Fund Balance:                                |              |              |              |              |           |
| Line 9           | Disbursements to Senior Secured Lenders/Investors         | -            | 746,302.96   | 746,302.96   |              |           |
|                  | Disbursements to Senior Secured Lenders                   | -            | -            | -            |              |           |
|                  | Scottrade Bank, N.A.                                      | 746,302.96   | -            | -            |              | 1         |
| Line 10          | Disbursements for Receivership Operations                 |              |              | 1,195,588.85 |              |           |
| Line 10          | Internal Loans  | -            | -            | -            |              |           |
| Line 10a         | Disbursements to Receiver or Other Professionals          | -            | 560,051.54   |              |              |           |
|                  | Legal Advisers  | 560,051.54   | -            | -            |              | 2         |
| Line 10b         | Business Asset Expenses                                   | -            | 634,459.46   |              |              |           |
|                  | Servicing Fees  | 521,504.82   | -            | -            |              |           |
|                  | Administrative Expenses                                   | -            | -            | -            |              |           |
|                  | IT Expenses   | 112,954.64   | -            | -            |              | 3         |
| Line 10c         | Personal Asset Expenses                                   | -            | -            | -            |              |           |
| Line 10d         | Hospital Settlements & Investment Expenses                | -            | -            | -            |              |           |
| Line 10e         | Third-Party Litigation Expenses                           | -            | -            | -            |              |           |
|                  | 1. Attorney Fees  | -            | -            | -            |              |           |
|                  | 2. Litigation Expenses                                    | -            | -            | -            |              |           |
|                  | Total Third-Party Litigation Expenses                     | -            | -            | -            |              |           |
| Line 10f         | Tax Administrator Fees and Bonds                          | -            | -            | -            |              |           |
| Line 10g         | Federal and State Tax Payments                            | 1,077.85     | 1,077.85     |              |              |           |
|                  | Total Disbursements for Receivership Operations           |              |              | 1,941,891.81 | 1,941,891.81 |           |
| Line 11          | Disbursements for Distribution Expenses Paid by the Fund: |              |              |              |              |           |
| Line 12          | Disbursements to Court/Other:                             | -            | -            | -            |              |           |
|                  | Total Funds Disbursed (Lines 9 - 11):                     | -            | -            | -            | 1,941,891.81 |           |
| Line 13          | Ending Balance (As of 06/30/2016):                        |              |              |              | 6,076,417.50 |           |

| Reference # | Item   | Amount        | Corresponding Notes   |
|-------------|--|---------------|---|
| 1           | Disbursement to Senior Secured Lenders/Investors: Campus Student Funding | \$ 746,302.96 | Disbursement to Scottrade Bank, N.A., a Senior Secured Lender.  |
| 2           | Legal Advisers   | \$ 560,051.54 | Payments to Morrison & Foerster, LLP and Akin Gump, LLP in connection with legal work completed prior to Receivership, in order to retain continuity of service throughout the CFPB investigation and the American Student Financial Group lawsuit. |
| 3           | IT Expenses  | \$ 112,954.64 | Data storage and retention fees required by the CFPB and SEC for CSF data.  |



**STANDARDIZED FUND ACCOUNTING REPORT for CarePayment Holdings, LLC (CPH) - Cash Basis**

Receivership; Civil Court Case No. 3:16-cv-00438-PK  
REPORTING PERIOD 03/16/2016 TO 06/30/2016

| FUND ACCOUNTING (See Instructions): |   |            |            |             |
|-------------------------------------|---|------------|------------|-------------|
|                                     |   | Detail     | Subtotal   | Grand Total |
| Line 1                              | Beginning Balance (As of 03/16/16)                                    |            |            | \$293.18    |
| <b>Increases in Fund Balance:</b>   |   |            |            |             |
| Line 2                              | Business Income   | -          | -          | -           |
| Line 3                              | Cash and Securities   | \$1,200.00 | \$1,200.00 | -           |
| Line 4                              | Interest/Dividend Income  | -          | -          | -           |
| Line 5                              | Business Asset Liquidation  | -          | -          | -           |
| Line 6                              | Personal Asset Liquidation  | -          | -          | -           |
| Line 7                              | Third-Party Litigation  | -          | -          | -           |
| Line 8                              | Miscellaneous - Other   | -          | -          | -           |
|                                     | <b>Total Funds Available (Lines 1-8):</b>                             |            | \$1,200.00 | \$1,493.18  |
| <b>Decreases in Fund Balance:</b>   |   |            |            |             |
| Line 9                              | Disbursements to Senior Secured Lenders/Investors                     | -          | -          | -           |
| Line 10                             | Disbursements for Receivership Operations                             |            | \$1,400.00 | -           |
| Line 10                             | Internal Loans  | \$300.00   |            | -           |
| Line 10a                            | Disbursements to Receiver or Other Professionals                      | -          |            | -           |
| Line 10b                            | Business Asset Expenses   | -          |            | -           |
| Line 10c                            | Personal Asset Expenses   | -          |            | -           |
| Line 10d                            | Hospital Settlements & Investment Expenses                            | -          |            | -           |
| Line 10e                            | Third-Party Litigation Expenses                                       | -          |            | -           |
|                                     | 1. Attorney Fees  | -          |            | -           |
|                                     | 2. Litigation Expenses  | -          |            | -           |
|                                     | Total Third-party Litigation Expenses                                 | -          |            | -           |
| Line 10f                            | Tax Administrator Fees and Bonds                                      | -          |            | -           |
| Line 10g                            | Federal and State Tax Payments  | \$1,100.00 |            | -           |
|                                     | <b>Total Disbursements for Receivership Operations</b>                |            | \$1,400.00 | \$1,400.00  |
| Line 11                             | Disbursements for Distribution Expenses Paid by the Fund:             |            | -          | -           |
| Line 11a                            | Distribution Plan Development Expenses:                               |            |            | -           |
|                                     | 1. Fees:  |            |            | -           |
|                                     | Fund Administrator  | -          |            | -           |
|                                     | Independent Distribution Consultant (IDC)                             | -          |            | -           |
|                                     | Distribution Agent  | -          |            | -           |
|                                     | Consultants   | -          |            | -           |
|                                     | Legal Advisers  | -          |            | -           |
|                                     | Tax Advisers  | -          |            | -           |
|                                     | 2. Administrative Expenses  | -          |            | -           |
|                                     | 3. Miscellaneous  | -          |            | -           |
|                                     | Total Plan Development Expenses                                       | -          |            | -           |
| Line 11b                            | Distribution Plan Implementation Expenses:                            |            |            | -           |
|                                     | 1. Fees:  |            |            | -           |
|                                     | Fund Administrator  | -          |            | -           |
|                                     | IDC   | -          |            | -           |
|                                     | Distribution Agent  | -          |            | -           |
|                                     | Consultants   | -          |            | -           |
|                                     | Legal Advisers  | -          |            | -           |
|                                     | Tax Advisers  | -          |            | -           |
|                                     | 2. Administrative Expenses  | -          |            | -           |
|                                     | 3. Investor Identification:   |            |            | -           |
|                                     | Notice/Publishing Approved Plan                                       | -          |            | -           |
|                                     | Claimant Identification   | -          |            | -           |
|                                     | Claims Processing   | -          |            | -           |
|                                     | Web Site Maintenance/Call Center                                      | -          |            | -           |
|                                     | 4. Fund Administrator Bond  | -          |            | -           |
|                                     | 5. Miscellaneous  | -          |            | -           |
|                                     | 6. Federal Account for Investor Restitution (FAIR) Reporting Expenses | -          |            | -           |
|                                     | Total Plan Implementation Expenses                                    | -          |            | -           |
|                                     | <b>Total Disbursements for Distribution Expenses Paid by the Fund</b> |            |            | -           |
| Line 12                             | Disbursements to Court/Other:   |            | -          | -           |
| Line 12a                            | Investment Expenses/Court Registry Investment System (CRIS) Fees      | -          |            | -           |
| Line 12b                            | Federal Tax Payments  | -          |            | -           |
|                                     | <b>Total Disbursements to Court/Other:</b>                            |            | -          | -           |
|                                     | <b>Total Funds Disbursed (Lines 9-11):</b>                            |            |            | \$1,400.00  |
| Line 13                             | Ending Balance (As of 06/30/16):                                      |            | -          | \$93.18     |
| Line 14                             | Ending Balance of Fund - Net Assets:                                  |            | -          | -           |
| Line 14a                            | Cash & Cash Equivalents   | -          |            | \$93.18     |
| Line 14b                            | Investments   | -          |            | -           |
| Line 14c                            | Other Assets or Uncleared Funds                                       | -          |            | -           |
|                                     | <b>Total Ending Balance of Fund - Net Assets</b>                      |            |            | \$93.18     |

| OTHER SUPPLEMENTAL INFORMATION: |  |        |          |
|---------------------------------|--|--------|----------|
|                                 |  | Detail | Subtotal |
| Line 15                         | Report of Items NOT To Be Paid by the Fund:                          |        |          |
|                                 | Disbursements for Plan Administration Expenses Not Paid by the Fund: | -      | -        |

|          |   |  |  |  |
|----------|---|--|--|--|
| Line 15a | Plan Development Expenses Not Paid by the Fund:                           |  |  |  |
|          | 1. Fees:  |  |  |  |
|          | Fund Administrator  |  |  |  |
|          | IDC   |  |  |  |
|          | Distribution Agent  |  |  |  |
|          | Consultants   |  |  |  |
|          | Legal Advisers  |  |  |  |
|          | Tax Advisers  |  |  |  |
|          | 2. Administrative Expenses  |  |  |  |
|          | 3. Miscellaneous  |  |  |  |
|          | Total Plan Development Expenses Not Paid by the Fund                      |  |  |  |
| Line 15b | Plan Implementation Expenses Not Paid by the Fund:                        |  |  |  |
|          | 1. Fees:  |  |  |  |
|          | Fund Administrator  |  |  |  |
|          | IDC   |  |  |  |
|          | Distribution Agent  |  |  |  |
|          | Consultants   |  |  |  |
|          | Legal Advisers  |  |  |  |
|          | Tax Advisers  |  |  |  |
|          | 2. Administrative Expenses  |  |  |  |
|          | 3. Investor Identification:   |  |  |  |
|          | Notice/Publishing Approved Plan   |  |  |  |
|          | Claimant Identification   |  |  |  |
|          | Claims Processing   |  |  |  |
|          | Web Site Maintenance/Call Center  |  |  |  |
|          | 4. Fund Administrator Bond  |  |  |  |
|          | 5. Miscellaneous  |  |  |  |
|          | 6. FAIR Reporting Expenses  |  |  |  |
|          | Total Plan Implementation Expenses Not Paid by the Fund                   |  |  |  |
| Line 15c | Tax Administrator Fees & Bonds Not Paid by the Fund                       |  |  |  |
|          | Total Disbursements for Plan Administrative Expenses Not Paid by the fund |  |  |  |
| Line 16  | Disbursements to Court/Other Not Paid by the Fund:                        |  |  |  |
| Line 16a | Investment Expenses/CRIS Fees   |  |  |  |
| Line 16b | Federal Tax Payments  |  |  |  |
|          | Total Disbursements to Court/Other Not Paid by the Fund:                  |  |  |  |
| Line 17  | DC & State Tax Payments   |  |  |  |
| Line 18  | No. of Claims:  |  |  |  |
| Line 18a | # of Claims Received This Reporting Period                                |  |  |  |
| Line 18b | # of Claims Received Since Inception of Fund                              |  |  |  |
| Line 19  | No. of Claimants / Investors:   |  |  |  |
| Line 19a | # of Claimants / Investors Paid This Reporting Period                     |  |  |  |
| Line 19b | # of Claimants / Investors Paid Since Inception of Fund                   |  |  |  |

Receiver:

By:

(signature)

Ronald F. Greenspan

(printed name)

Receiver

(title)

Date: September 9, 2016

**STANDARDIZED FUND ACCOUNTING REPORT for CarePayment, LLC (CPLLC) - Cash Basis**

Receivership; Civil Court Case No. 3:16-cv-00438-PK  
REPORTING PERIOD 03/16/2016 TO 06/30/2016

| FUND ACCOUNTING (See Instructions): |   |                 |                 |                 |
|-------------------------------------|---|-----------------|-----------------|-----------------|
|                                     |   | Detail          | Subtotal        | Grand Total     |
| Line 1                              | Beginning Balance (As of 03/16/16)                                    |                 |                 | \$151,688.27    |
|                                     | <i>Increases in Fund Balance:</i>                                     |                 |                 |                 |
| Line 2                              | Business Income   | \$855,571.55    | \$855,571.55    |                 |
| Line 3                              | Cash and Securities   | \$15,335,000.00 | \$15,335,000.00 |                 |
| Line 4                              | Interest/Dividend Income  | -               | -               |                 |
| Line 5                              | Business Asset Liquidation  | \$12,226,142.78 | \$12,226,142.78 |                 |
| Line 6                              | Personal Asset Liquidation  | -               | -               |                 |
| Line 7                              | Third-Party Litigation  | -               | -               |                 |
| Line 8                              | Miscellaneous - Other   | -               | -               |                 |
|                                     | <b>Total Funds Available (Lines 1-8):</b>                             |                 | \$28,416,714.33 | \$28,568,402.60 |
|                                     | <i>Decreases in Fund Balance:</i>                                     |                 |                 |                 |
| Line 9                              | Disbursements to Senior Secured Lenders/Investors                     | -               | -               |                 |
| Line 10                             | Disbursements for Receivership Operations                             |                 | \$25,609,126.69 |                 |
| Line 10                             | Internal Loans  | \$600.00        |                 |                 |
| Line 10a                            | Disbursements to Receiver or Other Professionals                      | -               |                 |                 |
| Line 10b                            | Business Asset Expenses   | \$3,617,941.50  |                 |                 |
| Line 10c                            | Personal Asset Expenses   | -               |                 |                 |
| Line 10d                            | Hospital Settlements & Investment Expenses                            | \$21,990,585.19 |                 |                 |
| Line 10e                            | Third-Party Litigation Expenses                                       | -               |                 |                 |
|                                     | 1. Attorney Fees  | -               |                 |                 |
|                                     | 2. Litigation Expenses  | -               |                 |                 |
|                                     | <b>Total Third-party Litigation Expenses</b>                          | -               |                 |                 |
| Line 10f                            | Tax Administrator Fees and Bonds                                      | -               |                 |                 |
| Line 10g                            | Federal and State Tax Payments  | -               |                 |                 |
|                                     | <b>Total Disbursements for Receivership Operations</b>                |                 | \$25,609,126.69 | \$25,609,126.69 |
| Line 11                             | Disbursements for Distribution Expenses Paid by the Fund:             |                 |                 |                 |
| Line 11a                            | Distribution Plan Development Expenses:                               |                 |                 |                 |
|                                     | 1. Fees:  |                 |                 |                 |
|                                     | Fund Administrator  | -               |                 |                 |
|                                     | Independent Distribution Consultant (IDC)                             | -               |                 |                 |
|                                     | Distribution Agent  | -               |                 |                 |
|                                     | Consultants   | -               |                 |                 |
|                                     | Legal Advisers  | -               |                 |                 |
|                                     | Tax Advisers  | -               |                 |                 |
|                                     | 2. Administrative Expenses  | -               |                 |                 |
|                                     | 3. Miscellaneous  | -               |                 |                 |
|                                     | <b>Total Plan Development Expenses</b>                                | -               |                 |                 |
| Line 11b                            | Distribution Plan Implementation Expenses:                            |                 |                 |                 |
|                                     | 1. Fees:  |                 |                 |                 |
|                                     | Fund Administrator  | -               |                 |                 |
|                                     | IDC   | -               |                 |                 |
|                                     | Distribution Agent  | -               |                 |                 |
|                                     | Consultants   | -               |                 |                 |
|                                     | Legal Advisers  | -               |                 |                 |
|                                     | Tax Advisers  | -               |                 |                 |
|                                     | 2. Administrative Expenses  | -               |                 |                 |
|                                     | 3. Investor Identification:   |                 |                 |                 |
|                                     | Notice/Publishing Approved Plan                                       | -               |                 |                 |
|                                     | Claimant Identification   | -               |                 |                 |
|                                     | Claims Processing   | -               |                 |                 |
|                                     | Web Site Maintenance/Call Center                                      | -               |                 |                 |
|                                     | 4. Fund Administrator Bond  | -               |                 |                 |
|                                     | 5. Miscellaneous  | -               |                 |                 |
|                                     | 6. Federal Account for Investor Restitution (FAIR)                    | -               |                 |                 |
|                                     | Reporting Expenses  | -               |                 |                 |
|                                     | <b>Total Plan Implementation Expenses</b>                             | -               |                 |                 |
|                                     | <b>Total Disbursements for Distribution Expenses Paid by the Fund</b> |                 |                 |                 |
| Line 12                             | Disbursements to Court/Other:   |                 |                 |                 |
| Line 12a                            | Investment Expenses/Court Registry Investment System (CRIS) Fees      | -               |                 |                 |
| Line 12b                            | Federal Tax Payments  | -               |                 |                 |
|                                     | <b>Total Disbursements to Court/Other:</b>                            | -               |                 |                 |
|                                     | <b>Total Funds Disbursed (Lines 9-11):</b>                            |                 |                 | \$25,609,126.69 |
| Line 13                             | Ending Balance (As of 06/30/16):                                      |                 |                 | \$2,959,275.91  |
| Line 14                             | Ending Balance of Fund - Net Assets:                                  |                 |                 |                 |
| Line 14a                            | Cash & Cash Equivalents   | -               |                 | \$2,959,275.91  |
| Line 14b                            | Investments   | -               |                 |                 |
| Line 14c                            | Other Assets or Uncleared Funds                                       | -               |                 |                 |
|                                     | <b>Total Ending Balance of Fund - Net Assets</b>                      | -               |                 | \$2,959,275.91  |

| OTHER SUPPLEMENTAL INFORMATION: |   |        |          |             |
|---------------------------------|---|--------|----------|-------------|
|                                 |   | Detail | Subtotal | Grand Total |
|                                 | Report of Items NOT To Be Paid by the Fund: |        |          |             |

|                 |  |  |  |  |
|-----------------|--|--|--|--|
| <b>Line 15</b>  | <b>Disbursements for Plan Administration Expenses Not Paid by the Fund:</b>      |  |  |  |
| <i>Line 15a</i> | <i>Plan Development Expenses Not Paid by the Fund:</i>                           |  |  |  |
|                 | 1. Fees:   |  |  |  |
|                 | Fund Administrator   |  |  |  |
|                 | IDC  |  |  |  |
|                 | Distribution Agent   |  |  |  |
|                 | Consultants  |  |  |  |
|                 | Legal Advisers   |  |  |  |
|                 | Tax Advisers   |  |  |  |
|                 | 2. Administrative Expenses   |  |  |  |
|                 | 3. Miscellaneous   |  |  |  |
|                 | <b>Total Plan Development Expenses Not Paid by the Fund</b>                      |  |  |  |
| <i>Line 15b</i> | <i>Plan Implementation Expenses Not Paid by the Fund:</i>                        |  |  |  |
|                 | 1. Fees:   |  |  |  |
|                 | Fund Administrator   |  |  |  |
|                 | IDC  |  |  |  |
|                 | Distribution Agent   |  |  |  |
|                 | Consultants  |  |  |  |
|                 | Legal Advisers   |  |  |  |
|                 | Tax Advisers   |  |  |  |
|                 | 2. Administrative Expenses   |  |  |  |
|                 | 3. Investor Identification:  |  |  |  |
|                 | Notice/Publishing Approved Plan  |  |  |  |
|                 | Claimant Identification  |  |  |  |
|                 | Claims Processing  |  |  |  |
|                 | Web Site Maintenance/Call Center   |  |  |  |
|                 | 4. Fund Administrator Bond   |  |  |  |
|                 | 5. Miscellaneous   |  |  |  |
|                 | 6. FAIR Reporting Expenses   |  |  |  |
|                 | <b>Total Plan Implementation Expenses Not Paid by the Fund</b>                   |  |  |  |
| <i>Line 15c</i> | <b>Tax Administrator Fees &amp; Bonds Not Paid by the Fund</b>                   |  |  |  |
|                 | <b>Total Disbursements for Plan Administrative Expenses Not Paid by the fund</b> |  |  |  |
| <b>Line 16</b>  | <b>Disbursements to Court/Other Not Paid by the Fund:</b>                        |  |  |  |
| <i>Line 16a</i> | <i>Investment Expenses/CRIS Fees</i>   |  |  |  |
| <i>Line 16b</i> | <i>Federal Tax Payments</i>  |  |  |  |
|                 | <b>Total Disbursements to Court/Other Not Paid by the Fund:</b>                  |  |  |  |
| <b>Line 17</b>  | <b>DC &amp; State Tax Payments</b>   |  |  |  |
| <b>Line 18</b>  | <b>No. of Claims:</b>  |  |  |  |
| <i>Line 18a</i> | <i># of Claims Received This Reporting Period</i>                                |  |  |  |
| <i>Line 18b</i> | <i># of Claims Received Since Inception of Fund</i>                              |  |  |  |
| <b>Line 19</b>  | <b>No. of Claimants / Investors:</b>   |  |  |  |
| <i>Line 19a</i> | <i># of Claimants / Investors Paid This Reporting Period</i>                     |  |  |  |
| <i>Line 19b</i> | <i># of Claimants / Investors Paid Since Inception of Fund</i>                   |  |  |  |

Note – see subschedule for more detail.

Receiver:

By:

(signature)

Ronald F. Greenspan

(printed name)

Receiver

(title)

Date: September 9, 2016



**Subschedule for CarePayment, LLC (CPLL) - Cash Basis**  
**Receivership; Civil Court Case No. 3:16-cv-00438-PK**  
**Reporting Period 03/16/2016 to 06/30/2016**

| FUND ACCOUNTING: |   |                  |               |               |               |
|------------------|---|------------------|---------------|---------------|---------------|
|                  |   | Subcategory      | Detail        | Subtotal      | Grand Total   |
| Line 1           | Beginning Balance (As of 03/16/2016):             |                  |               |               | 151,688.27    |
| Line 2           | Increases in Fund Balance:                        |                  |               |               |               |
|                  | Business Income                                   | -                | 855,571.55    | 855,571.55    |               |
|                  | Internal Fees or Contractual Payment From:        |                  |               |               |               |
|                  | Aequitas Capital Management, Inc.                 | 1,114.30         |               |               |               |
|                  | CarePayment Technologies, Inc.                    | 854,457.25       |               |               |               |
| Line 3           | Cash and Securities                               | -                | 15,335,000.00 | 15,335,000.00 | 1             |
|                  | Advance From:                                     |                  |               |               |               |
|                  | CarePayment Technologies, Inc.                    | 15,335,000.00    |               |               | 2             |
| Line 4           | Interest/Dividend Income                          | -                | -             | -             |               |
| Line 5           | Business Asset Liquidation                        | -                | 12,226,142.78 | 12,226,142.78 |               |
|                  | Collections                                       |                  |               |               |               |
|                  | CarePayment, LLC                                  | 12,226,142.78    |               |               |               |
| Line 6           | Personal Asset Liquidation                        | -                | -             | -             |               |
| Line 7           | Third-Party Litigation Income                     | -                | -             | -             |               |
| Line 8           | Miscellaneous - Other                             | -                | -             | -             |               |
|                  | Total Funds Available:                            |                  |               |               | 28,568,402.60 |
| Line 9           | Decreases in Fund Balance:                        |                  |               |               |               |
| Line 10          | Disbursements to Senior Secured Lenders/Investors | -                | -             | -             |               |
| Line 10          | Disbursements for Receivership Operations         | -                | -             | 25,609,126.69 |               |
| Line 10          | Internal Loans                                    | -                | 600.00        |               |               |
|                  | Internal Loan To:                                 |                  |               |               |               |
|                  | CarePayment Holdings, LLC                         | 600.00           |               |               |               |
| Line 10a         | Disbursements to Receiver or Other Professionals  | -                | -             | -             |               |
| Line 10b         | Business Asset Expenses                           | -                | 3,617,941.50  |               |               |
|                  | Origination Fees- CPLL (-)                        | 112,406,734.54   |               |               | 3             |
|                  | Origination Fees- CPLL (+)                        | (112,171,175.07) |               |               | 3             |
|                  | Servicing Fees                                    | 3,196,805.73     |               |               | 4             |
|                  | Patient Overpayment Return                        | 185,576.30       |               |               | 5             |
| Line 10c         | Personal Asset Expenses                           | -                | -             | -             |               |
| Line 10d         | Hospital Settlements & Investment Expenses        | -                | 21,990,585.19 |               |               |
|                  | Continued Investments:                            |                  |               |               |               |
|                  | Hospital Settlements                              | 21,990,585.19    |               |               | 6             |
|                  | Third Party Pass Through Professional Fees        | -                | -             | -             |               |
| Line 10e         | Third-Party Litigation Expenses                   | -                | -             | -             |               |
|                  | 1. Attorney Fees                                  | -                | -             | -             |               |
|                  | 2. Litigation Expenses                            | -                | -             | -             |               |
|                  | Total Third-Party Litigation Expenses             | -                | -             | -             |               |
| Line 10f         | Tax Administrator Fees and Bonds                  | -                | -             | -             |               |
| Line 10g         | Federal and State Tax Payments                    | -                | -             | -             |               |
|                  | State Filing Fees                                 | -                | -             | -             |               |
|                  | Total Disbursements for Receivership Operations   |                  |               | 25,609,126.69 | 25,609,126.69 |
| Line 13          | Ending Balance (As of 06/30/2016):                |                  |               |               | 2,959,275.91  |

| Reference # | Item  | Amount           | Corresponding Notes  |
|-------------|---|------------------|--|
| 1           | Internal Fees or Contractual Payment From: CarePayment Technologies, Inc. | \$ 854,457.25    | Contractual monthly payments due from CarePayment Technologies, Inc. (CPYT) for collections on Service-only accounts. These payments then pass through Line 10d as Hospital Settlements to the hospital/provider per the Servicing Agreement.  |
| 2           | Advance From: CarePayment Technologies, Inc.                              | \$ 15,335,000.00 | Proceeds from CPYT (purchase of participation in the DLI line of credit), formerly the Bank of America line of credit. Advances are used to purchase additional receivables from the hospitals/providers and pay fees associated with the CPLL portfolio.  |
| 3           | Origination Fees- CPLL (Sum of (-) & (+))                                 | \$ 235,559.47    | CPLL receives healthcare Client Receivables from associated hospitals and, through WebBank as the originator and lender, originates Credit Lines. CPLL sends the cash requirement to originate the Credit Lines to WebBank, in addition to paying them a 21bps origination fee (Origination Fees (-)). After origination, the cash net of origination fees is returned to CPLL (Origination Fees (+)), as CPLL extinguishes the Client Receivables with the associated hospitals (see note 6 below), while WebBank retains title to the Credit Lines and CPLL acquires the right to collect the balances on the WebBank issued Credit Lines. |
| 4           | Servicing Fees  | \$ 3,196,805.73  | Servicing and origination fees paid to CPYT for CPLL receivables.  |
| 5           | Patient Overpayment Return  | \$ 185,576.30    | Payment to patients who paid more than their account balance. Reduces collections in Line 5.   |
| 6           | Hospital Settlements  | \$ 21,990,585.19 | Net Payment to associated hospitals to extinguish the hospital's Client Receivable.  |

**STANDARDIZED FUND ACCOUNTING REPORT for CP Funding I Holdings, LLC (CPFIH) - Cash Basis**

Receivership; Civil Court Case No. 3:16-cv-00438-PK  
REPORTING PERIOD 03/16/2016 TO 06/30/2016

| FUND ACCOUNTING (See Instructions):                                   |   |          |          |             |
|---|---|----------|----------|-------------|
|   |   | Detail   | Subtotal | Grand Total |
| Line 1  | Beginning Balance (As of 03/16/16)                                    |          |          | \$38.76     |
| <b>Increases in Fund Balance:</b>                                     |   |          |          |             |
| Line 2  | Business Income   | -        | -        | -           |
| Line 3  | Cash and Securities   | \$300.00 | \$300.00 | -           |
| Line 4  | Interest/Dividend Income  | -        | -        | -           |
| Line 5  | Business Asset Liquidation  | -        | -        | -           |
| Line 6  | Personal Asset Liquidation  | -        | -        | -           |
| Line 7  | Third-Party Litigation  | -        | -        | -           |
| Line 8  | Miscellaneous - Other   | -        | -        | -           |
| <b>Total Funds Available (Lines 1-8):</b>                             |   |          | \$300.00 | \$338.76    |
| <b>Decreases in Fund Balance:</b>                                     |   |          |          |             |
| Line 9  | Disbursements to Senior Secured Lenders/Investors                     | -        | -        | -           |
| Line 10   | Disbursements for Receivership Operations                             | -        | \$300.00 | -           |
| Line 10   | Internal Loans  | -        | -        | -           |
| Line 10a  | Disbursements to Receiver or Other Professionals                      | -        | -        | -           |
| Line 10b  | Business Asset Expenses   | -        | -        | -           |
| Line 10c  | Personal Asset Expenses   | -        | -        | -           |
| Line 10d  | Hospital Settlements & Investment Expenses                            | -        | -        | -           |
| Line 10e  | Third-Party Litigation Expenses                                       | -        | -        | -           |
|   | 1. Attorney Fees  | -        | -        | -           |
|   | 2. Litigation Expenses  | -        | -        | -           |
|   | Total Third-party Litigation Expenses                                 | -        | -        | -           |
| Line 10f  | Tax Administrator Fees and Bonds                                      | -        | -        | -           |
| Line 10g  | Federal and State Tax Payments  | \$300.00 | -        | -           |
| <b>Total Disbursements for Receivership Operations</b>                |   |          | \$300.00 | \$300.00    |
| Line 11   | Disbursements for Distribution Expenses Paid by the Fund:             | -        | -        | -           |
| Line 11a  | Distribution Plan Development Expenses:                               | -        | -        | -           |
|   | 1. Fees:  | -        | -        | -           |
|   | Fund Administrator  | -        | -        | -           |
|   | Independent Distribution Consultant (IDC)                             | -        | -        | -           |
|   | Distribution Agent  | -        | -        | -           |
|   | Consultants   | -        | -        | -           |
|   | Legal Advisers  | -        | -        | -           |
|   | Tax Advisers  | -        | -        | -           |
|   | 2. Administrative Expenses  | -        | -        | -           |
|   | 3. Miscellaneous  | -        | -        | -           |
|   | Total Plan Development Expenses                                       | -        | -        | -           |
| Line 11b  | Distribution Plan Implementation Expenses:                            | -        | -        | -           |
|   | 1. Fees:  | -        | -        | -           |
|   | Fund Administrator  | -        | -        | -           |
|   | IDC   | -        | -        | -           |
|   | Distribution Agent  | -        | -        | -           |
|   | Consultants   | -        | -        | -           |
|   | Legal Advisers  | -        | -        | -           |
|   | Tax Advisers  | -        | -        | -           |
|   | 2. Administrative Expenses  | -        | -        | -           |
|   | 3. Investor Identification:   | -        | -        | -           |
|   | Notice/Publishing Approved Plan                                       | -        | -        | -           |
|   | Claimant Identification   | -        | -        | -           |
|   | Claims Processing   | -        | -        | -           |
|   | Web Site Maintenance/Call Center                                      | -        | -        | -           |
|   | 4. Fund Administrator Bond  | -        | -        | -           |
|   | 5. Miscellaneous  | -        | -        | -           |
|   | 6. Federal Account for Investor Restitution (FAIR) Reporting Expenses | -        | -        | -           |
|   | Total Plan Implementation Expenses                                    | -        | -        | -           |
| <b>Total Disbursements for Distribution Expenses Paid by the Fund</b> |   |          | -        | -           |
| Line 12   | Disbursements to Court/Other:   | -        | -        | -           |
| Line 12a  | Investment Expenses/Court Registry Investment System (CRIS)           | -        | -        | -           |
| Line 12b  | Fees  | -        | -        | -           |
|   | Federal Tax Payments  | -        | -        | -           |
| <b>Total Disbursements to Court/Other:</b>                            |   |          | -        | -           |
| <b>Total Funds Disbursed (Lines 9-11):</b>                            |   |          | -        | \$300.00    |
| Line 13   | Ending Balance (As of 06/30/16):                                      | -        | -        | \$38.76     |
| Line 14   | Ending Balance of Fund - Net Assets:                                  | -        | -        | -           |
| Line 14a  | Cash & Cash Equivalents   | -        | -        | \$38.76     |
| Line 14b  | Investments   | -        | -        | -           |
| Line 14c  | Other Assets or Uncleared Funds                                       | -        | -        | -           |
| <b>Total Ending Balance of Fund - Net Assets</b>                      |   |          | -        | \$38.76     |

| OTHER SUPPLEMENTAL INFORMATION: |  |        |          |             |
|---------------------------------|--|--------|----------|-------------|
|                                 |  | Detail | Subtotal | Grand Total |
| Line 15                         | Report of Items NOT To Be Paid by the Fund:                          |        |          |             |
|                                 | Disbursements for Plan Administration Expenses Not Paid by the Fund: | -      | -        | -           |
| Line 15a                        | Plan Development Expenses Not Paid by the Fund:                      | -      | -        | -           |

|          |  |   |  |  |
|----------|--|---|--|--|
|          | 1. Fees:   |   |  |  |
|          | Fund Administrator   | - |  |  |
|          | IDC  | - |  |  |
|          | Distribution Agent   | - |  |  |
|          | Consultants  | - |  |  |
|          | Legal Advisers   | - |  |  |
|          | Tax Advisers   | - |  |  |
|          | 2. Administrative Expenses   | - |  |  |
|          | 3. Miscellaneous   | - |  |  |
|          | <b>Total Plan Development Expenses Not Paid by the Fund</b>                      | - |  |  |
| Line 15b | <b>Plan Implementation Expenses Not Paid by the Fund:</b>                        |   |  |  |
|          | 1. Fees:   |   |  |  |
|          | Fund Administrator   | - |  |  |
|          | IDC  | - |  |  |
|          | Distribution Agent   | - |  |  |
|          | Consultants  | - |  |  |
|          | Legal Advisers   | - |  |  |
|          | Tax Advisers   | - |  |  |
|          | 2. Administrative Expenses   | - |  |  |
|          | 3. Investor Identification:  | - |  |  |
|          | Notice/Publishing Approved Plan  | - |  |  |
|          | Claimant Identification  | - |  |  |
|          | Claims Processing  | - |  |  |
|          | Web Site Maintenance/Call Center   | - |  |  |
|          | 4. Fund Administrator Bond   | - |  |  |
|          | 5. Miscellaneous   | - |  |  |
|          | 6. FAIR Reporting Expenses   | - |  |  |
|          | <b>Total Plan Implementation Expenses Not Paid by the Fund</b>                   | - |  |  |
| Line 15c | <b>Tax Administrator Fees &amp; Bonds Not Paid by the Fund</b>                   | - |  |  |
|          | <b>Total Disbursements for Plan Administrative Expenses Not Paid by the fund</b> | - |  |  |
| Line 16  | <b>Disbursements to Court/Other Not Paid by the Fund:</b>                        | - |  |  |
| Line 16a | Investment Expenses/CRIS Fees  | - |  |  |
| Line 16b | Federal Tax Payments   | - |  |  |
|          | <b>Total Disbursements to Court/Other Not Paid by the Fund:</b>                  | - |  |  |
| Line 17  | <b>DC &amp; State Tax Payments</b>   | - |  |  |
| Line 18  | <b>No. of Claims:</b>  |   |  |  |
| Line 18a | # of Claims Received This Reporting Period                                       | - |  |  |
| Line 18b | # of Claims Received Since Inception of Fund                                     | - |  |  |
| Line 19  | <b>No. of Claimants / Investors:</b>   |   |  |  |
| Line 19a | # of Claimants / Investors Paid This Reporting Period                            | - |  |  |
| Line 19b | # of Claimants / Investors Paid Since Inception of Fund                          | - |  |  |

Receiver:

By:

(signature)

Ronald F. Greenspan

(printed name)

Receiver

(title)

Date: September 9, 2016

**STANDARDIZED FUND ACCOUNTING REPORT for Hickory Growth Partners, LLC (Hickory) - Cash Basis**

Receivership; Civil Court Case No. 3:16-cv-00438-PK  
REPORTING PERIOD 03/16/2016 TO 06/30/2016

| FUND ACCOUNTING (See Instructions): |   |          |          |             |
|-------------------------------------|---|----------|----------|-------------|
|                                     |   | Detail   | Subtotal | Grand Total |
| Line 1                              | Beginning Balance (As of 03/16/16)                                    |          |          |             |
| <i>Increases in Fund Balance:</i>   |   |          |          |             |
| Line 2                              | Business Income   |          |          |             |
| Line 3                              | Cash and Securities   | \$300.00 | \$300.00 |             |
| Line 4                              | Interest/Dividend Income  | -        | -        |             |
| Line 5                              | Business Asset Liquidation  | -        | -        |             |
| Line 6                              | Personal Asset Liquidation  | -        | -        |             |
| Line 7                              | Third-Party Litigation  | -        | -        |             |
| Line 8                              | Miscellaneous - Other   | -        | -        |             |
|                                     | <b>Total Funds Available (Lines 1-8):</b>                             |          | \$300.00 | \$300.00    |
| <i>Decreases in Fund Balance:</i>   |   |          |          |             |
| Line 9                              | Disbursements to Senior Secured Lenders/Investors                     | -        | -        |             |
| Line 10                             | Disbursements for Receivership Operations                             |          | \$300.00 |             |
| Line 10i                            | Internal Loans  | -        | -        |             |
| Line 10a                            | Disbursements to Receiver or Other Professionals                      | -        | -        |             |
| Line 10b                            | Business Asset Expenses   | -        | -        |             |
| Line 10c                            | Personal Asset Expenses   | -        | -        |             |
| Line 10d                            | Hospital Settlements & Investment Expenses                            | -        | -        |             |
| Line 10e                            | Third-Party Litigation Expenses                                       | -        | -        |             |
|                                     | 1. Attorney Fees  | -        | -        |             |
|                                     | 2. Litigation Expenses  | -        | -        |             |
|                                     | Total Third-party Litigation Expenses                                 | -        | -        |             |
| Line 10f                            | Tax Administrator Fees and Bonds                                      | -        | -        |             |
| Line 10g                            | Federal and State Tax Payments  | \$300.00 |          |             |
|                                     | <b>Total Disbursements for Receivership Operations</b>                |          | \$300.00 | \$300.00    |
| Line 11                             | Disbursements for Distribution Expenses Paid by the Fund:             |          |          |             |
| Line 11a                            | Distribution Plan Development Expenses:                               |          |          |             |
|                                     | 1. Fees:  |          |          |             |
|                                     | Fund Administrator  | -        | -        |             |
|                                     | Independent Distribution Consultant (IDC)                             | -        | -        |             |
|                                     | Distribution Agent  | -        | -        |             |
|                                     | Consultants   | -        | -        |             |
|                                     | Legal Advisers  | -        | -        |             |
|                                     | Tax Advisers  | -        | -        |             |
|                                     | 2. Administrative Expenses  | -        | -        |             |
|                                     | 3. Miscellaneous  | -        | -        |             |
|                                     | Total Plan Development Expenses                                       | -        | -        |             |
| Line 11b                            | Distribution Plan Implementation Expenses:                            |          |          |             |
|                                     | 1. Fees:  |          |          |             |
|                                     | Fund Administrator  | -        | -        |             |
|                                     | IDC   | -        | -        |             |
|                                     | Distribution Agent  | -        | -        |             |
|                                     | Consultants   | -        | -        |             |
|                                     | Legal Advisers  | -        | -        |             |
|                                     | Tax Advisers  | -        | -        |             |
|                                     | 2. Administrative Expenses  | -        | -        |             |
|                                     | 3. Investor Identification:   |          |          |             |
|                                     | Notice/Publishing Approved Plan                                       | -        | -        |             |
|                                     | Claimant Identification   | -        | -        |             |
|                                     | Claims Processing   | -        | -        |             |
|                                     | Web Site Maintenance/Call Center                                      | -        | -        |             |
|                                     | 4. Fund Administrator Bond  | -        | -        |             |
|                                     | 5. Miscellaneous  | -        | -        |             |
|                                     | 6. Federal Account for Investor Restitution (FAIR) Reporting Expenses | -        | -        |             |
|                                     | Total Plan Implementation Expenses                                    | -        | -        |             |
|                                     | <b>Total Disbursements for Distribution Expenses Paid by the Fund</b> |          |          |             |
| Line 12                             | Disbursements to Court/Other:   |          |          |             |
| Line 12a                            | Investment Expenses/Court Registry Investment System (CRIS) Fees      | -        | -        |             |
| Line 12b                            | Federal Tax Payments  | -        | -        |             |
|                                     | <b>Total Disbursements to Court/Other:</b>                            | -        | -        |             |
|                                     | <b>Total Funds Disbursed (Lines 9-11):</b>                            |          |          | \$300.00    |
| Line 13                             | Ending Balance (As of 06/30/16):                                      |          |          | \$0.00      |
| Line 14                             | Ending Balance of Fund - Net Assets:                                  |          |          |             |
| Line 14a                            | Cash & Cash Equivalents   | -        | -        |             |
| Line 14b                            | Investments   | -        | -        | \$0.00      |
| Line 14c                            | Other Assets or Uncleared Funds                                       | -        | -        |             |
|                                     | <b>Total Ending Balance of Fund - Net Assets</b>                      | -        | -        | \$0.00      |

| OTHER SUPPLEMENTAL INFORMATION: |   |        |          |
|---------------------------------|---|--------|----------|
|                                 |   | Detail | Subtotal |
| Line 15                         | Report of Items NOT To Be Paid by the Fund:<br>Disbursements for Plan Administration Expenses Not Paid by the Fund: |        |          |
|                                 |   | -      | -        |



|          |   |  |  |  |
|----------|---|--|--|--|
| Line 15a | Plan Development Expenses Not Paid by the Fund:                           |  |  |  |
|          | 1. Fees:  |  |  |  |
|          | Fund Administrator  |  |  |  |
|          | IDC   |  |  |  |
|          | Distribution Agent  |  |  |  |
|          | Consultants   |  |  |  |
|          | Legal Advisers  |  |  |  |
|          | Tax Advisers  |  |  |  |
|          | 2. Administrative Expenses  |  |  |  |
|          | 3. Miscellaneous  |  |  |  |
|          | Total Plan Development Expenses Not Paid by the Fund                      |  |  |  |
| Line 15b | Plan Implementation Expenses Not Paid by the Fund:                        |  |  |  |
|          | 1. Fees:  |  |  |  |
|          | Fund Administrator  |  |  |  |
|          | IDC   |  |  |  |
|          | Distribution Agent  |  |  |  |
|          | Consultants   |  |  |  |
|          | Legal Advisers  |  |  |  |
|          | Tax Advisers  |  |  |  |
|          | 2. Administrative Expenses  |  |  |  |
|          | 3. Investor Identification:   |  |  |  |
|          | Notice/Publishing Approved Plan   |  |  |  |
|          | Claimant Identification   |  |  |  |
|          | Claims Processing   |  |  |  |
|          | Web Site Maintenance/Call Center  |  |  |  |
|          | 4. Fund Administrator Bond  |  |  |  |
|          | 5. Miscellaneous  |  |  |  |
|          | 6. FAIR Reporting Expenses  |  |  |  |
|          | Total Plan Implementation Expenses Not Paid by the Fund                   |  |  |  |
| Line 15c | Tax Administrator Fees & Bonds Not Paid by the Fund                       |  |  |  |
|          | Total Disbursements for Plan Administrative Expenses Not Paid by the fund |  |  |  |
| Line 16  | Disbursements to Court/Other Not Paid by the Fund:                        |  |  |  |
| Line 16a | Investment Expenses/CRIS Fees   |  |  |  |
| Line 16b | Federal Tax Payments  |  |  |  |
|          | Total Disbursements to Court/Other Not Paid by the Fund:                  |  |  |  |
| Line 17  | DC & State Tax Payments   |  |  |  |
| Line 18  | No. of Claims:  |  |  |  |
| Line 18a | # of Claims Received This Reporting Period                                |  |  |  |
| Line 18b | # of Claims Received Since Inception of Fund                              |  |  |  |
| Line 19  | No. of Claimants / Investors:   |  |  |  |
| Line 19a | # of Claimants / Investors Paid This Reporting Period                     |  |  |  |
| Line 19b | # of Claimants / Investors Paid Since Inception of Fund                   |  |  |  |

Receiver:

By:

(signature)

Ronald F. Greenspan

(printed name)

Receiver

(title)

Date: September 9, 2016

**STANDARDIZED FUND ACCOUNTING REPORT for ML Financial Holdings, LLC (MLFH) - Cash Basis**

Receivership; Civil Court Case No. 3:16-cv-00438-PK  
REPORTING PERIOD 03/16/2016 TO 06/30/2016

| FUND ACCOUNTING (See Instructions):                                   |   |            |            |             |
|---|---|------------|------------|-------------|
|   |   | Detail     | Subtotal   | Grand Total |
| Line 1  | Beginning Balance (As of 03/16/16)                                    |            |            | \$7,078.90  |
| <i>Increases in Fund Balance:</i>                                     |   |            |            |             |
| Line 2  | Business Income   | -          | -          | -           |
| Line 3  | Cash and Securities   | -          | -          | -           |
| Line 4  | Interest/Dividend Income  | -          | -          | -           |
| Line 5  | Business Asset Liquidation  | -          | -          | -           |
| Line 6  | Personal Asset Liquidation  | -          | -          | -           |
| Line 7  | Third-Party Litigation  | -          | -          | -           |
| Line 8  | Miscellaneous - Other   | -          | -          | -           |
| <b>Total Funds Available (Lines 1-8):</b>                             |   |            | -          | \$7,078.90  |
| <i>Decreases in Fund Balance:</i>                                     |   |            |            |             |
| Line 9  | Disbursements to Senior Secured Lenders/Investors                     | -          | -          | -           |
| Line 10   | Disbursements for Receivership Operations                             | -          | \$1,554.79 | -           |
| Line 10   | Internal Loans  | -          | -          | -           |
| Line 10a  | Disbursements to Receiver or Other Professionals                      | -          | -          | -           |
| Line 10b  | Business Asset Expenses   | -          | -          | -           |
| Line 10c  | Personal Asset Expenses   | -          | -          | -           |
| Line 10d  | Hospital Settlements & Investment Expenses                            | -          | -          | -           |
| Line 10e  | Third-Party Litigation Expenses                                       | -          | -          | -           |
|   | 1. Attorney Fees  | -          | -          | -           |
|   | 2. Litigation Expenses  | -          | -          | -           |
|   | Total Third-party Litigation Expenses                                 | -          | -          | -           |
| Line 10f  | Tax Administrator Fees and Bonds                                      | -          | -          | -           |
| Line 10g  | Federal and State Tax Payments  | \$1,554.79 | -          | -           |
| <b>Total Disbursements for Receivership Operations</b>                |   |            | \$1,554.79 | \$1,554.79  |
| Line 11   | Disbursements for Distribution Expenses Paid by the Fund:             | -          | -          | -           |
| Line 11a  | Distribution Plan Development Expenses:                               | -          | -          | -           |
|   | 1. Fees:  | -          | -          | -           |
|   | Fund Administrator  | -          | -          | -           |
|   | Independent Distribution Consultant (IDC)                             | -          | -          | -           |
|   | Distribution Agent  | -          | -          | -           |
|   | Consultants   | -          | -          | -           |
|   | Legal Advisers  | -          | -          | -           |
|   | Tax Advisers  | -          | -          | -           |
|   | 2. Administrative Expenses  | -          | -          | -           |
|   | 3. Miscellaneous  | -          | -          | -           |
|   | Total Plan Development Expenses                                       | -          | -          | -           |
| Line 11b  | Distribution Plan Implementation Expenses:                            | -          | -          | -           |
|   | 1. Fees:  | -          | -          | -           |
|   | Fund Administrator  | -          | -          | -           |
|   | IDC   | -          | -          | -           |
|   | Distribution Agent  | -          | -          | -           |
|   | Consultants   | -          | -          | -           |
|   | Legal Advisers  | -          | -          | -           |
|   | Tax Advisers  | -          | -          | -           |
|   | 2. Administrative Expenses  | -          | -          | -           |
|   | 3. Investor Identification:   | -          | -          | -           |
|   | Notice/Publishing Approved Plan                                       | -          | -          | -           |
|   | Claimant Identification   | -          | -          | -           |
|   | Claims Processing   | -          | -          | -           |
|   | Web Site Maintenance/Call Center                                      | -          | -          | -           |
|   | 4. Fund Administrator Bond  | -          | -          | -           |
|   | 5. Miscellaneous  | -          | -          | -           |
|   | 6. Federal Account for Investor Restitution (FAIR) Reporting Expenses | -          | -          | -           |
|   | Total Plan Implementation Expenses                                    | -          | -          | -           |
| <b>Total Disbursements for Distribution Expenses Paid by the Fund</b> |   |            | -          | -           |
| Line 12   | Disbursements to Court/Other:   | -          | -          | -           |
| Line 12a  | Investment Expenses/Court Registry Investment System (CRIS) Fees      | -          | -          | -           |
| Line 12b  | Federal Tax Payments  | -          | -          | -           |
| <b>Total Disbursements to Court/Other:</b>                            |   |            | -          | -           |
| <b>Total Funds Disbursed (Lines 9-11):</b>                            |   |            | -          | \$1,554.79  |
| Line 13   | Ending Balance (As of 06/30/16):                                      | -          | -          | \$5,524.11  |
| Line 14   | Ending Balance of Fund - Net Assets:                                  | -          | -          | -           |
| Line 14a  | Cash & Cash Equivalents   | -          | -          | \$5,524.11  |
| Line 14b  | Investments   | -          | -          | -           |
| Line 14c  | Other Assets or Uncleared Funds                                       | -          | -          | -           |
| <b>Total Ending Balance of Fund - Net Assets</b>                      |   |            | -          | \$5,524.11  |

| OTHER SUPPLEMENTAL INFORMATION: |   |        |          |
|---------------------------------|---|--------|----------|
|                                 |   | Detail | Subtotal |
| Line 15                         | Report of Items NOT To Be Paid by the Fund:<br>Disbursements for Plan Administration Expenses Not Paid by the Fund: | -      | -        |

|          |  |  |  |  |
|----------|--|--|--|--|
| Line 15a | Plan Development Expenses Not Paid by the Fund:                                  |  |  |  |
|          | 1. Fees:   |  |  |  |
|          | Fund Administrator   |  |  |  |
|          | IDC  |  |  |  |
|          | Distribution Agent   |  |  |  |
|          | Consultants  |  |  |  |
|          | Legal Advisers   |  |  |  |
|          | Tax Advisers   |  |  |  |
|          | 2. Administrative Expenses   |  |  |  |
|          | 3. Miscellaneous   |  |  |  |
|          | <b>Total Plan Development Expenses Not Paid by the Fund</b>                      |  |  |  |
| Line 15b | Plan Implementation Expenses Not Paid by the Fund:                               |  |  |  |
|          | 1. Fees:   |  |  |  |
|          | Fund Administrator   |  |  |  |
|          | IDC  |  |  |  |
|          | Distribution Agent   |  |  |  |
|          | Consultants  |  |  |  |
|          | Legal Advisers   |  |  |  |
|          | Tax Advisers   |  |  |  |
|          | 2. Administrative Expenses   |  |  |  |
|          | 3. Investor Identification:  |  |  |  |
|          | Notice/Publishing Approved Plan  |  |  |  |
|          | Claimant Identification  |  |  |  |
|          | Claims Processing  |  |  |  |
|          | Web Site Maintenance/Call Center   |  |  |  |
|          | 4. Fund Administrator Bond   |  |  |  |
|          | 5. Miscellaneous   |  |  |  |
|          | 6. FAIR Reporting Expenses   |  |  |  |
|          | <b>Total Plan Implementation Expenses Not Paid by the Fund</b>                   |  |  |  |
| Line 15c | Tax Administrator Fees & Bonds Not Paid by the Fund                              |  |  |  |
|          | <b>Total Disbursements for Plan Administrative Expenses Not Paid by the fund</b> |  |  |  |
| Line 16  | Disbursements to Court/Other Not Paid by the Fund:                               |  |  |  |
| Line 16a | Investment Expenses/CRIS Fees  |  |  |  |
| Line 16b | Federal Tax Payments   |  |  |  |
|          | <b>Total Disbursements to Court/Other Not Paid by the Fund:</b>                  |  |  |  |
| Line 17  | DC & State Tax Payments  |  |  |  |
| Line 18  | <b>No. of Claims:</b>  |  |  |  |
| Line 18a | # of Claims Received This Reporting Period                                       |  |  |  |
| Line 18b | # of Claims Received Since Inception of Fund                                     |  |  |  |
| Line 19  | <b>No. of Claimants / Investors:</b>   |  |  |  |
| Line 19a | # of Claimants / Investors Paid This Reporting Period                            |  |  |  |
| Line 19b | # of Claimants / Investors Paid Since Inception of Fund                          |  |  |  |

Receiver:

By:

(signature)

Ronald F. Greenspan

(printed name)

Receiver

(title)

Date: September 9, 2016

**STANDARDIZED FUND ACCOUNTING REPORT for MotoLease Financial, LLC (MLF) - Cash Basis**

Receivership; Civil Court Case No. 3:16-cv-00438-PK  
REPORTING PERIOD 03/16/2016 TO 06/30/2016

| FUND ACCOUNTING (See Instructions):                                   |   |                |                |                |
|---|---|----------------|----------------|----------------|
|   |   | Detail         | Subtotal       | Grand Total    |
| Line 1  | Beginning Balance (As of 03/16/16)                                    |                |                | \$1,910,987.78 |
| <b>Increases in Fund Balance:</b>                                     |   |                |                |                |
| Line 2  | Business Income   | -              | -              |                |
| Line 3  | Cash and Securities   | -              | -              |                |
| Line 4  | Interest/Dividend Income  | -              | -              |                |
| Line 5  | Business Asset Liquidation  | \$3,367,409.75 | \$3,367,409.75 |                |
| Line 6  | Personal Asset Liquidation  | -              | -              |                |
| Line 7  | Third-Party Litigation  | -              | -              |                |
| Line 8  | Miscellaneous - Other   | -              | -              |                |
| <b>Total Funds Available (Lines 1-8):</b>                             |   |                | \$3,367,409.75 | \$5,278,397.53 |
| <b>Decreases in Fund Balance:</b>                                     |   |                |                |                |
| Line 9  | Disbursements to Senior Secured Lenders/Investors                     | -              | -              |                |
| Line 10   | Disbursements for Receivership Operations                             |                | \$276,418.82   |                |
| Line 10   | Internal Loans  | -              | -              |                |
| Line 10a  | Disbursements to Receiver or Other Professionals                      | -              | -              |                |
| Line 10b  | Business Asset Expenses   | \$269,880.07   |                |                |
| Line 10c  | Personal Asset Expenses   | -              | -              |                |
| Line 10d  | Hospital Settlements & Investment Expenses                            | -              | -              |                |
| Line 10e  | Third-Party Litigation Expenses                                       | -              | -              |                |
|   | 1. Attorney Fees  | -              | -              |                |
|   | 2. Litigation Expenses  | -              | -              |                |
|   | Total Third-party Litigation Expenses                                 | -              | -              |                |
| Line 10f  | Tax Administrator Fees and Bonds                                      | -              | -              |                |
| Line 10g  | Federal and State Tax Payments  | \$6,538.75     |                |                |
| <b>Total Disbursements for Receivership Operations</b>                |   |                | \$276,418.82   | \$276,418.82   |
| Line 11   | Disbursements for Distribution Expenses Paid by the Fund:             | -              | -              |                |
| Line 11a  | Distribution Plan Development Expenses:                               |                |                |                |
|   | 1. Fees:  |                |                |                |
|   | Fund Administrator  | -              | -              |                |
|   | Independent Distribution Consultant (IDC)                             | -              | -              |                |
|   | Distribution Agent  | -              | -              |                |
|   | Consultants   | -              | -              |                |
|   | Legal Advisers  | -              | -              |                |
|   | Tax Advisers  | -              | -              |                |
|   | 2. Administrative Expenses  | -              | -              |                |
|   | 3. Miscellaneous  | -              | -              |                |
|   | Total Plan Development Expenses                                       | -              | -              |                |
| Line 11b  | Distribution Plan Implementation Expenses:                            |                |                |                |
|   | 1. Fees:  |                |                |                |
|   | Fund Administrator  | -              | -              |                |
|   | IDC   | -              | -              |                |
|   | Distribution Agent  | -              | -              |                |
|   | Consultants   | -              | -              |                |
|   | Legal Advisers  | -              | -              |                |
|   | Tax Advisers  | -              | -              |                |
|   | 2. Administrative Expenses  | -              | -              |                |
|   | 3. Investor Identification:   |                |                |                |
|   | Notice/Publishing Approved Plan                                       | -              | -              |                |
|   | Claimant Identification   | -              | -              |                |
|   | Claims Processing   | -              | -              |                |
|   | Web Site Maintenance/Call Center                                      | -              | -              |                |
|   | 4. Fund Administrator Bond  | -              | -              |                |
|   | 5. Miscellaneous  | -              | -              |                |
|   | 6. Federal Account for Investor Restitution (FAIR) Reporting Expenses | -              | -              |                |
|   | Total Plan Implementation Expenses                                    | -              | -              |                |
| <b>Total Disbursements for Distribution Expenses Paid by the Fund</b> |   |                |                |                |
| Line 12   | Disbursements to Court/Other:   | -              | -              |                |
| Line 12a  | Investment Expenses/Court Registry Investment System (CRIS) Fees      | -              | -              |                |
| Line 12b  | Federal Tax Payments  | -              | -              |                |
| <b>Total Disbursements to Court/Other:</b>                            |   |                |                |                |
| <b>Total Funds Disbursed (Lines 9-11):</b>                            |   |                |                | \$276,418.82   |
| Line 13   | Ending Balance (As of 06/30/16):                                      | -              | -              | \$5,001,978.71 |
| Line 14   | Ending Balance of Fund - Net Assets:                                  | -              | -              |                |
| Line 14a  | Cash & Cash Equivalents   | -              | -              |                |
| Line 14b  | Investments   | -              | -              | \$5,001,978.71 |
| Line 14c  | Other Assets or Uncleared Funds                                       | -              | -              |                |
| <b>Total Ending Balance of Fund - Net Assets</b>                      |   |                |                | \$5,001,978.71 |

| OTHER SUPPLEMENTAL INFORMATION: |  |        |          |
|---------------------------------|--|--------|----------|
|                                 |  | Detail | Subtotal |
| Line 15                         | Report of Items NOT To Be Paid by the Fund:                          |        |          |
|                                 | Disbursements for Plan Administration Expenses Not Paid by the Fund: | -      | -        |



|          |   |  |  |  |
|----------|---|--|--|--|
| Line 15a | Plan Development Expenses Not Paid by the Fund:                           |  |  |  |
|          | 1. Fees:  |  |  |  |
|          | Fund Administrator  |  |  |  |
|          | IDC   |  |  |  |
|          | Distribution Agent  |  |  |  |
|          | Consultants   |  |  |  |
|          | Legal Advisers  |  |  |  |
|          | Tax Advisers  |  |  |  |
|          | 2. Administrative Expenses  |  |  |  |
|          | 3. Miscellaneous  |  |  |  |
|          | Total Plan Development Expenses Not Paid by the Fund                      |  |  |  |
| Line 15b | Plan Implementation Expenses Not Paid by the Fund:                        |  |  |  |
|          | 1. Fees:  |  |  |  |
|          | Fund Administrator  |  |  |  |
|          | IDC   |  |  |  |
|          | Distribution Agent  |  |  |  |
|          | Consultants   |  |  |  |
|          | Legal Advisers  |  |  |  |
|          | Tax Advisers  |  |  |  |
|          | 2. Administrative Expenses  |  |  |  |
|          | 3. Investor Identification:   |  |  |  |
|          | Notice/Publishing Approved Plan   |  |  |  |
|          | Claimant Identification   |  |  |  |
|          | Claims Processing   |  |  |  |
|          | Web Site Maintenance/Call Center  |  |  |  |
|          | 4. Fund Administrator Bond  |  |  |  |
|          | 5. Miscellaneous  |  |  |  |
|          | 6. FAIR Reporting Expenses  |  |  |  |
|          | Total Plan Implementation Expenses Not Paid by the Fund                   |  |  |  |
| Line 15c | Tax Administrator Fees & Bonds Not Paid by the Fund                       |  |  |  |
|          | Total Disbursements for Plan Administrative Expenses Not Paid by the fund |  |  |  |
| Line 16  | Disbursements to Court/Other Not Paid by the Fund:                        |  |  |  |
| Line 16a | Investment Expenses/CRIS Fees   |  |  |  |
| Line 16b | Federal Tax Payments  |  |  |  |
|          | Total Disbursements to Court/Other Not Paid by the Fund:                  |  |  |  |
| Line 17  | DC & State Tax Payments   |  |  |  |
| Line 18  | No. of Claims:  |  |  |  |
| Line 18a | # of Claims Received This Reporting Period                                |  |  |  |
| Line 18b | # of Claims Received Since Inception of Fund                              |  |  |  |
| Line 19  | No. of Claimants / Investors:   |  |  |  |
| Line 19a | # of Claimants / Investors Paid This Reporting Period                     |  |  |  |
| Line 19b | # of Claimants / Investors Paid Since Inception of Fund                   |  |  |  |

Note – see subschedule for more detail.

Receiver:

By:

(signature)

Ronald F. Greenspan

(printed name)

Receiver

(title)

Date: September 9, 2016

Subschedule for MotoLease Financial, LLC (MLF) - Cash Basis  
Receivership; Civil Court Case No. 3:16-cv-00438-PK  
Reporting Period 03/16/2016 to 06/30/2016

| FUND ACCOUNTING: |   |              |              |              |              |           |
|------------------|---|--------------|--------------|--------------|--------------|-----------|
| Line             |   | Subcategory  | Detail       | Subtotal     | Grand Total  | Reference |
| Line 1           | Beginning Balance (As of 03/16/2016):                     |              |              |              | 1,910,987.78 |           |
|                  | <b>Increases in Fund Balance:</b>                         |              |              |              |              |           |
| Line 2           | Business Income   | -            | -            | -            |              |           |
| Line 3           | Cash and Securities                                       | -            | -            | -            |              |           |
| Line 4           | Interest/Dividend Income                                  | -            | -            | -            |              |           |
| Line 5           | Business Asset Liquidation                                | -            | 3,367,409.75 | 3,367,409.75 |              |           |
|                  | Collections   | -            |              |              |              |           |
|                  | MotoLease, LLC  | 3,367,409.75 |              |              |              |           |
| Line 6           | Personal Asset Liquidation                                | -            | -            | -            |              |           |
| Line 7           | Third-Party Litigation Income                             | -            | -            | -            |              |           |
| Line 8           | Miscellaneous - Other                                     | -            | -            | -            |              |           |
|                  | Total Funds Available (Lines 1 - 8):                      |              |              |              | 5,278,397.53 |           |
|                  | <b>Decreases in Fund Balance:</b>                         |              |              |              |              |           |
| Line 9           | Disbursements to Senior Secured Lenders/Investors         | -            | -            | -            |              |           |
| Line 10          | Disbursements for Receivership Operations                 |              |              | 276,418.82   |              |           |
| Line 10          | Internal Loans  | -            | -            | -            |              |           |
| Line 10a         | Disbursements to Receiver or Other Professionals          | -            | -            | -            |              |           |
| Line 10b         | Business Asset Expenses                                   | -            | 269,880.07   |              |              |           |
|                  | Servicing Fees  | 269,880.07   |              |              |              |           |
| Line 10c         | Personal Asset Expenses                                   | -            | -            | -            |              |           |
| Line 10d         | Hospital Settlements & Investment Expenses                | -            | -            | -            |              |           |
| Line 10e         | Third-Party Litigation Expenses                           | -            | -            | -            |              |           |
|                  | 1. Attorney Fees  | -            | -            | -            |              |           |
|                  | 2. Litigation Expenses                                    | -            | -            | -            |              |           |
|                  | Total Third-Party Litigation Expenses                     | -            | -            | -            |              |           |
| Line 10f         | Tax Administrator Fees and Bonds                          | -            | -            | -            |              |           |
| Line 10g         | Federal and State Tax Payments                            | 6,538.75     | 6,538.75     |              |              |           |
|                  | Total Disbursements for Receivership Operations           |              |              | 276,418.82   | 276,418.82   |           |
| Line 11          | Disbursements for Distribution Expenses Paid by the Fund: |              |              |              |              |           |
| Line 12          | Disbursements to Court/Other:                             | -            | -            | -            |              |           |
|                  | Total Funds Disbursed (Lines 9 - 11):                     | -            | -            | -            | 276,418.82   |           |
| Line 13          | Ending Balance (As of 06/30/2016):                        |              |              |              | 5,001,978.71 |           |

**STANDARDIZED FUND ACCOUNTING REPORT for The Hill Land, LLC (Hill Land) - Cash Basis**

Receivership; Civil Court Case No. 3:16-cv-00438-PK  
REPORTING PERIOD 03/16/2016 TO 06/30/2016

| FUND ACCOUNTING (See Instructions): |   |        |          |             |
|-------------------------------------|---|--------|----------|-------------|
|                                     |   | Detail | Subtotal | Grand Total |
| Line 1                              | Beginning Balance (As of 03/16/16)                                    |        |          | \$36,126.74 |
|                                     | <b>Increases in Fund Balance:</b>                                     |        |          |             |
| Line 2                              | Business Income   | -      | -        |             |
| Line 3                              | Cash and Securities   | -      | -        |             |
| Line 4                              | Interest/Dividend Income  | -      | -        |             |
| Line 5                              | Business Asset Liquidation  | -      | -        |             |
| Line 6                              | Personal Asset Liquidation  | -      | -        |             |
| Line 7                              | Third-Party Litigation  | -      | -        |             |
| Line 8                              | Miscellaneous - Other   | -      | -        |             |
|                                     | <b>Total Funds Available (Lines 1-8):</b>                             |        | -        | \$36,126.74 |
|                                     | <b>Decreases in Fund Balance:</b>                                     |        |          |             |
| Line 9                              | Disbursements to Senior Secured Lenders/Investors                     | -      | -        |             |
| Line 10                             | Disbursements for Receivership Operations                             | -      | -        |             |
| Line 10                             | Internal Loans  | -      | -        |             |
| Line 10a                            | Disbursements to Receiver or Other Professionals                      | -      | -        |             |
| Line 10b                            | Business Asset Expenses   | -      | -        |             |
| Line 10c                            | Personal Asset Expenses   | -      | -        |             |
| Line 10d                            | Hospital Settlements & Investment Expenses                            | -      | -        |             |
| Line 10e                            | Third-Party Litigation Expenses                                       | -      | -        |             |
|                                     | 1. Attorney Fees  | -      | -        |             |
|                                     | 2. Litigation Expenses  | -      | -        |             |
|                                     | Total Third-party Litigation Expenses                                 | -      | -        |             |
| Line 10f                            | Tax Administrator Fees and Bonds                                      | -      | -        |             |
| Line 10g                            | Federal and State Tax Payments  | -      | -        |             |
|                                     | <b>Total Disbursements for Receivership Operations</b>                |        | -        |             |
| Line 11                             | <b>Disbursements for Distribution Expenses Paid by the Fund:</b>      | -      | -        |             |
| Line 11a                            | Distribution Plan Development Expenses:                               | -      | -        |             |
|                                     | 1. Fees:  | -      | -        |             |
|                                     | Fund Administrator  | -      | -        |             |
|                                     | Independent Distribution Consultant (IDC)                             | -      | -        |             |
|                                     | Distribution Agent  | -      | -        |             |
|                                     | Consultants   | -      | -        |             |
|                                     | Legal Advisers  | -      | -        |             |
|                                     | Tax Advisers  | -      | -        |             |
|                                     | 2. Administrative Expenses  | -      | -        |             |
|                                     | 3. Miscellaneous  | -      | -        |             |
|                                     | Total Plan Development Expenses                                       | -      | -        |             |
| Line 11b                            | Distribution Plan Implementation Expenses:                            | -      | -        |             |
|                                     | 1. Fees:  | -      | -        |             |
|                                     | Fund Administrator  | -      | -        |             |
|                                     | IDC   | -      | -        |             |
|                                     | Distribution Agent  | -      | -        |             |
|                                     | Consultants   | -      | -        |             |
|                                     | Legal Advisers  | -      | -        |             |
|                                     | Tax Advisers  | -      | -        |             |
|                                     | 2. Administrative Expenses  | -      | -        |             |
|                                     | 3. Investor Identification:   | -      | -        |             |
|                                     | Notice/Publishing Approved Plan                                       | -      | -        |             |
|                                     | Claimant Identification   | -      | -        |             |
|                                     | Claims Processing   | -      | -        |             |
|                                     | Web Site Maintenance/Call Center                                      | -      | -        |             |
|                                     | 4. Fund Administrator Bond  | -      | -        |             |
|                                     | 5. Miscellaneous  | -      | -        |             |
|                                     | 6. Federal Account for Investor Restitution (FAIR) Reporting Expenses | -      | -        |             |
|                                     | Total Plan Implementation Expenses                                    | -      | -        |             |
|                                     | <b>Total Disbursements for Distribution Expenses Paid by the Fund</b> |        | -        |             |
| Line 12                             | <b>Disbursements to Court/Other:</b>                                  | -      | -        |             |
| Line 12a                            | Investment Expenses/Court Registry Investment System (CRIS) Fees      | -      | -        |             |
| Line 12b                            | Federal Tax Payments  | -      | -        |             |
|                                     | <b>Total Disbursements to Court/Other:</b>                            | -      | -        |             |
|                                     | <b>Total Funds Disbursed (Lines 9-11):</b>                            |        | -        | \$0.00      |
| Line 13                             | Ending Balance (As of 06/30/16):                                      | -      | -        | \$36,126.74 |
| Line 14                             | <b>Ending Balance of Fund - Net Assets:</b>                           | -      | -        |             |
| Line 14a                            | Cash & Cash Equivalents   | -      | -        | \$36,126.74 |
| Line 14b                            | Investments   | -      | -        |             |
| Line 14c                            | Other Assets or Uncleared Funds                                       | -      | -        |             |
|                                     | <b>Total Ending Balance of Fund - Net Assets</b>                      | -      | -        | \$36,126.74 |

| OTHER SUPPLEMENTAL INFORMATION: |   |        |          |
|---------------------------------|---|--------|----------|
|                                 |   | Detail | Subtotal |
| Line 15                         | Report of Items NOT To Be Paid by the Fund:<br>Disbursements for Plan Administration Expenses Not Paid by the Fund: | -      | -        |

|          |   |   |   |   |
|----------|---|---|---|---|
| Line 15a | Plan Development Expenses Not Paid by the Fund:                           | - | - | - |
|          | 1. Fees:  | - | - | - |
|          | Fund Administrator  | - | - | - |
|          | IDC   | - | - | - |
|          | Distribution Agent  | - | - | - |
|          | Consultants   | - | - | - |
|          | Legal Advisers  | - | - | - |
|          | Tax Advisers  | - | - | - |
|          | 2. Administrative Expenses  | - | - | - |
|          | 3. Miscellaneous  | - | - | - |
|          | Total Plan Development Expenses Not Paid by the Fund                      | - | - | - |
| Line 15b | Plan Implementation Expenses Not Paid by the Fund:                        | - | - | - |
|          | 1. Fees:  | - | - | - |
|          | Fund Administrator  | - | - | - |
|          | IDC   | - | - | - |
|          | Distribution Agent  | - | - | - |
|          | Consultants   | - | - | - |
|          | Legal Advisers  | - | - | - |
|          | Tax Advisers  | - | - | - |
|          | 2. Administrative Expenses  | - | - | - |
|          | 3. Investor Identification:   | - | - | - |
|          | Notice/Publishing Approved Plan   | - | - | - |
|          | Claimant Identification   | - | - | - |
|          | Claims Processing   | - | - | - |
|          | Web Site Maintenance/Call Center  | - | - | - |
|          | 4. Fund Administrator Bond  | - | - | - |
|          | 5. Miscellaneous  | - | - | - |
|          | 6. FAIR Reporting Expenses  | - | - | - |
|          | Total Plan Implementation Expenses Not Paid by the Fund                   | - | - | - |
| Line 15c | Tax Administrator Fees & Bonds Not Paid by the Fund                       | - | - | - |
|          | Total Disbursements for Plan Administrative Expenses Not Paid by the fund | - | - | - |
| Line 16  | Disbursements to Court/Other Not Paid by the Fund:                        | - | - | - |
| Line 16a | Investment Expenses/CRIS Fees   | - | - | - |
| Line 16b | Federal Tax Payments  | - | - | - |
|          | Total Disbursements to Court/Other Not Paid by the Fund:                  | - | - | - |
| Line 17  | DC & State Tax Payments   | - | - | - |
| Line 18  | No. of Claims:  | - | - | - |
| Line 18a | # of Claims Received This Reporting Period                                | - | - | - |
| Line 18b | # of Claims Received Since Inception of Fund                              | - | - | - |
| Line 19  | No. of Claimants / Investors:   | - | - | - |
| Line 19a | # of Claimants / Investors Paid This Reporting Period                     | - | - | - |
| Line 19b | # of Claimants / Investors Paid Since Inception of Fund                   | - | - | - |

Receiver:

By:

(signature)

Ronald F. Greenspan

(printed name)

Receiver

(title)

Date: September 9, 2016



**STANDARDIZED FUND ACCOUNTING REPORT for Unigo Student Funding, LLC (USF) - Cash Basis**

Receivership; Civil Court Case No. 3:16-cv-00438-PK

REPORTING PERIOD 03/16/2016 TO 06/30/2016

| FUND ACCOUNTING (See Instructions): |   |              |              |              |
|-------------------------------------|---|--------------|--------------|--------------|
|                                     |   | Detail       | Subtotal     | Grand Total  |
| Line 1                              | Beginning Balance (As of 03/16/16)                                    |              |              | \$829,669.82 |
| <b>Increases in Fund Balance:</b>   |   |              |              |              |
| Line 2                              | Business Income   | -            | -            |              |
| Line 3                              | Cash and Securities   | -            | -            |              |
| Line 4                              | Interest/Dividend Income  | -            | -            |              |
| Line 5                              | Business Asset Liquidation  | \$168,755.85 | \$168,755.85 |              |
| Line 6                              | Personal Asset Liquidation  | -            | -            |              |
| Line 7                              | Third-Party Litigation  | -            | -            |              |
| Line 8                              | Miscellaneous - Other   | -            | -            |              |
|                                     | <b>Total Funds Available (Lines 1-8):</b>                             |              | \$168,755.85 | \$998,425.67 |
| <b>Decreases in Fund Balance:</b>   |   |              |              |              |
| Line 9                              | Disbursements to Senior Secured Lenders/Investors                     | \$215,173.43 | \$215,173.43 |              |
| Line 10                             | Disbursements for Receivership Operations                             |              | \$20,468.28  |              |
| Line 10i                            | Internal Loans  | -            | -            |              |
| Line 10a                            | Disbursements to Receiver or Other Professionals                      | -            | -            |              |
| Line 10b                            | Business Asset Expenses   | \$19,368.28  |              |              |
| Line 10c                            | Personal Asset Expenses   | -            | -            |              |
| Line 10d                            | Hospital Settlements & Investment Expenses                            | -            | -            |              |
| Line 10e                            | Third-Party Litigation Expenses                                       | -            | -            |              |
|                                     | 1. Attorney Fees  | -            | -            |              |
|                                     | 2. Litigation Expenses  | -            | -            |              |
|                                     | Total Third-party Litigation Expenses                                 | -            | -            |              |
| Line 10f                            | Tax Administrator Fees and Bonds                                      | -            | -            |              |
| Line 10g                            | Federal and State Tax Payments  | \$1,100.00   |              |              |
|                                     | <b>Total Disbursements for Receivership Operations</b>                |              | \$235,641.71 | \$235,641.71 |
| Line 11                             | <b>Disbursements for Distribution Expenses Paid by the Fund:</b>      |              |              |              |
| Line 11a                            | Distribution Plan Development Expenses:                               |              |              |              |
|                                     | 1. Fees:  |              |              |              |
|                                     | Fund Administrator  | -            | -            |              |
|                                     | Independent Distribution Consultant (IDC)                             | -            | -            |              |
|                                     | Distribution Agent  | -            | -            |              |
|                                     | Consultants   | -            | -            |              |
|                                     | Legal Advisers  | -            | -            |              |
|                                     | Tax Advisers  | -            | -            |              |
|                                     | 2. Administrative Expenses  | -            | -            |              |
|                                     | 3. Miscellaneous  | -            | -            |              |
|                                     | Total Plan Development Expenses                                       | -            | -            |              |
| Line 11b                            | Distribution Plan Implementation Expenses:                            |              |              |              |
|                                     | 1. Fees:  |              |              |              |
|                                     | Fund Administrator  | -            | -            |              |
|                                     | IDC   | -            | -            |              |
|                                     | Distribution Agent  | -            | -            |              |
|                                     | Consultants   | -            | -            |              |
|                                     | Legal Advisers  | -            | -            |              |
|                                     | Tax Advisers  | -            | -            |              |
|                                     | 2. Administrative Expenses  | -            | -            |              |
|                                     | 3. Investor Identification:   |              |              |              |
|                                     | Notice/Publishing Approved Plan                                       | -            | -            |              |
|                                     | Claimant Identification   | -            | -            |              |
|                                     | Claims Processing   | -            | -            |              |
|                                     | Web Site Maintenance/Call Center                                      | -            | -            |              |
|                                     | 4. Fund Administrator Bond  | -            | -            |              |
|                                     | 5. Miscellaneous  | -            | -            |              |
|                                     | 6. Federal Account for Investor Restitution (FAIR) Reporting Expenses | -            | -            |              |
|                                     | Total Plan Implementation Expenses                                    | -            | -            |              |
|                                     | <b>Total Disbursements for Distribution Expenses Paid by the Fund</b> |              |              |              |
| Line 12                             | <b>Disbursements to Court/Other:</b>                                  |              |              |              |
| Line 12a                            | Investment Expenses/Court Registry Investment System (CRIS)           | -            | -            |              |
| Line 12b                            | Fees  | -            | -            |              |
|                                     | Federal Tax Payments  | -            | -            |              |
|                                     | <b>Total Disbursements to Court/Other:</b>                            | -            | -            |              |
|                                     | <b>Total Funds Disbursed (Lines 9-11):</b>                            |              |              | \$235,641.71 |
| Line 13                             | <b>Ending Balance (As of 06/30/16):</b>                               |              |              | \$762,783.96 |
| Line 14                             | <b>Ending Balance of Fund - Net Assets:</b>                           |              |              |              |
| Line 14a                            | Cash & Cash Equivalents   | -            | -            | \$762,783.96 |
| Line 14b                            | Investments   | -            | -            |              |
| Line 14c                            | Other Assets or Uncleared Funds                                       | -            | -            |              |
|                                     | <b>Total Ending Balance of Fund - Net Assets</b>                      |              |              | \$762,783.96 |

| OTHER SUPPLEMENTAL INFORMATION: |  |        |          |
|---------------------------------|--|--------|----------|
|                                 |  | Detail | Subtotal |
| Line 15                         | <b>Report of Items NOT To Be Paid by the Fund:</b>                   |        |          |
| Line 15a                        | Disbursements for Plan Administration Expenses Not Paid by the Fund: | -      | -        |
|                                 | Plan Development Expenses Not Paid by the Fund:                      | -      | -        |

|          |  |  |  |   |
|----------|--|--|--|---|
|          | 1. Fees:   |  |  |   |
|          | Fund Administrator   |  |  |   |
|          | IDC  |  |  |   |
|          | Distribution Agent   |  |  |   |
|          | Consultants  |  |  |   |
|          | Legal Advisers   |  |  |   |
|          | Tax Advisers   |  |  |   |
|          | 2. Administrative Expenses   |  |  |   |
|          | 3. Miscellaneous   |  |  |   |
|          | <b>Total Plan Development Expenses Not Paid by the Fund</b>                      |  |  |   |
| Line 15b | <b>Plan Implementation Expenses Not Paid by the Fund:</b>                        |  |  |   |
|          | 1. Fees:   |  |  |   |
|          | Fund Administrator   |  |  |   |
|          | IDC  |  |  |   |
|          | Distribution Agent   |  |  |   |
|          | Consultants  |  |  |   |
|          | Legal Advisers   |  |  |   |
|          | Tax Advisers   |  |  |   |
|          | 2. Administrative Expenses   |  |  |   |
|          | 3. Investor Identification:  |  |  |   |
|          | Notice/Publishing Approved Plan  |  |  |   |
|          | Claimant Identification  |  |  |   |
|          | Claims Processing  |  |  |   |
|          | Web Site Maintenance/Call Center   |  |  |   |
|          | 4. Fund Administrator Bond   |  |  |   |
|          | 5. Miscellaneous   |  |  |   |
|          | 6. FAIR Reporting Expenses   |  |  |   |
|          | <b>Total Plan Implementation Expenses Not Paid by the Fund</b>                   |  |  |   |
| Line 15c | <b>Tax Administrator Fees &amp; Bonds Not Paid by the Fund</b>                   |  |  |   |
|          | <b>Total Disbursements for Plan Administrative Expenses Not Paid by the fund</b> |  |  |   |
| Line 16  | <b>Disbursements to Court/Other Not Paid by the Fund:</b>                        |  |  |   |
| Line 16a | Investment Expenses/CRIS Fees  |  |  |   |
| Line 16b | Federal Tax Payments   |  |  |   |
|          | <b>Total Disbursements to Court/Other Not Paid by the Fund:</b>                  |  |  |   |
| Line 17  | <b>DC &amp; State Tax Payments</b>   |  |  |   |
| Line 18  | <b>No. of Claims:</b>  |  |  |   |
| Line 18a | # of Claims Received This Reporting Period                                       |  |  | - |
| Line 18b | # of Claims Received Since Inception of Fund                                     |  |  | - |
| Line 19  | <b>No. of Claimants / Investors:</b>   |  |  |   |
| Line 19a | # of Claimants / Investors Paid This Reporting Period                            |  |  | 1 |
| Line 19b | # of Claimants / Investors Paid Since Inception of Fund                          |  |  | 1 |

Note -- see subschedule for more detail.

Receiver:

By:

(signature)

Ronald F. Greenspan

(printed name)

Receiver

(title)

Date: September 9, 2016

**Subschedule for Unigo Student Funding, LLC (USF) - Cash Basis**  
Receivership; Civil Court Case No. 3:16-cv-00438-PK  
Reporting Period 03/16/2016 to 06/30/2016

| FUND ACCOUNTING: |   |             |            |            |             |           |
|------------------|---|-------------|------------|------------|-------------|-----------|
| Line             |   | Subcategory | Detail     | Subtotal   | Grand Total | Reference |
| Line 1           | Beginning Balance (As of 03/16/2016):                     |             |            |            | 829,669.82  |           |
|                  | Increases in Fund Balance:                                |             |            |            |             |           |
| Line 2           | Business Income   | -           | -          | -          |             |           |
| Line 3           | Cash and Securities                                       | -           | -          | -          |             |           |
| Line 4           | Interest/Dividend Income                                  | -           | -          | -          |             |           |
| Line 5           | Business Asset Liquidation                                | -           | 168,755.85 | 168,755.85 |             |           |
|                  | Collections   |             |            |            |             |           |
|                  | Unigo Student Funding, LLC                                | 168,755.85  |            |            |             |           |
| Line 6           | Personal Asset Liquidation                                | -           | -          | -          |             |           |
| Line 7           | Third-Party Litigation Income                             | -           | -          | -          |             |           |
| Line 8           | Miscellaneous - Other                                     | -           | -          | -          |             |           |
|                  | Total Funds Available (Lines 1 - 8):                      |             |            |            | 998,425.67  |           |
|                  | Decreases in Fund Balance:                                |             |            |            |             |           |
| Line 9           | Disbursements to Senior Secured Lenders/Investors         | -           | 215,173.43 | 215,173.43 |             |           |
|                  | Disbursements to Senior Secured Lenders                   |             |            |            |             |           |
|                  | Inland Bank & Trust, N.A.                                 | 215,173.43  |            |            |             | 1         |
| Line 10          | Disbursements for Receivership Operations                 |             |            | 20,468.28  |             |           |
| Line 10          | Internal Loans  | -           | -          | -          |             |           |
| Line 10a         | Disbursements to Receiver or Other Professionals          | -           | -          | -          |             |           |
| Line 10b         | Business Asset Expenses                                   | -           | 19,368.28  |            |             |           |
|                  | Servicing Fees  | 3,087.50    |            |            |             |           |
|                  | Administrative Expenses                                   | -           |            |            |             |           |
|                  | Miscellaneous   | 16,280.78   |            |            |             | 2         |
| Line 10c         | Personal Asset Expenses                                   | -           | -          | -          |             |           |
| Line 10d         | Hospital Settlements & Investment Expenses                | -           | -          | -          |             |           |
| Line 10e         | Third-Party Litigation Expenses                           | -           | -          | -          |             |           |
|                  | 1. Attorney Fees  | -           | -          | -          |             |           |
|                  | 2. Litigation Expenses                                    | -           | -          | -          |             |           |
|                  | Total Third-Party Litigation Expenses                     | -           | -          | -          |             |           |
| Line 10f         | Tax Administrator Fees and Bonds                          | -           | -          | -          |             |           |
| Line 10g         | Federal and State Tax Payments                            | 1,100.00    | 1,100.00   |            |             |           |
|                  | Total Disbursements for Receivership Operations           |             |            | 235,641.71 | 235,641.71  |           |
| Line 11          | Disbursements for Distribution Expenses Paid by the Fund: |             |            |            |             |           |
| Line 12          | Disbursements to Court/Other:                             | -           | -          | -          |             |           |
|                  | Total Funds Disbursed (Lines 9 - 11):                     | -           | -          | -          | 235,641.71  |           |
| Line 13          | Ending Balance (As of 06/30/2016):                        |             |            |            | 762,783.96  |           |

| Reference # | Item   | Amount        | Corresponding Notes   |
|-------------|--|---------------|---|
| 1           | Disbursements to Senior Secured Lenders/Investors: Inland Bank & Trust, N.A. | \$ 215,173.43 | Includes pass-through of collections to Inland Bank and Trust. Collections of \$48,040.59 received prior to the reporting period was disbursed on March 18th, 2016, resulting in a mismatch between collections and disbursements for the reporting period. |
| 2           | Miscellaneous  | \$ 16,280.78  | Return of collections deposited prior to the reporting period, for receivables sold to Turnstile Capital Management, LLC on February 23, 2016. Collections were incorrectly applied to USF's collection account by the servicer on March 14th, 2016.        |

# Exhibit F



## Acronyms Glossary

| Acronym | Full Name                                   |
|---------|---|
| AAM     | Aequitas Asset Management Oregon            |
| ACCCPH  | ACC C Plus Holdings, LLC                    |
| ACCFPH  | ACC F Plus Holdings, LLC                    |
| ACCFT-1 | ACC Funding Trust 2014-1                    |
| ACCFT-2 | ACC Funding Trust 2014-2                    |
| ACCH5   | ACC Holdings 5, LLC                         |
| ACF     | Aequitas Commercial Finance, LLC            |
| ACL     | Aequitas Corporate Lending                  |
| ACM     | Aequitas Capital Management, Inc.           |
| AES     | Aequitas Enterprise Services, LLC           |
| AGES    | Aspen Growth Equity Solutions               |
| AH      | Aequitas Holdings, LLC                      |
| AHF     | Aequitas Hybrid Fund                        |
| AIM     | Aequitas Investment Management, LLC         |
| AITV    | Accelerate IT                               |
| ALM     | Asset-Liability Management                  |
| AM      | Aequitas Management, LLC                    |
| AOD     | Aequitas Organization and Distribution      |
| APF     | Aequitas Partner Fund, LLC                  |
| APFH    | APF Holdings, LLC                           |
| ASFG    | American Student Financial Group, Inc.      |
| ASFN    | Aequitas Financial Services Network         |
| ASH     | Aequitas Senior Housing, LLC                |
| AWM     | Aequitas Wealth Management, LLC             |
| AWMPF   | Aequitas Wealth Management Partner Fund LLC |
| BMSA    | Barbara Smith (tax preparer)                |
| BPM     | Burr Pilger Mayer                           |
| CFPB    | Consumer Finance Protection Bureau          |
| COF     | Aequitas Capital Opportunities Fund, LP     |
| COF GP  | Aequitas Capital Opportunity Fund GP, LLC   |
| CPFIT   | CP Funding I Trust                          |
| CPH     | CarePayment Holdings, LLC                   |
| CPLLC   | CarePayment LLC                             |
| CPYT    | CarePayment Technologies, Inc.              |

|             |   |
|-------------|---|
| <b>CRC</b>  | <b>Conflicts Review Committee</b>               |
| <b>CSF</b>  | <b>Campus Student Funding, LLC</b>              |
| <b>DFS</b>  | <b>Dell Financial Services</b>                  |
| <b>DLIF</b> | <b>Direct Lending Income Fund, LP</b>           |
| <b>DSTA</b> | <b>Delaware Statutory Trust Act</b>             |
| <b>EIF</b>  | <b>Aequitas Enhanced Income Fund, LLC</b>       |
| <b>ELT</b>  | <b>Executive Leadership Team</b>                |
| <b>ETC</b>  | <b>ETC Global Group, LLC</b>                    |
| <b>ETCF</b> | <b>Aequitas ETC Founders Fund, LLC</b>          |
| <b>FFN</b>  | <b>Freedom Financial Network</b>                |
| <b>FTI</b>  | <b>FTI Consulting, Inc.</b>                     |
| <b>GS2</b>  | <b>Global Structure Solutions, Inc.</b>         |
| <b>HGP</b>  | <b>Hickory Growth Partners, LLC</b>             |
| <b>IAC</b>  | <b>Investment Advisory Committee</b>            |
| <b>IBAT</b> | <b>Integrity Bank and Trust</b>                 |
| <b>IC</b>   | <b>Investment Committee</b>                     |
| <b>IOF</b>  | <b>Aequitas Income Opportunity Fund, LLC</b>    |
| <b>IOF2</b> | <b>Aequitas Income Opportunity Fund II, LLC</b> |
| <b>IPF</b>  | <b>Aequitas Income Protection Fund, LLC</b>     |
| <b>KCC</b>  | <b>Kurtzman Carson Consultants LLC</b>          |
| <b>LPAC</b> | <b>Limited Partners Advisory Committee</b>      |
| <b>ML</b>   | <b>MotoLease, LLC</b>                           |
| <b>MLF</b>  | <b>ML Financial Holding, LLC</b>                |
| <b>MSP</b>  | <b>Marketing Services Platform, Inc</b>         |
| <b>OCIO</b> | <b>Office of the Chief Investment Officer</b>   |
| <b>OEF</b>  | <b>Office Equipment and Furniture</b>           |
| <b>P2P</b>  | <b>Aequitas Peer-To-Peer Funding</b>            |
| <b>PAG</b>  | <b>Private Advisory Group</b>                   |
| <b>PCF</b>  | <b>Aequitas Private Client Fund, LLC</b>        |
| <b>PPA</b>  | <b>Portfolio Purchase Agreement</b>             |
| <b>RIA</b>  | <b>Registered Investment Advisor</b>            |
| <b>SCA</b>  | <b>Strategic Capital Alternatives LLC</b>       |
| <b>SCAH</b> | <b>SCA Holdings LLC</b>                         |
| <b>SEC</b>  | <b>Securities and Exchange Commission</b>       |
| <b>WCHS</b> | <b>Westside Christian High School, Inc.</b>     |



**Firm Brochure**  
(Part 2A of Form ADV)

**Private Advisory Group LLC**  
**16880 NE 79<sup>th</sup> Street**  
**Redmond, Washington 98052**  
**P: 425-498-2320**  
**F: 425-498-2321**

This Brochure provides information about the qualifications and business practices of Private Advisory Group LLC ("PAG"). If you have any questions about the contents of this Brochure, please contact us at 425-498-2320 or by email at [compliance@privateadvisory.com](mailto:compliance@privateadvisory.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about PAG is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration with the SEC does not imply a certain level of skill or training.

**August 10, 2016**

Private Advisory Group LLC



## Item 2 Material Changes

### Material Changes Since the Last Update

We use this section to notify clients and potential clients of material changes in our business activities or practices. We have summarized those changes here and refer readers to the specific Brochure Item number that gives additional information.

We filed our annual updating amendment with the SEC on March 30. As we stated in that filing, certain issues required to be disclosed in this Brochure were in flux. We have subsequently obtained clarity about the issues identified and amended our Brochure, and this Material Changes section, accordingly on April 29, prior to delivery to all of our existing clients. We may make additional changes during the year to this Brochure. We will summarize material changes made between April 29, 2016, and March 2017 during our next annual updating amendment.

PAG recently learned of allegations of serious wrongdoing by one of our indirect owners, Aequitas Management, LLC, and a number of its affiliates (collectively referred to as "Aequitas" in this Item 2). On March 10, 2016, the Securities and Exchange Commission filed a complaint against Aequitas and three of its executive officers alleging, among other things, fraud and misrepresentation in connection with securities offerings. (Item 9)

PAG is no longer indirectly owned or controlled by Aequitas. Aequitas previously held its indirect ownership stake in PAG through Aspen Grove Equity Solutions, LLC ("Aspen Grove"). A receiver has been appointed by the courts for the purposes of "marshalling and preserving all assets" of Aequitas. The receiver took control of Aspen Grove, suspending all general partners, directors, members and/or managers of Aspen Grove (as well as other affiliates of Aequitas named in the court order). Accordingly, the non-Aequitas owners of Aspen Grove (the "Minority Owners") currently retain their minority equity positions but have no control over that entity or over PAG. We note that we remain technically affiliated with Aequitas Investment Management ("AIM"), but we have no ongoing business dealings with that entity and given that AIM is under control of the receiver, we assume the firm is not engaged in any investment advisory activities. (Item 4 and Item 10)

PAG no longer recommends investment in any Aequitas-related security. Accordingly, detailed information related to those products is no longer applicable to our business. References to these products have been removed throughout the Brochure.

We changed our primary trading and allocation vendor from Strategic Capital Alternatives ("SCA") to Summit Advisor Solutions ("Summit") in October of 2015. Summit and SCA are affiliated, and Summit provides essentially the same services to PAG and its clients as those previously provided by SCA. Accordingly, we have updated references to SCA with references to Summit throughout this Brochure.



Summit and SCA are no longer affiliates of PAG, though the Minority Owners of PAG are control persons of both Summit and SCA. We have removed language that explained potential conflicts of interest that could have arisen from the affiliation, while also detailing the financial affiliations of the Minority Owners. (Item 10)

PAG has implemented policies to prevent its advisory representatives from earning transaction-based compensation through any broker-dealer registrations they hold. PAG has directed Summit to refrain from sending any fixed income transactions to RP Capital for execution, and we are amending our policies to otherwise ensure that transactions PAG recommends do not result in any additional revenue for RP Capital or its owners. (Items 4, 5, 10, and 12)

While not a change in practice, we have added more detail concerning valuation of private placements for purposes of calculating the advisory fee, and the fact that PAG and Summit generally rely on values provided by the account custodian. (Item 5)

Please be aware that we made other amendments to the Brochure that we do not consider material and therefore do not discuss in this summary.

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Private Advisory Group LLC

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Private Advisory Group LLC



## Item 4 Advisory Business

### Firm Description

Private Advisory Group LLC ("PAG," "we," "our," "us," "the Firm") is a Washington limited liability company founded in November 2013. Our registration as an investment adviser was effective in January of 2014 and we began actively serving clients in July of 2014.

PAG provides personalized confidential financial planning and investment management to a variety of clients, including individuals, trusts, estates, charitable organizations and small businesses. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning.

We make our advisory services available to clients primarily through individuals associated with the Firm as Representatives. For more information about the Representative providing advisory services, you should refer to the Brochure Supplement for that Representative. The Brochure Supplement is a separate document that is provided by the Representative along with this Brochure before or at the time a client engages PAG. If you did not receive a Brochure Supplement for the Representative, you should contact the Representative or PAG's home office by calling 425-498-2320.

PAG may replace the Representative if he or she is unable to render investment services to the account temporarily or permanently, terminates his or her relationship with PAG, is terminated by the client, or is no longer a registered investment adviser representative.

### Principal Owners

27.40% of PAG continues to be owned by Bean Holdings LLC, a Washington limited liability company, which is majority-owned by Douglas R. Bean (CRD No. 4541916), PAG's Chief Investment Strategist and S Christopher Bean (CRD No. 4206985), PAG's Chief Executive Officer. The same executives who have run PAG since its inception continue to manage the Firm.

Aspen Grove Equity Solutions, LLC, ("Aspen Grove"), an Oregon limited liability company, owns the remaining 68.23% of PAG. While Aspen Grove is now controlled solely by the receiver as described below, 60% of Aspen Grove was previously owned by Aequitas Wealth Management, LLC ("Aequitas Wealth"), with the remaining 40% owned by three individuals, none of whom has ownership interests of 25% or more in Aspen Grove ("Minority Owners"). Aequitas Wealth is a subsidiary of Aequitas Holdings, LLC, which is a subsidiary of Aequitas



Management, LLC, (collectively, the "Aequitas Affiliates"), all of which are now under the control of a court-appointed receiver.

A complaint filed by the Securities and Exchange Commission in March of 2016 alleges Aequitas and three of its top executives defrauded investors. Certain securities issued by Aequitas Affiliates are in default and the entities ceased accepting new investments in January 2016. The United States District Court for the District of Oregon appointed a receiver, Ronald F. Greenspan, for the purposes of "marshalling and preserving all assets" of the Aequitas Affiliates. Mr. Greenspan, in his role as receiver, controls Aspen Grove, which is the majority owner of PAG. He has no day-to-day role in PAG's activities. See Item 10, Financial Industry Affiliations, for additional information concerning his role with Summit.

### **Types of Advisory Services**

#### **INDIVIDUAL PORTFOLIO MANAGEMENT SERVICES**

PAG provides continuous management of client assets based on the individual needs of the client. Through the Representative's discussions with the client, PAG determines the client's individual goals and objectives, time horizons, risk tolerances, and liquidity needs. As appropriate, PAG may also discuss and review with the client's prior investment history and intergenerational planning and wealth transition issues. PAG strives to develop a general portfolio allocation designed to match the client's objectives and risk tolerances and to manage the client's assets according to that portfolio allocation, which will change over time as the client's situation and the markets change. PAG manages advisory client assets primarily on a discretionary basis, but accepts non-discretionary accounts as well. Our non-discretionary services are generally limited to clients who wish to invest primarily in illiquid securities (typically unregistered). Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

We generally implement our investment recommendations through Summit's third-party asset management platform. This platform provides PAG with access to model portfolios and investment strategies provided by sub-advisors. PAG provides a copy of Summit's ADV 2A brochure to clients, which gives important information about Summit's advisory services.

Our use of Summit's platform, or our selection of other sub-advisors, facilitates PAG's investments in different kinds of asset classes, including investment products and services we might not otherwise have access to. We also obtain access to managers who provide additional focus on particular types of securities or sectors, investment recommendations, and/or managed investment strategies that PAG may apply to all or a portion of a client's account. Our sub-advisory relationship with Summit also provides day-to-day monitoring and management of the securities held in client portfolios, and assistance in placing trade orders for clients on either a discretionary or non-discretionary basis.

When PAG uses sub-advisors, or their strategies or models, to manage client assets, PAG Representatives remain involved in the investment process and have authority to make independent investment decisions for clients or to re-allocate client assets among different money managers or strategies.

In addition to the investment management services noted above, advisory clients may receive the following services:

- Cash flow management;
- Insurance review;
- Education planning;
- Retirement planning;
- Estate planning;
- Tax return preparation and filing.

PAG may provide estate planning and tax return preparation and filing through qualified attorneys and tax professionals recommended by PAG and with whom PAG works closely. Where PAG provides referrals to other professionals, PAG serves as a single point of contact for coordination of services.

PAG's investment recommendations are not limited to any specific product or service and generally include advice regarding a broad range of securities and investment types.

Because some types of investments involve additional degrees of risk, and may also involve additional costs or payments, they will only be employed when consistent with the client's stated investment objectives, tolerance for risk, liquidity, and suitability.

PAG's top executives have never received transaction-based compensation, and are not registered with any broker-dealer. Effective March of 2016, PAG prohibited the receipt of commissions or other transaction-based compensation by any of its Representatives. Accordingly, the firm is in the process of unwinding the existing broker-dealer registrations some of its Representatives hold. Previously, where an investment caused the client to incur additional commissions or fees payable to a PAG Representative, the Firm provided additional disclosure and obtained specific consent to the transaction.

Initial public offerings (IPOs) are not available through PAG.

The Firm does not currently offer traditional wrap fee programs, in which assets are referred to a third party manager or managers and a single management fee, covering both investment advice and transaction and execution costs, is assessed to the account. Depending on the account activity level, clients may pay the account custodian an asset-based charge that covers execution, rather than transaction-by-transaction commissions. Accounts with higher activity will generally enter into an asset-based fee arrangement with the custodian, but this arrangement is separate from the advisor relationship with Summit



platform managers and with PAG. More information on our fees and those charged by sub-advisors and the Summit platform appears in Item 5, below. More information on fees charged by independent custodians appears in Item 12.

### **FINANCIAL PLANNING SERVICES**

The Firm may provide financial planning services to clients as part of its general advisory services, and in connection with its broader investment management functions. PAG occasionally provides financial planning services to clients where PAG designs a financial plan but is not then responsible for implementation. Financial plans designed by PAG may, but are not required to, include:

- A net worth statement;
- A cash flow statement;
- A review of investment accounts, including an asset allocation review and the provision of repositioning recommendations;
- Strategic tax planning;
- A review of retirement accounts and plans, including recommendations;
- A review of insurance policies and, if necessary, recommendations for changes;
- A review of one or more retirement scenarios;
- An estate planning review and recommendations; and
- Education planning with funding recommendations.

PAG provides detailed investment advice and specific recommendations as part of a financial plan, but where the financial planning services are separate from PAG's discretionary advisory work, implementation of the recommendations is at the discretion of the client. After delivery of a financial plan, PAG may schedule future face-to-face meetings as necessary for up to six months.

### **OUTSIDE PROFESSIONAL SERVICES**

In some instances, and for some clients, PAG contracts with independent professionals at the Representative's discretion. These professionals include, but are not limited to, the CPAs and attorneys identified in Item 10. When engaged by PAG, these professionals participate as members of the client's private advisory group. Services rendered as part of the client's private advisory group primarily include estate planning, tax planning, tax preparation, tax filing services, and healthcare consulting services.

### **Assets under Management**

As of August 8, 2016, PAG had approximately \$326,942,277 in discretionary assets under management. This figure assumes all Aequis securities have zero value, though we continue to actively oversee Aequis assets on behalf of our clients. Despite carrying the assets at zero, we believe it is more likely than not that the court-appointed receiver will be able to make significant recoveries for investors.

## **Item 5 Fees and Compensation**

### **Investment Management Fees**

PAG is compensated for its investment management services solely through advisory fees. We provide additional information about this below and at Item 10.

The scope of the work PAG will perform and the annual fee for such services is based on a percentage of assets under management. Fees are specifically disclosed in writing to clients at the start of the relationship in PAG's Advisory Service Agreement or Retainer Agreement. PAG's asset-based advisory fees for new clients typically follow the maximum schedule below, subject to a minimum annual fee of \$5,000.00:

| <b>Asset under Management</b>                          | <b>Annual Fee</b> |
|--|-------------------|
| \$0.00 to \$1,000,000.00 (first \$1 million)           | 1.07%             |
| \$1,000,000.01 to \$3,000,000.00 (next \$2 million)    | 1.03%             |
| \$3,000,000.01 to \$5,000,000.00 (next \$2 million)    | 0.94%             |
| \$5,000,000.01 to \$10,000,000.00 (next \$5 million)   | 0.73%             |
| \$10,000,000.01 to \$20,000,000.00 (next \$10 million) | 0.61%             |
| \$Over 20,000,000.00 (next amount of assets)           | 0.49%             |

Clients will also incur additional management and platform fees for use of the Summit platform. PAG is contractually obligated to pay these fees to Summit, and remits them to Summit, who in turn retains a portion of the fees for its services and pays any applicable third-party money managers. PAG treats these additional fees as a pass-through payment to Summit.

The client's Advisory Service Agreement or Retainer Agreement describes any additional fees, which will generally not exceed the schedule below. As disclosed in the Advisory Service Agreement, should the PAG Representative change the amounts allocated to different managers or models on the Summit platform, the client's fees will adjust accordingly.



**Summit & Third-Party Money Manager Platform Fees:**

**Reporting & Administrative Fees:** All clients on the Summit platform pay a Reporting & Administrative Fee of 0.09% per year.

**Trading & Technology Fees:** For client assets reported on the platform in which the platform provides trading and technology services (such as assets that are either subject to trading by PAG's Representative or subscribed to third-party money management services), a Trading & Technology fee of 0.13% per year will apply, in addition to Reporting & Administrative Fees. Most clients will pay this fee.

**Third-Party Money Manager Fees:** For client assets reported on the platform for which PAG has selected the services of a third-party money manager, a third-party money manager fee will apply, in addition to Trading & Technology Fees and Reporting & Administrative Fees. Third-party money manager fees range from 0.10% to 0.85% per annum. Many clients will pay these fees.

*Note: All applicable fees will be described in the Advisory Service Agreement or Retainer Agreement between PAG and the client, but PAG does not know in advance precisely what the third-party manager fees will be. These third-party money manager fees will vary depending on both the specific manager(s) PAG selects and the specific asset allocation. Third party manager fees may increase and decrease throughout the quarter as PAG shifts managers and allocations.*

Advisory clients who were previously clients of either Private Advisory Group dba Bean Financial, or Strategic Capital Group may be subject to advisory fee schedules different from those presented above, and which were in effect at the time they were an advisory client of such other investment adviser.

All advisory fees are negotiable, including the minimum annual fee and fees charged in connection with the Summit platform, and clients should review their Advisory Service Agreement with PAG for disclosures regarding the specific asset-based advisory fee schedule applicable to their account(s). Advisory fees pursuant to an Advisory Service Agreement are billed quarterly in advance at the beginning of each calendar quarter based on the value of the client's assets under PAG's management as of the end of the previous calendar quarter. These advisory fees are in most cases automatically deducted from the custodial account designated by the client. Clients may, however, request to be invoiced for advisory fees. Initial advisory fees are pro-rated based on the number of days remaining in the calendar quarter, as a percentage of the total number of days in the calendar quarter, and are deducted from the client's custodial account(s) within 45 days after account setup and after any additions or deposits made to the account(s) during the initial quarter. Clients who terminate their Advisory Service Agreement with PAG during the middle of a calendar quarter will receive a pro-rata refund of any pre-paid, unearned advisory fees. The amount

of the refund will be calculated by dividing the most recent management fee by the number of days in the quarter and multiplying that figure by the number of days left in the quarter following the date of termination.

In calculating its advisory fees, PAG relies on valuations provided by the custodians holding the assets, and on the billing policies implemented by Summit. The custodians describe their specific policies in the disclosures provided on account statements and other communications.

For publicly-traded securities, current market pricing information is available through third-party vendors. In the case of unregistered private placements, there is no active market for the securities and current valuations are often not available. Accordingly, custodians typically use the original investment amount in calculating advisory fees due on these positions. The original investment amount may differ significantly from the value an investor could obtain if the security were liquidated. Neither PAG nor Summit independently confirms the value of private placements held in Client accounts.

### **Retainer Agreements and Financial Planning Fees**

PAG may also provide investment management services on a fixed-fee basis pursuant to a Retainer Agreement, primarily when asset management is not the most significant part of the relationship. This includes situations where the client may have concentrated positions in illiquid investments or retirement plans and has complex planning needs but current investment management requirements do not support an asset-based management fee. We typically base annual fees related to Retainer Agreements on the complexity of the work contemplated. While such fees are subject to a \$10,000.00 minimum annual fee, all fees related to Retainer Agreements are negotiable. We generally bill retainer fees quarterly, in advance, based on the agreed annual rate.

We negotiate fees for both separate financial planning and retainer services on a case-by-case basis depending on the degree of complexity associated with the client's situation. In some cases, clients may incur both fixed financial planning fees and asset-based fees for investment management.

Where PAG is engaged to provide a stand-alone financial plan, without other asset management services, we bill the financial planning fees after delivery of the plan and range from \$0.00 to \$10,000.00 based on the facts known at the start of the engagement. Because financial planning is a discovery process, however, facts may emerge that highlight financial exposures or predicaments the client was unaware of or which the client did not initially disclose to PAG. In the event the client's situation is substantially different than disclosed at the initial meeting, a revised fee will be provided for mutual agreement. The client must approve the change of scope in advance of the additional work performed when a fee increase is necessary. We expect to complete all negotiated financial planning services in fewer than six months from the date PAG begins the engagement. If we determine that



financial planning services will likely take six months or longer to complete, we may provide a revised fee and/or advanced fee payment arrangement to the client for mutual agreement. In no event will PAG collect fees of more than \$1,200, six months or more in advance.

### **Application of Asset-Based Fees**

Unless otherwise indicated on the Advisory Services Agreement, asset-based fees charged by PAG apply to all assets under PAG's management. The asset-based fees also apply to securities for which a PAG Representative or other related person previously received a commission or fee for the execution of PAG's recommendation to acquire the investment. As of March 2016, we no longer assess advisory fees on the investments sponsored by the Aequis Affiliates.

Fees charged by PAG pursuant to Advisory Service and Retainer Agreements are separate from fees charged by third-party asset management platforms that PAG recommends and utilizes in the management of client accounts. Summit sponsors and operates the primary asset management platform we recommend to clients. Summit is wholly owned by SAS Capital Partners, LLC, which is majority owned by SCA Holdings, LLC, which in turn is owned 25% by a private fund managed by an Aequis Affiliate (now controlled by the receiver), and 75% by the Minority Owners (see Item 10). We offered interests in this private fund to PAG clients when the fund was open. When PAG uses Summit's asset management platform the Minority Owners obtain a financial benefit separate from the advisory fees paid to PAG. PAG itself, though, does not receive additional compensation from the relationship with Summit and is not motivated by the financial interests of the Minority Owners.

Fees for the Summit platform (or other similar platforms) are described above in the Investment Management section. We also explicitly disclose the fees in the client's Advisory Services Agreement.

Clients should be aware that PAG endeavors, at all times, to put the interests of clients first as part of its fiduciary duty as an investment adviser and addresses any potential conflicts of interest by providing clients with disclosure regarding such conflicts so that clients can make informed decisions regarding PAG's services. Clients may be able to obtain comparable services from other investment advisers for lower cost and/or without the use of a platform that has some common ownership with the adviser, but would not receive the benefit of PAG's advisory services.

### **Other Fees**

PAG's advisory fees are exclusive of custodial fees, brokerage commissions and fees, transaction fees, bank service fees, interest on loans and debit balances, wire transfer and electronic fund transfer fees, interest on margin accounts, borrowing charges on securities sold short, and any other fees and taxes on brokerage accounts and securities transactions.

Please see the "Selecting Broker Dealers" section in Item 12 below for a discussion regarding brokerage that may be relevant to this discussion of fees.

Client assets may be invested in mutual funds, including open-end and closed-end mutual funds and exchange-traded funds, as well as other types of pooled investment vehicles, which generally pay an investment management fee, separate from PAG's advisory fees, to another investment adviser. As such, clients with investments in these types of securities may be subject to one or more additional layers of management fees.

## **Item 6 Performance-Based Fees and Side-by-Side Management**

PAG does not enter into performance-based fee arrangements with its advisory clients.

## **Item 7 Types of Clients**

PAG provides investment advisory services to the following types of clients:

- Individuals (other than high net worth individuals);
- High net worth individuals;
- Trusts and estates of individuals and high net worth individuals;
- Charitable organizations;
- Corporations or other business entities not listed above.

PAG imposes a minimum account size requirement of \$500,000 of assets under management. We may, however, waive the minimum account size requirement in our discretion, or combine certain related accounts to achieve the minimum account size.

## **Item 8 Methods of Analysis, Investment Strategies and Risk of Loss**

### **Methods of Analysis and Sources of Information**

PAG uses the following methods of analysis in formulating its investment advice and/or managing client assets:



- **Third-Party Money Manager Analysis** – PAG examines the experience, expertise, investment philosophies, and past performance of independent third-party investment managers, including sub-advisors available through the Summit platform or similar platforms, in an attempt to determine whether the manager has demonstrated an ability to invest over a period of time and in different economic conditions. PAG monitors each manager's investment recommendations, strategies, concentrations, and leverage as part of our overall periodic risk assessment.

A risk of investing based on the recommendations of a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. Additionally, if clients obtain exposure to a third-party manager by investing in a fund, there is a risk that a third-party manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less attractive investment for clients. Moreover, as PAG does not control the third-party manager's daily business and compliance operations, PAG may be unaware of the lack of internal controls necessary to prevent business, regulatory, or reputational deficiencies. Because clients do not receive disclosure information or other details describing these third-party managers (other than Summit), clients are dependent on PAG's assessment of them and must rely on PAG's ongoing monitoring and review.

- **Asset Allocation** – Rather than focusing primarily on securities selection, PAG attempts to identify an appropriate ratio of equity securities, fixed income securities, alternative investments and cash suitable to the client's investment goals and risk tolerance. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of equity securities, fixed income securities, alternative investments and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

- **Fundamental Analysis** – PAG attempts to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the security.

- **Technical Analysis** – PAG analyzes past market movements and applies that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. Risk is inherent in the fact that a poorly-managed or financially unsound company may underperform regardless of market movement.

- **Charting** – In this type of technical analysis, PAG reviews charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

### **Investment Strategy**

PAG's primary investment strategy is to blend a mix of fixed income, equities, and alternatives investments in ways, which tend to reduce overall portfolio risk while providing less volatile returns over time. While exact portfolio weightings between fixed income, equities, and alternative investments will vary from client to client, the neutral starting point is usually a one-third portfolio allocation to each of these three asset classes. We generally achieve alternative investment exposure (which can exceed 33% of a client's portfolio) through investments in structured and/or private notes, private placements and investments in alternative strategy mutual funds. Portfolios are globally diversified to diversify the risks associated with domestic markets. Equity transactions are typically based on the recommendations of selected equity managers who provide their expertise in developing PAG's equity platform. The investment strategy ultimately applied to each client's account, however, is based upon the unique objectives stated by the client during consultations with the Representative. The client may change these objectives at any time.

### **Risk of Loss**

Investing in securities involves risk of loss, including the possible loss of both income and principal, that clients should be prepared to bear. PAG's investment approach seeks to respect and minimize the potential risk of loss.

The following is a description of risks that clients should be prepared to bear in the management of their accounts by PAG, but is not intended to be a complete description of all risks that clients may be exposed to:

- **Market Risk:** The price of any security, including ETFs, equities, bonds or mutual funds may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not. Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and the ability to sell particular securities when necessary to meet liquidity needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult to obtain market quotations based on



actual trades for the purpose of valuing the security. Unregistered investments PAG may recommend are illiquid. Clients should invest in private securities only to the extent they have adequate other liquid assets available to fund current and ongoing cash requirements.

- Interest-Rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline. In a period of historically low interest rates, this risk is especially significant for existing holdings. Longer-term fixed income securities are particularly susceptible to this risk.
- Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to bonds, notes, and similar securities.
- Call Risk: Bonds or other fixed income securities that are callable carry an additional risk because they may be called prior to maturity depending on current interest rates thereby increasing the likelihood that reinvestment risk may be realized. This is also a risk of any private notes recommended by PAG.
- Credit Risk: This is the risk that an issuer will default in the payment of principal and/or interest on a security. The price of a bond depends on the issuer's credit rating, or perceived ability to pay its debt obligations. Consequently, increases in an issuer's credit risk, may negatively impact the value of a bond investment. This is a risk of all fixed-income investments, as well as any private notes recommended by PAG.
- Inflation Risk: When inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation. This affects all investments, but longer-term fixed income securities are particularly susceptible.
- Speculation Risk: Commodities, some alternative investments, including real estate, and other markets are populated by traders whose primary interest is in making short-term profits by speculating whether the price of a commodity or security will go up or go down. The speculative actions of these traders may increase market volatility that could drive down the prices of commodities or securities.
- Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange-rate risk.
- Foreign Market Risk: The securities markets of many foreign countries, including emerging countries, have substantially less trading volume than the securities markets of the United States, and securities of some foreign companies are less liquid and more volatile than securities of comparable United States companies. As a result, foreign securities markets may be subject to greater influence by adverse events generally affecting the market, by large investors' trading significant blocks of securities, or by large dispositions of securities, than as it is in the United States. Further, many foreign governments are less stable than that of the United States. There can be no assurance that any significant, sustained instability would not increase the risks of investing in the securities markets of certain countries. While PAG

typically gains exposures to foreign markets through ETFs, funds, or similar pooled vehicles, rather than investing directly in foreign securities, the limited liquidity of some foreign markets may affect PAG's ability to acquire or dispose of securities at a price and time it believes is advisable. PAG may also obtain exposure to international markets through debt instruments with multi-national banks. These securities pose the risks associated with domestic fixed-income securities, as well as the risks posed by foreign securities.

- Counterparty Risk: This is the risk that the other party to a contract will not fulfill its contractual obligations. Clients investing in debt instruments and in structured products are typically exposed to greater counterparty risk than investors in liquid equities, for example.

- Leverage Risk: Although PAG does not typically employ leverage in the implementation of its investment strategies, leverage may be used for particular clients who have specific needs or more aggressive risk tolerance. More generally, some exchange-traded and closed-end funds employ leverage. Leverage increases returns to investors if the investment strategy earns a greater return on leveraged investments than the strategy's cost of such leverage. However, the use of leverage exposes investors to additional levels of risk and loss that could be substantial.

- Alternative Strategy Mutual Funds: Certain mutual funds recommended by PAG, including the funds offered by PAG related persons and described above, invest primarily in alternative investments and/or strategies. Investing in alternative investments and/or strategies may not be suitable for all investors and involve special risks, such as risks associated with commodities, real estate, leverage, selling securities short, the use of derivatives, potential adverse market forces, regulatory changes and potential illiquidity. There are special risks associated with mutual funds that invest principally in real estate securities, such as sensitivity to changes in real estate values and interest rates and price volatility because of the fund's concentration in the real estate industry.

- Manager Risk: Third-party investment advisers used by PAG who have been successful in the past may not be successful in the future, and they may deviate from their stated investment mandate or strategy. Because PAG does not control the third-party investment adviser, PAG may not be able to fully identify internal control weaknesses or fully evaluate the accuracy of representations made by such investment advisers when performing due diligence on them, or relying on the due diligence provided by Summit. Furthermore, such investment advisers may have substantial conflicts of interest when providing investment advice to PAG's clients, including, but not limited to, recommending the use of investment vehicles or products that are offered, sponsored, or advised by the investment adviser or an affiliate of the investment adviser, or placing orders for the purchase or sale of securities on behalf of PAG's clients on a principal or agency basis with their affiliates in order to increase their financial profitability through the receipt of commissions and/or markups/downs, increased advisory fees, and/or solicitation fees. Clients are highly dependent on PAG's assessment and monitoring.

Clients for whom PAG recommends alternative investments, such as private notes and REITS, leasing programs, and mutual funds that utilize alternative investment strategies expose clients to heightened levels of liquidity, credit, interest rate, and counterparty risks.

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REITS and alternative funds are offered by prospectus, Private Placement Memorandum, or other offering materials provided by the issuer. PAG does not participate in the preparation of these materials and does not independently verify the issuer's representations.

Unregistered securities are offered through a Private Placement Memorandum and related subscription materials and are available only to accredited investors, as that term is defined in Regulation D of the Securities Act of 1933.

Alternative offering materials contain important information about the substantial risks of investing in these securities, as well as details concerning fees, compensation, and conflicts of interest. We urge clients to review these materials carefully and to discuss any questions or concerns with their Representative.

## Item 9 Disciplinary Information

PAG is required to disclose material legal or disciplinary events that involve the Firm or its "management persons," defined to include anyone with the power to exercise a "controlling influence." PAG has nothing to disclose in response to this item.

The Aequitas Affiliates no longer have a "controlling influence" over PAG; the court-appointed receiver has taken over their ownership interest in PAG's parent, Aspen Grove. The Aequitas Affiliates do, however, have disclosable events in connection with the SEC's complaint against them. The complaint charged they defrauded investors. The full complaint is available through the SEC's website by visiting <https://www.sec.gov/litigation/complaints/2016/comp-pr2016-49.pdf>.

## Item 10 Other Financial Industry Activities and Affiliations

### Financial Industry Activities

With the removal of the Aequitas Affiliates from PAG's ownership structure, PAG has only one financial industry "affiliate." We are technically "under common control" with Aequitas Investment Management, LLC ("AIM") an SEC-registered investment adviser now controlled by the receiver. Because the receiver also controls PAG's parent, Aspen Grove, AIM and PAG are affiliates. We have no current business dealings with AIM and have not seen any evidence the firm is actively operating. Our prior business dealings with AIM were limited to the occasional recommendation of a private fund managed by AIM. We continue to hold interests in this fund for some clients, but we do not charge any advisory fees on the assets.

As noted above, the three Minority Owners do have ownership interests in other financial services companies, one of which (Summit) does business with PAG. As described in Item 5, above, the Receiver has a non-controlling interest in Summit through an Aequitas-related fund. The Minority Owners acquired their equity positions in Aspen Grove in connection with the Aequitas Affiliates' 2014 acquisition of a majority stake in Aspen Grove. With the elimination of Aequitas from our ownership structure, we are working to remove the Minority Owners as well in the next few months. In the meantime, we provide details on the business dealings of the Minority Owners below.

- Timothy Feehan, CRD No. 2464561. Mr. Feehan is the CEO of Strategic Capital Advisors, LLC ("SCA"), and Summit Advisor Solutions ("Summit"), as well as a Member of SCA Holdings, LLC ("SCA Holdings"), which controls both Summit and SCA. He indirectly owns approximately 11.9% but has no management role and does not control PAG. PAG does not use models advised by SCA and is evaluating whether it will continue to use the Summit platform for client account servicing.
- N. Gary Price, CRD No. 2406981. Mr. Price is the Managing Member and 50% owner of RP Capital, LLC ("RPC"), a registered broker-dealer, and Genesis Capital LLC ("Genesis"), a registered investment adviser that advises mutual funds. He is also a member of SCA Holdings and holds an indirect equity stake in both Summit and SCA of approximately 18.7%. He indirectly owns approximately 11.9% but has no management role and does not control PAG. PAG does not permit its Representatives to earn transaction-based compensation through any broker-dealer, and PAG no longer executes transactions through RPC. Mr. Price has regulatory disclosure you can read about by visiting <http://brokercheck.finra.org/> and entering the CRD number above.
- Ronald Robertson. Mr. Robertson is a 50% owner of RPC and Genesis. He is also a member of SCA Holdings and holds an indirect equity stake in both Summit and SCA of approximately 18.8%. He indirectly owns approximately 3.4% but has no management role and does not control PAG. PAG no longer permits its Representatives to earn transaction-based compensation through any broker-dealer, and PAG no longer executes transactions through RPC.

As noted elsewhere, the court-appointed Receiver controls PAG through Aspen Grove and also has a financial interest in Summit, which is partly owned by Aequitas Affiliates. Because the receiver is obliged to seek value from Aequitas assets and entities, the Receiver's control of PAG presents a potential conflict of interest with PAG's ongoing working relationship with Summit. The Receiver's primary obligation is to recover value from Aequitas-related assets; PAG generally sees this obligation as consistent with its own interests and of those clients who hold Aequitas-related investments. Situations could arise, however, in which the interests would conflict. If PAG determines it is necessary, PAG will make additional disclosure to affected clients.

Some employees and/or officers of PAG are also licensed as Insurance Producers with various unaffiliated insurance companies, including, but not limited to, Banner Life



Insurance Company, ING USA Annuity and Life Insurance Company, Nationwide Life and Annuity Insurance Company, North American Company for Life and Health Insurance, Principal National Life Insurance Company, Protective Life Insurance Company, Pruco Life Insurance Company, Pacific Life Insurance Company, and The Lincoln National Life Insurance Company. These individuals may offer insurance products and services to advisory clients and receive commissions from the sale of those insurance products that are in addition to any advisory fees charged by PAG. Clients are free to purchase insurance products recommended by PAG Representatives through insurance agents unaffiliated with PAG. Advisory clients should be aware that the receipt of additional compensation by PAG's Representatives creates a conflict of interest that may impair the objectivity of the individuals making advisory recommendations on PAG's behalf. These individuals may have an incentive to recommend insurance products based on the compensation received, rather than the needs of the client or the quality of the product. PAG endeavors at all times to put the interests of its clients first as part of its fiduciary duty as an investment adviser. To help PAG address these potential conflicts of interest, PAG attempts, at all times, to fully and fairly disclose to clients the existence of all material conflicts of interest so that clients can make informed decisions regarding the management of their advisory client accounts, and to decide whether to implement PAG recommendations through an agent or broker unaffiliated with PAG.

### **Other Relationships**

In addition to the financial industry activities noted above, PAG has material relationships and/or arrangements with the following accountants, accounting firms, lawyers, law firms or consultants whom we routinely recommend to clients. Clients ultimately decide whether to engage the professionals PAG recommends.

- Carol Didier, CPA, of Summit Account Services in Redmond, Washington, an accounting firm that provides a full range of tax preparation, accounting and bookkeeping services.
- Michael E. Wiggins of Assure Estate Planning, PLLC, a law firm in Maple Valley, Washington, specializing in estate planning.
- Peterson Sullivan LLP, a certified public accounting firm in Seattle, Washington, that services companies, high net worth individuals and nonprofit organizations.
- Tax Consultants of Washington, an accounting firm in Federal Way, Washington, that provides tax, business, and estate planning services.
- Jennifer Beardall, CPA, who specializes in taxes and healthcare consulting.

PAG, in the sole discretion of the Representative, may elect to contract with the persons and/or firms noted above, or with other professionals selected by the client, in order to provide estate planning, healthcare consulting, tax planning, tax preparation, and/or tax filing services to advisory clients who maintain more than \$1 million in assets with the Firm. PAG and the Representative pay the fees for these services, including the provision of basic planning and tax preparation, which reduces the Representative's share of advisory fees accordingly. These professionals may provide additional services directly to the client for additional fees not paid by PAG. Similarly, where PAG has not elected to pay these fees on the client's behalf, clients may elect but are not obligated to enter into agreements with the persons or firms recommended by PAG. PAG has negotiated specific rates with the providers above, which may be lower or higher than fees charged by other professionals. Because the PAG Representative ultimately bears the cost of these services, the Representative has a financial incentive to recommend providers with the lowest fees to PAG clients, which creates a conflict of interest. The Firm mitigates this conflict by selecting providers based on their skill, capacity, and the quality of the working relationship, not on the basis of cost. In addition, the Firm endeavors to negotiate competitive rates with all referral partners.

On occasion, PAG may receive an unsolicited referral from one or more of the persons/firms noted above, but does not consider such referrals to be material to PAG's advisory business and does not factor any such referrals into its decision-making process when selecting the person/firm to be used to provide services to any particular client.

## **Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

PAG has adopted a Code of Ethics ("Code") which sets forth high ethical standards of business conduct that PAG requires of its officers and employees, including compliance with applicable federal securities laws. The Code is administered by PAG's Chief Compliance Officer (the "CCO"), Jon Bishopp, and includes policies and procedures for the review of quarterly personal securities transactions reports as well as initial and annual securities holdings reports that must be submitted by PAG's access persons. The Code also requires that access persons obtain pre-clearance from the CCO prior to acquiring interests in a limited offering (e.g., private placement) or an initial public offering. PAG's Code also includes oversight, enforcement and recordkeeping provisions and includes a policy that prohibits the use of material non-public information. A copy of PAG's Code is available upon request to any client or prospective client. You may request a copy by emailing PAG's CCO at [jbishopp@privateadvisory.com](mailto:jbishopp@privateadvisory.com) or calling him at 425-498-2320.



PAG, officers and employees of PAG, and/or related persons of PAG may buy or sell for their personal accounts, securities identical to those recommended to advisory clients and may buy or sell them at or about the same time they are recommended to clients. This may create potential conflicts of interest because (1) those holdings may create an incentive for PAG and/or its officers and employees to not recommend the sale of those securities to clients in order to protect the value of their personal investment, and (2) PAG and/or its officers and employees may have an incentive to place their orders before those of clients in order to obtain a better price. PAG's Code includes provisions to help address these conflicts of interest. First, the Code prohibits PAG and/or its access persons from purchasing or selling any security prior to a transaction being implemented for an advisory client account in the same security, thereby preventing PAG and its officers and employees from benefiting from transactions placed on behalf of advisory client accounts. Second, PAG may aggregate its or its officers and/or employee's personal securities transactions, where possible and when compliant with PAG's best execution obligations, with client transactions. All participants in an aggregated transaction (i.e., block trade) receive the average share price and generally share transaction costs on a pro-rata basis. In instances where a partial fill of the entire order occurs, PAG allocates the completed portion of the transaction on a pro-rata basis, with each account paying the average price. Any accounts belonging to PAG and/or its officers and employees that participated in a block trade will be included in the pro-rata allocation.

## Item 12 Brokerage Practices

### Selecting Broker Dealers

PAG recommends that clients use the brokerage and custodial account services of TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade," CRD No. 7870, SEC File No. 8-23395), and Scottrade, Inc. ("Scottrade," CRD No. 8206, SEC File No. 8-24760). PAG recommends Millennium Trust Company for holding non-standard assets, such as private placements. While PAG recommends the custodial and brokerage services of TD Ameritrade, Schwab, and Scottrade, clients are ultimately responsible for deciding where to open a custodial account. Clients are not under any obligation to select the custodians PAG recommends. However, PAG reserves the right to decline the acceptance of any client account where the client has selected a custodian other than TD Ameritrade, Schwab, Scottrade, or Millennium Trust if PAG believes that the choice would hinder its ability to fulfill its fiduciary duty to the client and/or its ability to service the account. PAG is not affiliated with or a related person of TD Ameritrade, Schwab, Scottrade, or Millennium Trust.

Clients sign separate agreements with the selected custodian that detail the compensation to be paid to those firms. PAG has negotiated rates across its client base with both TD Ameritrade, Schwab. Lower rates may be available through other advisors for trades executed by TD Ameritrade and Schwab than through PAG. Accounts held with Scottrade pay the current published rates without any additional negotiation by PAG. Scottrade does not offer asset-based pricing.

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PAG evaluates whether asset-based pricing or transaction-based commissions are more appropriate for a given client in making its recommendation of custodian. Generally, accounts that trade more actively will benefit from asset-based pricing and accounts that trade infrequently will benefit from transaction-based commissions. The asset level in the account also enters into the assessment, with larger accounts often receiving discounts from the custodians.

TDA's transaction fees are higher than those charged by Scottrade. Accordingly, we generally recommend that any TDA accounts use asset-based pricing or be restricted to accounts that trade infrequently. Otherwise, we suggest the account be opened with Scottrade.

TDA generally provides its custodial and execution services to PAG clients for an annual asset-based charge of .09%, although the specific terms may vary among clients.

Scottrade currently provides its services through transaction-based commissions only. Current rates are available at [www.scottrade.com](http://www.scottrade.com) and are subject to change by Scottrade.

All custodians typically assess other fees and charges, in addition to the commissions or asset-based fees, for services such as wire fees, retirement plan maintenance fees, transfer and termination fees, etc.

When clients open an account with a custodian that is also a broker-dealer, and no prime brokerage arrangement exists, PAG's arrangements with Summit generally provide for Summit to place all orders with the custodial broker-dealer for execution. Similarly, where PAG is not using the Summit platform, PAG will typically place all orders with the custodian and not make trade-by-trade routing decisions. Clients selecting Scottrade as custodian should be aware that Scottrade does not permit PAG to route orders for execution to any other broker-dealers.

When clients select a custodial broker-dealer other than those recommended by PAG, PAG will not have the authority to negotiate commissions on their behalf or obtain volume discounts, and may not be able to obtain best execution for the client. PAG has evaluated the broker-dealers/custodians it recommends and believes that they generally provide clients with best execution on an overall basis. The factors considered by PAG in evaluating recommending brokers include PAG's experience with the firms, their reputations, the quality of the execution services they have provided to PAG's clients, and the commissions or asset-based fees they charge to PAG's clients, among other factors.

While PAG has a reasonable belief that all custodians recommended are able to obtain best execution for clients, PAG does not seek price improvement through other broker-dealers on an individual transaction basis. Placing orders with a broker-dealer other than the custodial broker-dealer may cause the client to incur fees for trading away. Summit and PAG try to



aggregate client trades, where Summit or PAG believes doing so will reduce overall costs to clients. See Aggregation of Orders, below, for more information.

Millennium Trust provides custodial services for non-standard assets, such as private placements and IRA rollover accounts. Their experience and knowledge in this space compliments traditional brokerage services.

### **Soft Dollars**

PAG does not have any formal soft dollar arrangements. However, TD Ameritrade, Scottrade, and other custodians that may be used by clients (but which are not specifically recommended by PAG) such as Fidelity Brokerage Services LLC ("Fidelity", CRD No. 7784, SEC File No. 8-23292), may make available to PAG other products and services that benefit PAG, but may not directly benefit clients. These products and services assist PAG in managing and administering client accounts, and can include investment research, both proprietary and that of third parties. PAG may use this research to service all or a substantial number of client accounts, including accounts that utilize other custodians. In addition to investment research, the custodians we recommend also make available software and other technology that:

- Provides access to client account data (such as duplicate trade confirmations and account statements);
- Provides pricing and other market data;
- Facilitates payment of PAG's fees from clients' accounts; and
- Assists with back-office functions, recordkeeping, and client reporting.

TD Ameritrade, and Scottrade also offer other services to PAG that are intended to help PAG manage and further develop its business enterprise that generally benefits only PAG. These services include:

- Educational conferences and events;
- Consulting on technology, compliance, legal, and business needs;
- Publications and conferences on practice management and business succession; and
- Access to employee benefits providers, human capital consultants, and insurance providers.

The availability of these services from the custodians we recommend are not contingent upon any commitment on the part of PAG with respect to brokerage commissions, loads, or transactions fees, but are generally dependent on PAG meeting minimum aggregate client custodial account balance requirements. The receipt of these services benefits PAG, because PAG does not have to produce or purchase them. A conflict of interest arises if PAG recommends these custodial broker-dealers to clients based on PAG's interest in receiving these benefits rather than based on clients' interests in receiving the best value in custody services and/or the most favorable transaction execution. When recommending custodial

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broker-dealers to clients, however, PAG does so based on the scope, quality and pricing of the broker-dealer's services independent of any benefits PAG may receive.

### **Brokerage for Client Referrals**

It is PAG's policy not to select for or recommend to clients any broker-dealer for custodial or execution services based on PAG's or a related person of PAG's receipt of client referrals from a broker-dealer or other third party. It is possible, however, that PAG may receive a referral from a broker-dealer. PAG will not pay the broker-dealer for the referral or direct brokerage to that broker-dealer to compensate them for the referral. PAG's receipt of the referral, however, would nonetheless create an incentive for PAG to recommend and/or continue to recommend the custodial and/or brokerage services of that broker-dealer and thus may create a potential conflict of interest for PAG. PAG, however, believes that any such referrals received would have a minimal impact on PAG's business.

PAG executed an agreement with TDA that assumed referral terms previously agreed to by Strategic Capital Group (the previous advisor for some PAG clients). Under this agreement if TDA referred a client to Strategic Capital Group, TDA would receive either 15% or 25% of the management fees collected by Strategic Capital Group pursuant to its advisory agreement with the client. PAG has not itself received any referrals from TDA but is obligated to continue to honor this arrangement. Should PAG terminate its relationship with TDA, PAG would be obligated to pay a penalty to TDA. This creates a conflict of interest to the extent PAG has a financial interest to remain at TDA even if the relationship is not necessarily the best choice for clients. This arrangement, and the related conflict, applies only to clients referred to Strategic Capital Group by TDA prior to July of 2014 and does not affect any PAG clients who were not previously clients of Strategic Capital Group.

PAG does routinely review the quality of services and overall value of the custodians it recommends, as well as any related conflicts of interest, and documents the basis for its ongoing custodial relationships. PAG believes this effectively mitigates any conflict of interest.

### **Directed Brokerage**

PAG does not generally permit its clients to direct brokerage outside of our recommended custodians. This means that while the client is ultimately responsible for selecting and/or approving the account custodian, PAG will not execute orders based on trade-by-trade instructions from the client. In most cases, orders will be executed through the facilities of the selected custodian. Scottrade does not permit direction of executions through other broker-dealers, including RPC.

Because we recommend certain custodians and then execute your investment transactions on a discretionary basis, typically through those custodians, we are effectively requiring that you "direct" your brokerage to the custodians we recommend, absent other specific

instructions as discussed below. Because neither nor Summit is choosing brokers on a trade-by-trade basis, we may not be able to achieve the most favorable executions for clients and this may ultimately cost clients more money. Not all investment advisers require directed brokerage.

### **Aggregation of Orders**

PAG's order volume does not typically support aggregated or "block" trades, although PAG reserves the right to allocate trades among clients whose accounts are held in custody by the same broker-dealer and whose accounts are managed by the same portfolio manager/investment adviser representative. In most cases, PAG would aggregate trades only where the Representative or the platform provider, such as Summit, determined that aggregation was likely to result in better execution prices or lower commission costs to end clients. PAG is not obligated to include any client account in a block trade. No client participating in a block trade will be favored over any other client that also participates in the same block trade.

When it is advantageous to clients and can be accomplished efficiently, PAG or Summit may aggregate purchase or sale orders for a security for the accounts of multiple clients into a single transaction, oftentimes referred to as a block or bunched trade. If a block trade is executed, each participating client receives a price that represents the average of the prices at which all of the transactions in a given block were executed. Block trades can lower transaction costs and/or help clients achieve better execution. Accounts participating in a block trade share transactions costs on an equal and pro rata basis, unless a participating client has an agreement with the broker-dealer that specifically dictates the brokerage commissions and/or transaction fees that the client must pay. If the order is not completely filled, the securities purchased or sold are distributed among participating clients on a pro rata basis or in some other equitable manner.

### **Fixed Income Transactions**

PAG and Summit have historically executed many of the Firm's clients' fixed income (bond) transactions through RP Capital ("RPC," CRD No. 134768, SEC File No. 8-66862), a broker-dealer owned by two Minority Owners. While PAG believed that RPC's executions were the best choice for clients based on PAG's fiduciary duty and best execution responsibilities, executing through a firm with shared ownership created inherent conflicts of interest. PAG has made a decision to eliminate such conflicts as much as possible going forward and has therefore chosen to cease executing orders through RPC, and has directed Summit not to execute transactions for PAG clients through RPC. It may be difficult for PAG to obtain the same level of pricing information and transparency from another broker-dealer. We will continue to diligently seek best execution, and will trade through brokers who are also obligated to seek best execution.



**Cross Transactions**

PAG occasionally completes cross transactions on behalf of clients. This occurs when selling a security from the account of one client and buying it in the account of another without entering an open-market transaction. PAG will process cross transactions when the firm decides the accounts involved would likely receive better overall execution through a cross. This occurs most frequently with thinly-traded or limited-market securities and is generally initiated because one client needs to liquidate an investment PAG is not currently recommending for sale and another client wishes to purchase that security.

## **Item 13 Review of Accounts**

**Account Reviews**

Accounts are continually monitored by the respective investment adviser Representative assigned to the client's account. More formal reviews of client accounts, however, are generally performed quarterly, and at least annually, to ensure that accounts appear to be managed in accordance with the client's stated investment objectives and guidelines. Clients are provided with opportunities to update their objectives, financial situation, and reasonable restrictions related to the management of their assets as part of these reviews.

More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment. Accounts are reviewed by:

Douglas R. Bean  
S Christopher Bean  
Craig D. Johnsen  
Eric C. Penz  
Kenneth J. Peterson  
Ryan Finnigan

**Regular Reports**

In addition to monthly account statements and confirmations of transactions that clients receive from their account custodians, clients have access to online aggregation and planning software.

PAG Representatives may also provide clients with access to a planning system used for producing net worth statements, tax return (if the client relationship includes tax preparation services), cash flow planning, and other information. Net worth statements



contain approximations of bank account balances provided by the client as well as the value of land and hard-to-price real estate holdings of the client.

Online statements and reports are not intended to replace the monthly or quarterly statements provided by the qualified account custodian holding client assets. We urge clients to compare the online data carefully to the statements provided by the qualified custodian and to notify us promptly of any errors or discrepancies.

## **Item 14 Client Referrals and Other Compensation**

### **Other Compensation**

PAG receives certain economic benefits from TD Ameritrade and Scottrade described above in the Item 12, Brokerage Practices. PAG's receipt of such products and services creates a conflict of interest for PAG when it recommends the custodial or brokerage services of any of these firms to clients because we have an incentive to recommend these custodians over others who do not provide products and services to PAG.

### **Referrals**

Please see Brokerage for Client Referrals in Item 12, above, for information about payments made to TDA.

As described in Item 10, Other Financial Industry Relationships and Affiliations, we do have material relationships with other professionals (e.g., attorneys and accountants) whom we pay in certain circumstances for services provided to PAG clients. On occasion, PAG may receive an unsolicited referral from one or more of the persons/firms noted above, but does not consider such referrals to be material to PAG's advisory business and does not factor any such referrals into its decision-making process when selecting the person/firm to be used to provide services to any particular client. In a small number of instances, PAG has agreed to continue to pay referral fees to an advisor related to a CPA firm that was acquired by Peterson Sullivan. These payments are for referrals made historically to Bean Financial, the advisor that previously provided services to many of PAG's clients. These payments do not relate to a current referral arrangement with PAG.

### **Purchase of Other Advisors' Practices**

In the regular course of its business, PAG may have an opportunity to acquire advisory practices from firms or individuals who are retiring or otherwise leaving the business. If this occurs, PAG will generally enter into an agreement to pay the former advisory firm or individual a fee based on the referral of clients to PAG and those clients' subsequent decision

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to become clients of PAG. Clients affected by any such agreement will receive specific disclosures concerning the arrangement.

## **Item 15 Custody**

Clients' funds and securities are held with qualified custodians, who send monthly or quarterly account statements directly to clients. Clients should carefully review those statements. Additionally, as noted above, clients have access to online reports and are urged to compare the information from those reports with the information contained within statements received from their accounts' custodians. In some cases, clients hold shares of private investments themselves and PAG lists these securities in online reports and billing statements; because these securities are held by the client and not by any custodian, they do not appear on statements from the qualified custodian. Clients take responsibility for recordkeeping and secure maintenance of these securities.

## **Item 16 Investment Discretion**

PAG has the discretionary authority, pursuant to its written investment management agreements with clients, to determine, without obtaining specific client consent, the securities to be bought or sold and the amount of the securities to be bought or sold. PAG also has discretionary authority to select, remove and replace third-party managers, or to reallocate investments among managers or strategies, if PAG determines that doing so is in the best interest of the client. Clients may change/amend such authority by providing us with revised instructions in writing.

## **Item 17 Voting Client Securities**

PAG's Advisory Services Agreement specifies that PAG will vote proxies for all client accounts, provided the client has completed the appropriate forms provided by the custodian that authorize PAG to receive proxies. Clients always have the right to vote proxies on their own behalf. Clients can exercise this right by instructing PAG in writing to not vote proxies for securities in their account or by noting this election in the Advisory Services Agreement.

PAG has engaged a third party, Egan-Jones Proxy Services ("Egan-Jones"), to assist with the analysis and voting of proxy ballots and related recordkeeping. Egan-Jones provides independent assessment and recommendations with regard to all proxy items for securities held in accounts we manage directly. We have adopted written policies and procedures, the form of which Egan-Jones provided, regarding the voting of proxies. These policies and



procedures are designed to ensure that we fulfill our fiduciary obligation to you in connection with proxy voting and that we vote them in clients' best interests.

If PAG has a conflict of interest in voting a particular action, PAG will notify the client of the conflict and possibly refrain from voting the shares, however, we believe by engaging an independent third party we lessen the change of conflicts arising. Clients may obtain a copy of our complete proxy voting policies and procedures and/or request information on how we voted their proxies by calling PAG's home office at 425-498-2320.

## **Item 18 Financial Information**

PAG has not been the subject of a bankruptcy petition since its inception and PAG is not currently subject to any financial condition that is reasonably likely to impair the Firm's ability to meet its contractual commitments to clients. However, PAG is on notice that lawsuits or arbitrations are probable of assertion relating to its sale of Aequitas securities. PAG denies any liability in connection with its sale of Aequitas securities but we are unable to predict the outcome should any lawsuits or arbitrations be filed. PAG is willing to enter into tolling agreements with clients to allow the federal court receivership time to recover assets for investors without future claims being barred by the running of the applicable statutes of limitation. It is our understanding that the Oregon Federal court's current receivership order stays the filing of any lawsuits or arbitrations against Aspen Grove until or unless the court rules otherwise, and that this stay applies to PAG as the sole asset of Aspen Grove.



## ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "*Agreement*"), dated as of January 4, 2016, is entered into by and between Private Advisory Group LLC, a Washington limited liability company ("*Buyer*"), and Enviso Capital, LLC, a California limited liability company ("*Seller*"). All capitalized terms that are used but not defined herein shall have the respective meaning ascribed thereto in Exhibit A.

### RECITALS

- A. Seller is an investment advisory business located in San Diego, California.
- B. Buyer is an investment advisory business located in Redmond, Washington, that wishes to purchase the Acquired Assets, and Seller wishes to sell the same to Buyer (the "*Transaction*").
- C. Concurrent with the execution and delivery of this Agreement, as a material inducement to Buyer to enter into this Agreement, (i) Marc Seward ("Mr. Seward"), one of the Seller's members, is executing an Investment Advisor Representative Agreement, containing non-competition and non-solicitation provisions, with Buyer (the "*Independent Contractor Agreement*"), substantially in the form attached hereto as Exhibit B, resulting in Mr. Seward serving as an Investment Adviser Representative ("IAR") of both Buyer and Seller;
- D. The Seller and Buyer desire to make certain representations, warranties, covenants and agreements, as more fully set forth herein, in connection with the Transaction and the other matters contemplated hereby.

NOW THEREFORE, in consideration of the mutual agreements, covenants and other premises set forth herein, the mutual benefits to be gained by the performance hereof, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and accepted, the parties hereby agree as follows:

### ARTICLE 1 PURCHASE AND SALE

1.1. **Purchase and Sale of Assets.** Upon and subject to the terms and conditions of this Agreement, on the Closing Date, Seller shall sell, convey, assign, transfer and deliver directly to Buyer the Acquired Assets, and Buyer shall purchase from Seller, free and clear of all Encumbrances, all of the Acquired Assets. For the purposes of this Agreement "*Acquired Assets*" shall mean (collectively, but excluding the Excluded Assets):

- (a) All advisory agreements, and Seller's rights under agreements relating to such advisory agreements, between Seller and its clients listed on Schedule 1.1(a) attached hereto (collectively, the "*Transferred Agreements*") and those "*Trailing Transferred Agreements*" added to such list from time to time;
- (b) All fees generated from the Transferred Agreements after the Closing Date which shall be prorated based upon the number of days Seller managed the Acquired Assets during the quarter until the Closing Date to determine the percentage of the fees earned (based on the total number of days in the quarter) and the balance shall be remitted to Buyer; and
- (c) All of Seller's books and records related to Transferred Agreements and prospective clients and all records required to be maintained under the applicable law (collectively, "*Books and Records*").

1.2. Excluded Assets. Notwithstanding the provisions of Section 1.1, Buyer shall not purchase or acquire any of the following assets (collectively, the "*Excluded Assets*"):

- (a) Claims of Seller for refunds of federal and/or state income Taxes;
- (b) All permits, licenses, registrations, approvals, qualifications or similar authorizations of Seller relating to the conduct of its business;
- (c) Non-Consenting Client Agreements;
- (d) Seller's website; and
- (e) All other assets owned by Seller not included in Section 1.1.

1.3. Assumed Liabilities.

(a) In consideration for the Acquired Assets, Buyer shall assume and agree to pay, perform and discharge, pursuant to the Assignment and Assumption Agreement, the following liabilities of Seller in accordance with and subject to the respective terms and conditions thereof: (i) all liabilities relating to the Acquired Assets, including but not limited to the Transferred Agreements, that arise after the Effective Time (but only to the extent such liabilities are not attributable to a breach by Seller of the Transferred Agreements prior to the Effective Time); and (ii) all liabilities arising out of Buyer's use of the Acquired Assets after the Effective Time (collectively, the "*Assumed Liabilities*").

(b) Buyer will not assume, and Seller will be solely and exclusively liable with respect to, all liabilities of Seller of any kind or nature whatsoever, other than the Assumed Liabilities. Without limiting the foregoing, Buyer does not assume any liability or obligation of Seller: (i) arising out of non-compliance with laws; (ii) arising out of the employment of any person by Seller or any employee benefits; (iii) with respect to fees and expenses of Seller's counsel and other contractors or experts engaged by Seller; (iv) involving the payment of any governmental fees or Taxes, which are due or will become due; (v) in respect of or arising out of services provided by Seller under the Transferred Agreements on or before the Closing Date; and (vi) in respect of or arising from Seller's use of any of the Acquired Assets prior to Closing Date.

1.4. Purchase Price. The parties agree that the aggregate consideration for Buyer's acquisition of the Acquired Assets shall be an amount equal to five million dollars and 00/100 (\$5,000,000) (the "*Purchase Price*").

1.5. Payment for Acquired Assets. Buyer shall pay the Purchase Price as follows:

(a) On the Closing Date, Buyer shall remit payment of one million two hundred fifty thousand and 00/100 dollars (\$1,250,000.00) (the "*Initial Payment*") to Seller, or to any entity, individual and/or agent of Seller as directed by Seller prior to the Closing Date.

(b) On the Closing Date, Buyer shall execute and deliver to Seller a six-year promissory note, substantially in the form of the attached Exhibit D (the "*Note*"), bearing a principal amount of three million seven hundred and fifty thousand and 00/100 Dollars (\$3,750,000.00), to be adjusted, as necessary, in accordance with the provisions of Section 1.6 below.



1.6. **Post-Closing Adjustment.** The Purchase Price shall be subject to a one-time re-valuation to be performed during the first calendar quarter of 2017 (the "**Valuation**"), unless otherwise agreed upon in writing by the parties. The parties agree that the Valuation will be determined in the following manner:

The "**Adjusted Purchase Price**" shall be equal to the net value of both Transferred Agreements and Trailing Transferred Agreements (the "**New Buyer Clients**"), without regard for market performance, that have affirmatively entered into advisory agreements ("**Executed Advisory Agreement**") with the Buyer as of December 31, 2016, multiplied by the annual advisory fees outlined on Schedule B of the New Buyer Clients' Executed Advisory Agreement (as is in use as of the Effective Date), and then such product being multiplied by a factor of three (3). The Adjusted Purchase Price will include contributions and withdraws made by those New Buyer Clients throughout 2016; see examples below:

For Example:

**Household 1—Transferred Agreement Household**

Affirmatively enters into an advisory agreement with Buyer on 12/31/2015

Assets under management as of 12/31/2015 were \$300,000

Between 01/01/2016 and 12/31/2016 client contributes \$200,000

Between 01/01/2016 and 12/31/2016 client withdraws \$100,000

Annual advisory fee on Executed Advisory Agreement is 1.5% for assets under \$500,000

|                              |                |
|------------------------------|----------------|
| Initial asset value          | \$ 300,000     |
| + Contributed assets         | + 200,000      |
| - <u>Withdrawn assets</u>    | - 100,000      |
| Net-new assets               | \$ 400,000     |
| <br>Net-new assets           | <br>\$ 400,000 |
| x <u>Annual advisory fee</u> | x .015         |
| Annual advisory revenue      | \$ 6,000       |
| <br>Annual advisory revenue  | <br>\$ 6,000   |
| x <u>Multiple of revenue</u> | x 3            |
| Purchase Price of household  | \$ 18,000      |

**Household 2— Trailing Transferred Agreement Household**

Affirmatively enters into an advisory agreement with Buyer on 12/01/2016

Assets under management transferred in were \$300,000

No contributions or withdrawals between 12/01/16 and 12/31/16

Annual advisory fee on Executed Advisory Agreement is 1.5% for assets under \$500,000

|                              |                |
|------------------------------|----------------|
| Initial asset value          | \$ 300,000     |
| + Contributed assets         | + 0            |
| - <u>Withdrawn assets</u>    | - 0            |
| Net-new assets               | \$ 300,000     |
| <br>Net-new assets           | <br>\$ 300,000 |
| x <u>Annual advisory fee</u> | x .015         |
| Annual advisory revenue      | \$ 4,500       |

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|   |           |
|---|-----------|
| Annual advisory revenue                               | \$ 4,500  |
| x Multiple of revenue                                 | x 3       |
| Purchase Price of household                           | \$ 13,500 |
| Household 3— Trailing Transferred Agreement Household |           |

Affirmatively enters into an advisory agreement with Buyer on 12/01/2016

Assets under management transferred in were \$300,000

No contributions or withdrawals between 12/01/16 and 12/31/16

Annual advisory fee on Executed Advisory Agreement is 1.5% for assets under \$500,000

|                      |            |
|----------------------|------------|
| Initial asset value  | \$ 300,000 |
| + Contributed assets | + 0        |
| - Withdrawn assets   | - 0        |
| Net-new assets       | \$ 300,000 |

|                         |            |
|-------------------------|------------|
| Net-new assets          | \$ 300,000 |
| x Annual advisory fee   | x .0145    |
| Annual advisory revenue | \$ 4,350   |

|                             |           |
|-----------------------------|-----------|
| Annual advisory revenue     | \$ 4,500  |
| x Multiple of revenue       | x 3       |
| Purchase Price of household | \$ 13,050 |

(a) Following completion of the Valuation, the remaining payments of the Promissory Note shall be adjusted to reflect the Adjusted Purchase Price.

(b) No Clawback Provision. The parties further agree that the Valuation will only affect any outstanding balance owed by Buyer as of the date of the Valuation. Buyer will be unable to recoup any payments already then made to Seller regardless of the Valuation.

## ARTICLE 2 CLOSING

### 2.1. Closing.

(a) The closing (the "**Closing**") of the Transaction will take place upon January 1, 2016 (the "**Closing Date**"), at the

(b) On the Closing Date, Seller will take all steps as may be required to put Buyer in actual possession and operating control of the Acquired Assets, and that portion of the Seller's business represented by the Acquired Assets.

2.2. Closing Deliveries of Seller. Seller will execute, where required, and deliver the following documents to Buyer (as appropriate) at the Closing:

(a) A bill of sale covering the Acquired Assets between Seller and Buyer substantially in the form of Exhibit E (the "**Bill of Sale**"), and such other bills of sale, endorsements, assignments and other good and sufficient instruments of conveyance and delivery as Buyer may reasonably request;

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- (b) An updated list of the Transferred Agreements dated as of the Closing Date;
- (c) All of Seller's Books and Records pertaining to the Transferred Agreements;
- (d) An assignment and assumption agreement, duly executed by Seller, covering the assumption of obligations under the Transferred Agreements in the form of Exhibit F (the "*Assignment and Assumption Agreement*");
- (e) Evidence that Seller has obtained professional liability insurance in the amount of \$250,000 per claim and \$1,000,000 in the aggregate to cover any subsequent claims, penalties, sanctions, or other fines against Seller and/or Buyer relating to any of the Acquired Assets or by any regulatory agency related to the Seller's business, which such insurance will remain in place for no less than twelve (12) months following the Closing Date, and Seller will provide Buyer with a copy of Seller's certificate of insurance naming Buyer as an additional insured.

2.3. Closing Deliveries of Buyer. Buyer will execute and deliver the following documents to Seller (as appropriate) at the Closing:

- (a) The Note
- (b) The Assignment and Assumption Agreement, duly executed by Buyer, in the form of Exhibit F;
- (c) The Bill of Sale.

### ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer that:

3.1. Organization and Good Standing. Seller is duly organized, validly existing and in good standing under the laws of the State of California and has full power and authority to carry on its business as now conducted. Seller is duly qualified to transact business as a foreign limited liability company and is in good standing in each of the jurisdictions in which the ownership of the Acquired Assets or the conduct of its business requires such qualification.

3.2. Authority and Enforceability. The Seller has all requisite power and authority to enter into the Transaction Documents to which it is a party and to consummate the transaction contemplated thereby. The execution and delivery of the Transaction Documents, and the consummation of the transactions contemplated thereby have been duly authorized by all necessary limited liability company action on the part of the Seller and no further action is required on the part of the Seller to authorize the Transaction Documents or to consummate the transaction contemplated thereby. The execution and delivery of the Transaction Documents by Seller, and the consummation of the transactions contemplated thereby will not: (a) conflict with or result in a breach of the terms of or constitute a default under the articles of organization or operating agreement of Seller, or any mortgage, deed of trust or other instrument evidencing or securing indebtedness, lease, judgment or other restriction of any kind to which Seller is a party or by which Seller is bound; (b) require the approval, consent or other action of, or filing with, any court or governmental authority, other than the filings identified in Section 7.3.(b); or (c) require the consent or authorization of any person under any agreement or other instrument to which Seller is a party, other than the Transferred Agreements identified in Schedule 1.1(a). Seller has full power and authority to do and perform all acts required to be done under this Agreement. This



Agreement and each other agreement and instrument required to be delivered hereunder by Seller, when duly executed and delivered by Seller, will constitute legal, valid and binding obligations of Seller and will be enforceable against it in accordance with their respective terms.

3.3. Acquired Assets; Transferred Agreements.

(a) Seller is the sole owner of and has good title to all of the Acquired Assets. Seller will transfer good and marketable title to the Acquired Assets to Buyer free and clear of all Encumbrances.

(b) Seller has made available to Buyer true and complete copies of the Transferred Agreements. Each Transferred Agreement constitutes a valid and binding obligation of the parties thereto and is in full force and effect and may be transferred to Buyer pursuant to this Agreement and will continue in full force and effect thereafter, in each case without breaching the terms thereof or resulting in the forfeiture or impairment of any rights thereunder and without the consent, approval or act of, or the making of any filing with, any other party. Seller has fulfilled and performed its obligations under each Transferred Agreement in all material respects, and Seller is not in, or alleged to be in, breach or default under, nor is there alleged to be any basis for termination of, any Transferred Agreement and no other party to a Transferred Agreement is in breach or default thereunder.

3.4. Compliance with Laws. Seller is an investment adviser registered with the SEC and makes state notice filings when and where required. Seller's Form ADV is accurate, and has been accurate for the last three (3) years, in all material aspects. Seller is in compliance in all material respects, and has been in compliance, in all material respects with all applicable statutes, orders, rules and regulations relating to the Acquired Assets and the operation of its business, and Seller has not received any notice of alleged violation of any such statute, order, rule or regulation.

3.5. Assets Under Management.

(a) Seller's aggregate assets under management are set forth in Schedule 3.5(a). Except as set forth in Schedule 3.5(a), none of the Transferred Agreements, whose assets are included in the calculation of Seller's assets under management, has notified Seller that it intends to terminate or reduce its advisory relationship with Seller. Seller has not agreed to reduce, waive or refund any fees chargeable or charged by Seller with respect to any of its Transferred Agreements, except as specified in Schedule 3.5(a).

(b) Seller has no knowledge of any threatened or pending plans or any reasonable basis to believe that any of Seller's clients would refuse to execute advisory agreements with Buyer.

3.6. Seller's Schedules. Seller hereby represents and warrants that the following schedules are accurate and complete in all materials respects:

(a) Schedule of all Transferred Agreements (Schedule 1.1(a)); and

(b) Schedule of Seller Assets Under Management (Schedule 3.5(a)).

3.7. Litigation. There is no litigation, arbitration proceeding or governmental investigation pending or threatened, or any judgment, lien, award, order or decree outstanding against, or relating to Seller, the Acquired Assets, or the transactions contemplated by the Transaction Documents, nor is there any basis known to Seller for any such litigation, proceeding or investigation. Buyer will not have any



liability as a successor to Seller or any portion of the Seller's business. Seller is not in default with respect to any order of any court, governmental authority or arbitrator.

3.8. Material Disclosures. No statement, representation or warranty made in this Article 3, in any of the other Transaction Documents, or in any certificate, schedule or exhibit furnished to Buyer, contains any untrue statement of a material fact, or fails to state a material fact necessary to make the statements contained herein or therein, in light of the circumstances in which they are made, not misleading. All financial information that Seller has provided or will provide to Buyer in connection with the Transaction contemplated in the Transaction Documents is true, accurate and complete in all material respects.

#### ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller that:

4.1. Due Organization, Ownership. Buyer is duly organized, validly existing and in good standing under the laws of the State of Washington and has full power and authority to carry on its business as now conducted. Buyer is duly qualified to transact business as a foreign corporation and is in good standing in each of the jurisdictions in which the ownership or leasing of the Acquired Assets or the conduct of its business requires such qualification.

4.2. Authority Relative to this Agreement; Consents. The execution, delivery and performance of this Agreement by Buyer have been duly authorized and approved by all requisite action of all of its members. The execution and delivery of this Agreement, the consummation of the Transaction, and the fulfillment of the terms and provisions of the Transaction Documents, will not: (a) conflict with or result in a breach of the terms of or constitute a default under the articles of organization or its operating agreement, or any mortgage, deed of trust, or other instrument evidencing or securing indebtedness, lease, judgment, or other restriction of any kind to which Buyer is a party or by which it is bound; (b) require the approval, consent or other action of, or filing with, any court or governmental authority, other than the filings identified in Section 7.3(a); or (c) require the consent or authorization of any person under any agreement or other instrument to which Buyer is a party or by which any of Buyer's properties are subject. Buyer has full power and authority to do and perform all acts required to be done under this Agreement. This Agreement and each other agreement and instrument required to be delivered hereunder by Buyer, when duly executed and delivered by Buyer, will constitute legal, valid and binding obligations of Buyer and will be enforceable against it in accordance with their respective terms.

4.3. Compliance with Laws. Buyer is an investment adviser registered with the SEC making state notice filings when and where required. Buyer's Form ADV is accurate, and has been accurate since Buyer's registration, in all material aspects. Buyer is in compliance in all material respects, and has been in compliance in all material respects since organization, with all applicable statutes, orders, rules and regulations relating to the operation of Buyer's business, and Buyer has not received any notice of alleged violation of any such statute, order, rule or regulation.

4.4. Litigation. There is no litigation, arbitration proceeding or governmental investigation pending, or so far as known to Buyer, threatened, or any judgment, lien, award, order or decree outstanding against, or relating to Buyer, Buyer's assets or the Transaction, nor is there any basis known to Buyer for any such litigation, proceeding or investigation. Buyer is not in default with respect to any order of any court, governmental authority or arbitrator.

4.5. **Material Disclosures.** No statement, representation or warranty made by Buyer in this Agreement, in any other Transaction Document, or in any certificate, schedule or exhibit furnished to Seller, contains any untrue statement of a material fact, or fails to state a material fact necessary to make the statements contained herein or therein, in light of the circumstances in which they are made, not misleading. All financial information that Buyer has provided or will provide in connection with the Transaction is true, accurate and complete in all material respects.

## ARTICLE 5 COVENANTS OF SELLER

5.1. **Restrictive Covenants.** To assure that Buyer will realize the value in the Acquired Assets, Seller agrees with Buyer that:

(a) In the event Marc Seward, the primary investment advisor representative for the New Buyer Clients, ceases to be engaged by the Buyer as an independent contractor for any reason, the parties agree that a successor, not objectionable to either party, shall be appointed to continue such functions.

(b) For a period beginning on the Closing Date and continuing for one (1) year following the maturity of the Note (the "**Restricted Period**"), Seller will not directly or indirectly take any actions which are calculated to: (i) without Buyer's prior written consent, persuade any employee or contractor of Buyer to terminate his or her employment or engagement with Buyer; (ii) encourage, induce, solicit, or cause or permit to be solicited any of Buyer's clients, not serviced by Marc Seward, to terminate their relationship with Buyer; or (iii) service, solicit, or induce or attempt to service, solicit, or induce, any supplier, customer, vendor, distributor, or contractor of Buyer (A) to do business with Seller or to do business with a competitor of Seller or Buyer; or (B) to terminate, reduce, or modify its relationship with Buyer. Notwithstanding existing relationships that Seller may have with Buyer's affiliates, Seller's breach of this restrictive covenant will terminate the Seller's right to payments under the Note and/or will entitle Buyer to damages and/or injunctive relief. Seller hereby agrees that the services rendered by Buyer are special, unique, and of extraordinary character, that the remedy at law for any breach of this Section 5.1(b) will be inadequate as a result, and that Buyer is entitled to injunctive relief in addition to any other remedy of Buyer.

(c) During the Restricted Period, Seller will not, directly or indirectly, acquire, retain any financial interest in, lend to, own, manage, operate, be in the employment of, consult or be a contractor to or for, serve as a director or officer of, or otherwise have any participation in any enterprise located in the United States of America that is an investment advisor or investment advisor representative without disclosing such activities to Buyer. Buyer hereby agrees to not unreasonably object to any such activities performed by Seller. Breach of this restrictive covenant may terminate the Seller's right to payments under the Note and/or will entitle Buyer to damages and /or injunctive relief. Seller hereby agrees that the services rendered by Buyer are special, unique, and of extraordinary character, that the remedy at law for any breach of this Section 5.1(c) will be inadequate as a result, and that Buyer is entitled to injunctive relief in addition to any other remedy of Buyer.

(d) If the final judgment of a court of competent jurisdiction declares that any term or provision of this Section 5.1 is invalid or unenforceable, the parties agree that the court making the determination of invalidity or unenforceability shall have the power to reduce the scope, duration, or area of the term or provision, to delete specific words or phrases, or to replace any invalid or unenforceable term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision.



5.2. **Power of Attorney.** Seller hereby appoints Buyer as its true and lawful attorney-in-fact and grants to Buyer an irrevocable power of attorney to take in Seller's name and on behalf of Seller any and all steps or actions necessary or desirable, in the sole determination of the Buyer, (a) to collect all amounts owing under any and all Transferred Agreements; and (b) to endorse, transfer, assign, and file any documents and notices that Buyer deems appropriate to evidence Buyer's ownership of the Acquired Assets.

## ARTICLE 6 INDEMNIFICATION

6.1. **Indemnification by Seller.** After the Closing Date, Seller, will indemnify, defend and hold Buyer and its respective affiliates, employees, officers, members, managers, representatives, agents, successors and assigns (collectively "**Buyer Indemnified Parties**") harmless from and against and in respect of all losses, damages, liabilities, penalties, interest (including interest from the date of such damages), costs and expenses, including reasonable attorneys' fees incurred in defending any litigation, proceeding, action, lawsuit, investigation or audit (whether administrative, informal or otherwise) commenced or threatened, including appeals (collectively, "**Damages**") incurred by Buyer Indemnified Parties in connection with, or arising, directly or indirectly (including incident to the enforcement of this Section 6.1), out of any of the following:

(a) Any and all liabilities of Seller relating to or arising from Seller's obligations whether arising before or after the Closing, subject to Section 1.3;

(b) Any and all damages resulting from any misrepresentation, breach of representation, warranty or covenant, or nonfulfillment of any obligation on the part of Seller under this Agreement or any of the other Transaction Documents or from any misrepresentation in or omission from any other agreement, certificate or other document delivered by Seller in connection with this Agreement or any of the other Transaction Documents;

(c) Any and all liabilities or obligations with respect to Seller's violation of federal, state or local laws on or before the Closing Date; and

(d) Any and all actions, suits, proceedings, claims, demands, assessments, judgments, costs and legal and other expenses incident to any of the foregoing on or before the Closing Date.

If Buyer is entitled to indemnification from Seller under this Article 6, Buyer may offset any amount payable to Buyer in connection with such indemnification from the principal balance of the Note.

6.2. **Indemnification by Buyer.** After the Closing Date, Buyer, will indemnify, defend and hold Seller and its respective affiliates, employees, officers, members, managers, representatives, agents, successors and assigns (collectively "**Seller Indemnified Parties**") harmless from and against and in respect of all losses, damages, liabilities, penalties, interest (including interest from the date of such damages), costs and expenses, including reasonable attorneys' fees incurred in defending any litigation, proceeding, action, lawsuit, investigation or audit (whether administrative, informal or otherwise) commenced or threatened, including appeals (collectively, "**Damages**") incurred by Seller Indemnified Parties in connection with, or arising, directly or indirectly (including incident to the enforcement of this Section 6.2), out of any of the following:

(a) Any and all liabilities of Seller relating to or arising from Seller's obligations



whether arising before or after the Closing, subject to Section 1.3;

(b) Any and all Damages resulting from any misrepresentation, breach of representation, warranty or covenant, or nonfulfillment of any obligation on the part of Buyer under this Agreement or any of the other Transaction Documents or from any misrepresentation in or omission from any other agreement, certificate or other document delivered by Buyer in connection with this Agreement or any of the other Transaction Documents;

(c) Any and all liabilities or obligations with respect to Buyer's violation of federal, state or local laws on or before the Closing Date; and

6.3. Any and all actions, suits, proceedings, claims, demands, assessments, judgments, costs and legal and other expenses incident to any of the foregoing on or before the Closing Date. Limitations to Indemnification Obligations.

(a) The indemnification obligations of set forth in Sections 6.1 and 6.2 above shall be subject to the following limitations:

(i) No Claim shall be made more than twenty-four (24) months after the Closing Date;

(ii) No Claim shall be made until losses exceed Fifteen Thousand and No/100 Dollars (\$15,000) (but once such threshold is met, the aggregate amount of Claims shall count from the first dollar);

(iii) The aggregate liability of Seller under this Agreement, gross of any applicable insurance proceeds actually received by Buyer Indemnified Parties, shall not exceed Two Million Five Hundred Thousand Dollars and No/100 Dollars (\$2,500,000); and

(b) Notwithstanding the foregoing, the limitations in paragraph (a) above shall not apply to Claims arising from:

(i) Gross negligence or willful misconduct on the part of Buyer or Seller;

(ii) Breach or failure of representation and warranties in Sections 3.1, 3.2, 3.4, and 4.1 through 4.3, with respect to which breaches Claims can be brought at any time until the expiration of the applicable statute of limitations; and

(iii) Breach of covenants in Article 5.

#### 6.4. Procedures.

(a) In any case in which a party seeks indemnification hereunder, and which does not involve a Claim by a third-party (such Claim by a third-party, a "**Third-Party Action**"), notice of such Claim shall, promptly after the discovery of the facts giving rise to such Claim, be made in a written statement signed by such party seeking indemnification and delivered to the indemnifying party pursuant to the notice provisions set forth in Section 9.3, and which shall specify in reasonable detail each individual item of Damages and the estimated amount thereof, the date the facts giving rise to such Claim were discovered, the basis for any alleged liability and the nature of the alleged breach to which each such item is related (the "**Claim Notice**"). A failure to timely provide a Claim Notice shall not prejudice the rights of the indemnified party, except to the extent the party from whom indemnification is sought is actually prejudiced by such delay.

(b) In any case in which a party seeks indemnification hereunder and which involves a Third-Party Action, the indemnified party shall promptly (but in no case later than ten (10) days after receipt of notice of such action) give the indemnifying party written notice of the commencement of the Third-Party Action which might give rise to liability of such indemnifying party hereunder. Any failure so to notify shall not relieve the indemnifying party from any liability that it may have to the indemnified party under this Article 6 unless and to the extent that such failure to so notify results in the indemnifying party being prejudiced in the defense of such action. Such notice shall include (i) reasonably detailed specific facts and circumstances pertaining to such action, and (ii) true, correct and complete copies of all documents served on or delivered to such indemnified person in connection with such Third-Party Action.

(c) Except as otherwise provided herein, upon receipt of Claim Notice of a Third-Party Action, the indemnifying party shall then have ten (10) days to advise the indemnified party whether the indemnifying party acknowledges its indemnity obligation and accepts the defense of such Claim, and the indemnifying party shall have no obligation to the indemnified party for legal fees incurred by the indemnified party after the date of any assumption of the defense by the indemnifying party.

(d) If the indemnifying party timely acknowledges its indemnity obligation and determines to accept the defense of such Third-Party Action, it shall defend such Third-Party Action with counsel of its own choice that is reasonably satisfactory to the indemnified party and at the indemnifying party's own expense, provided that the indemnified party shall also have the right to be represented by its own counsel at its own expense in any event, with such counsel to reasonably cooperate with the indemnifying party's counsel. If the indemnifying party fails to undertake the defense of such Third-Party Action within ten (10) days after the indemnified party has given notice to the indemnifying party of such Claim, then the indemnified party may take any and all necessary action to dispose of such Claim subject to the limitation on settlement set forth below.

(e) The party controlling the defense of a Third-Party Action may settle such Third-Party Action on any terms that it may deem reasonable; *provided that*, without the prior written consent of the indemnified party, which consent shall not be unreasonably withheld, conditioned or delayed, (i) an indemnifying party shall not settle or compromise such proceeding, Claim or demand, or consent to the entry or any judgment which does not include as an unconditional term thereof the delivery by the claimant or plaintiff to the indemnified party of a written release from all liability in respect of such proceeding, Claim or demand or (ii) settle or compromise any such proceeding, Claim or demand, or consent to the entry of any judgment.



## ARTICLE 7

### ACTIONS TO BE TAKEN SUBSEQUENT TO THE CLOSING DATE

7.1. Client Retention. Seller agrees to use commercially reasonable efforts to ensure an organized and seamless transition of the Transferred Agreements to Buyer.

7.2. Notifications. As soon as practicable after the Closing, but in no event later than three (3) months after the Closing Date, Buyer and Seller will send a notice, in a mutually agreed upon form, to Seller's clients advising them of the consummation of the Transaction.

7.3. Regulatory Filings.

(a) As soon as practicable after the Closing, but in no event later than thirty (30) days after the Closing Date, Buyer will amend its Form ADV to reflect the Transaction, including making notice filings in all required states and jurisdictions.

(b) Seller hereby agrees to remain duly registered as a Registered Investment Adviser with the SEC or the State of California (as may be applicable) for a period of at least twelve (12) months following the Closing Date. Following the expiration of the 12 months, Seller may terminate its registration as an RIA, and dissolve the company. Seller retains the right to terminate its registration before 12 months have expired upon providing notification to Buyer in accordance with the terms of this Agreement.

7.4. Taxes. The parties agree to comply with the provisions of Code Section 1060 and to file applicable reports and returns on a basis consistent with this Agreement and the other Transaction Documents.

## ARTICLE 8

### NON-DISCLOSURE; CONFIDENTIALITY

8.1. Nondisclosure. Except as and to the extent required by law, without the prior written consent of the other parties, no party will, and each party will direct its representatives not to, make, directly or indirectly, any public comment, statement or communication with respect to the Transaction, or to disclose or permit the disclosure of the terms, conditions or other details about the Transaction. If a party is required by law to make any such disclosure, it will first, to the extent it is legally able, provide to the other party the content of the proposed disclosure, the reason such disclosure is required by law, and the time and manner in which the disclosure will be made.

8.2. Confidentiality. Except as and to the extent required by law, no party will disclose or use, and each of them will cause their respective representatives not to disclose or use, any Confidential Information with respect to which another party furnished in connection with this Agreement at any time or in any manner, other than in connection with the Transaction (including the enforcement of any provision of any Transaction Document), or as is necessary to be disclosed to regulators having jurisdiction over such party. For purposes of this Agreement, "*Confidential Information*" means any information about a party or its business, assets, liabilities, clients, ownership, management, results of operations, or other matters of similar kind and nature, if such information is either: (a) furnished under circumstances that would lead a reasonable, prudent person to believe that such information is confidential and the disclosure thereof would tend either to interfere with the legitimate business objectives of the disclosing party or would materially and adversely affect the reputation of the disclosing party; or (b) stamped "confidential" or identified in writing as such by the disclosing party, *provided that* Confidential Information does not include information that the receiving party can demonstrate (y) is



generally available to or known by the public other than as a result of improper disclosure by the receiving party; or (z) is obtained by the receiving party from a source other than the disclosing party so long as, to the actual knowledge of the receiving party, such source was not bound by a duty of confidentiality to the disclosing party with respect to such information. Notwithstanding the foregoing, the parties hereto may share Confidential Information with their legal and other professional services providers.

## ARTICLE 9 MISCELLANEOUS

9.1. Entire Agreement; Amendment. The entire agreement between the parties is incorporated into this Agreement and the other Transaction Documents. The Transaction Documents supersede any and all prior agreements and understandings between the parties. This Agreement may not be modified or amended except by a writing duly executed by the party against whom such modification or amendment is sought to be enforced.

9.2. Choice of Law. This Agreement will be construed and interpreted under, and the rights of the parties determined in accordance with, the laws of the State of Washington, without regard to the conflict of laws provisions thereof.

9.3. Notices. All notices and other communications required or permitted under this Agreement must be in writing and will have been deemed to have been duly given: (a) when delivered personally; (b) upon confirmation of receipt when such notice or other communication is sent by facsimile; (c) one business day after delivery to a nationally recognized overnight courier service for next day delivery; or (d) on the fifth day following the date of deposit in the United States mail, if sent, postage prepaid, by registered or certified mail:

If to Seller: Ryan Bowers  
Enviso Capital, LLC  
10920 Via Frontera, Suite 520  
San Diego, CA 92127  
Phone: (858) 679-5000  
Fax: (858) 679-0300  
rbowers@envisocapital.com

If to Buyer: S Christopher Bean  
Private Advisory Group LLC  
16880 NE 79th Street  
Redmond, WA 98052  
Phone: (425) 498-2320  
Fax: (425) 498-2321  
chris@privateadvisory.com

Any party may change its address, email and/or facsimile number for notices by written notice to the other parties.

9.4. Survival of Representations and Warranties. Except as provided in Section 6.3, all representations and warranties made by the parties in this Agreement or in any document furnished or to be furnished pursuant hereto, will survive the Closing for a period of twenty-four (24) months and any investigation made at any time with respect thereto.

9.5. Captions. The captions of Articles and Sections in this Agreement are for the convenience of the parties and will not affect the meaning or interpretation of this Agreement.

9.6. Expenses. Each of Seller and Buyer will pay their own expenses incident to this Agreement.

9.7. Broker. Neither Seller nor or Buyer has been represented by any broker in connection with the Transaction, and no commissions of any kind will become due as a result of the Transaction. Any claimed commissions will be paid by the party whom the broker proves engaged such party.

9.8. Construction. This Agreement constitutes the product of negotiations of the parties hereto and enforcement hereof will be interpreted in a neutral manner and not more strongly for or against any party based on the source of draftsmanship hereof. Each pronoun used herein includes the masculine, feminine, neuter, singular and plural as required by the context in which used. The word "including" means "including without limitation." The term "person" includes individuals, corporations, partnerships, limited liability companies, associations and all other natural and legal persons, and governmental authorities. Each party has had the opportunity to have this Agreement reviewed by its attorneys. Therefore, no rule of construction or interpretation that disfavors the party drafting this Agreement or any of its provisions will apply to the interpretation of this Agreement. Instead, this Agreement will be interpreted according to the fair meaning of its terms.

9.9. Successors and Assigns. The provisions of this Agreement will inure to the benefit of and be binding on each successor of Buyer whether by merger, consolidation, transfer of all or substantially all assets, or otherwise. Otherwise, this Agreement and the rights and obligations hereunder may not be assigned by any of the parties hereto without the prior written approval of the other parties, which consent may be withheld in such party's sole discretion, and any such purported assignment without such consent will be null and void. The parties agree that any assignment of this Agreement by Buyer will result in an Event of Default (as such term is defined in the Promissory Note), and thus accelerate the payment schedule as further defined in the Promissory Note.

9.10. No Third-Party Beneficiaries. Nothing contained in this Agreement, express or implied, will confer any rights, benefits, claims or remedies on any person, other than the parties to this Agreement and their respective successors and permitted assigns, and persons who are entitled to indemnification under this Agreement.

9.11. Attorneys' Fees. If any action is brought with respect to this Agreement, or in any appeal from such action, the prevailing party will be entitled to its reasonable attorneys' fees as determined by the court or courts in which the action or appeal is tried or heard.

9.12. Severability. The terms of this Agreement are severable. If any section of this Agreement is held to be invalid or legally unenforceable, such section will be reformed to eliminate the invalid or unenforceable provision in a manner that most closely approximates the intent of the parties with respect to the provisions, and the section as so reformed will be, and all other sections of the Agreement will remain, valid and enforceable.

9.13. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Facsimile signatures or signatures delivered by electronic means will be considered original signatures.

*[Signatures on following page.]*

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

Seller:

ENVISO CAPITAL, LLC

DocuSigned by:  
By: Ryan Bowers  
AC6E17533AD54B0... O  
1/5/2016 | 8:29 AM PT

Buyer:

PRIVATE ADVISORY GROUP LLC

DocuSigned by:  
By: Chris Bean  
B855BD012A954DF... can, CEO  
1/5/2016 | 8:33 AM PT

ASSET PURCHASE AGREEMENT – Signature Page  
Enviso Capital, LLC/Private Advisory Group LLC



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## **EXHIBITS**

- Exhibit A - Definitions
- Exhibit B - Independent Contractor Agreement [Sample]
- Exhibit D - Promissory Note
- Exhibit E - Bill of Sale
- Exhibit F - Assignment and Assumption Agreement

## **SELLER'S SCHEDULES**

- Schedule 1.1(a) - Transferred Agreements Schedule
- Schedule 3.5(a) - Assets Under Management

**ASSET PURCHASE AGREEMENT – List of Exhibits and Schedules**  
Enviso Capital, LLC/Private Advisory Group LLC

**EXHIBIT A**  
**DEFINITIONS**

"**Acquired Assets**" has the meaning set forth in Section 1.1.

"**Assignment and Assumption Agreement**" has the meaning set forth in Section 2.2(d).

"**Assumed Liabilities**" has the meaning set forth in Section 1.3(a).

"**Bill of Sale**" has the meaning set forth in Section 2.2(a).

"**Books and Records**" has the meaning set forth in Section 1.1(c).

"**Buyer Indemnified Parties**" has the meaning set forth in Section 6.1.

"**Claim**" means any claim, suit, action, arbitration, audit or litigation (whether civil, criminal or administrative, at law or in equity).

"**Claim Notice**" has the meaning set forth in Section 6.4(a).

"**Closing**" has the meaning set forth in Section 2.1(a).

"**Closing Date**" has the meaning set forth in Section 2.1(a).

"**Code**" means the Internal Revenue Code of 1986, as amended.

"**Confidential Information**" has the meaning as set forth in Section 8.2.

"**Damages**" has the meaning set forth in Section 6.1.

"**Effective Time**" means 12:01 a.m. on the Closing Date.

"**Encumbrances**" means any liens, encumbrances, claims and security interests of any type or nature whatsoever.

"**Excluded Assets**" has the meaning set forth in Section 1.2.

"**Independent Contractor Agreement**" has the meaning set forth in Recital C.

"**New Buyer Clients**" has the meaning set forth in Section 1.4.

"**Non-Consenting Client Agreements**" mean advisory agreements to between Seller and those clients who, upon receipt of Seller's notice of the Transaction, object to the transfer of their advisory contract to Buyer as a result of the Transaction and send a written notice of such objection no later than 30 days after the Closing Date.

"**Note**" has the meaning set forth in Section 1.5(b).

"**Purchase Price**" has the meaning set forth in Section 1.4.

**"Restricted Period"** has the meaning set forth in Section 5.1(b).

**"SEC"** means the United States Securities and Exchange Commission.

**"Tax"** or **"Taxes"** means any federal, state, local, or non-U.S. income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code §59A), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, whether computed on a separate or consolidated, unitary or combined basis or in any other manner, including any interest, penalty, or addition thereto, whether disputed or not.

**"Tax Return"** means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

**"Third-Party Action"** has the meaning set forth in Section 6.4(a).

**"Trailing Transferred Agreements"** include (i) any new client agreements introduced to Buyer by Seller, or any of Seller's owners, agents or representatives including Mr. Seward, during the twelve-month period following the Closing Date whose assets under management represent revenues to Buyer of seven thousand five hundred dollars (\$7,500) or more during a calendar year as determined by Buyer; or (ii) any new clients upon which the parties agree should be included as a Trailing Transferred Agreement for purposes of this Agreement.

**"Transaction Documents"** consist of this Agreement, the Note, and the Assignment and Assumption Agreement.

**"Transaction"** has the meaning set forth in Recital A.

**"Transferred Agreements"** has the meaning set forth in Section 1.1(a).



**EXHIBIT B****INDEPENDENT CONTRACTOR AGREEMENT****PRIVATE ADVISORY GROUP LLC  
INVESTMENT ADVISOR REPRESENTATIVE AGREEMENT**

By this agreement ("**Agreement**") between Private Advisory Group LLC. ("**RIA**") and ("**You**," "**you**," "**Your**," or "**your**"), you are hereby appointed an investment adviser representative of RIA to solicit and receive orders for the purchase and sale of securities through RIA under the following terms and conditions:

**1. DUTIES**

You are engaged as an investment adviser representative to service RIA clients, which includes, among other things, soliciting, servicing and receiving orders for the purchase and sale of securities through RIA and to facilitate transactions in securities accounts of RIA ("**Securities Business**"). You will be responsible for the conduct of your Securities Business and the time and place such business duties are performed. You are free to exercise your judgment as to whom you will solicit, or from whom you will receive orders for securities, subject to rules of suitability and all other applicable laws, regulations and rules. RIA reserves the right to reject any application for the purchase or sale of a security submitted by you.

**2. RELATIONSHIP AND AUTHORITY**

It is mutually understood and agreed you are an independent contractor of RIA and you will not be treated as an employee for federal tax or any other purposes. You will pay income, self-employment, occupational, municipal, state, federal and all other taxes arising out of your activities as a registered representative. You will have no right to bind RIA by any statement, promise, representation, agreement, or contract of any kind, or to waive any of RIA's rights or to obligate RIA in writing. It is stipulated that you are not an employee, officer, partner, or in a joint venture with, RIA. Other than in the course of conducting Securities Business pursuant to this Agreement or in the course of providing other services through an affiliate of RIA for which you are fully licensed, you will not directly or indirectly represent an affiliation with RIA in providing any other services or products or while engaging in any Outside Business activity (as defined below), including, but not limited to, tax, accounting, legal, insurance and registered investment advisor services. You will not represent, directly or indirectly, that any sales or services other than Securities Business are provided by or through RIA.

**3. OUTSIDE BUSINESS ACTIVITIES AND SELLING AWAY**

You will inform RIA in writing of all employment, contractual or business relationships or interests with any person or entity ("**Outside Business**") to which you are a party at any time during the term of this Agreement, whether related to Securities Business or otherwise. Nothing herein will restrain you from engaging in an Outside Business activity which does not, in the exclusive opinion of RIA, conflict with the business of this

ASSET PURCHASE AGREEMENT – Exhibit B  
Enviro Capital, LLC/ Private Advisory Group LLC

appointment, subject to your disclosing such activities to RIA in writing. However, you will not acquire or obtain any interest, connection, or employment, directly or indirectly, with or by any dealer, underwriter, syndicator, or broker of securities without RIA's prior approval. You may not sell any securities, insurance or other financial product or service of any kind away from RIA without RIA's prior written approval.

#### **4. LICENSES AND FEES**

RIA may assist you in obtaining licenses necessary for your Securities Business. However, you will be responsible for timely applying for, obtaining, paying for, and maintaining (including payment of all annual renewal fees), all necessary licenses, permits and registrations required by any law, regulation or rule in connection with your activities herein. RIA will provide errors and omissions coverage, for services rendered on RIA's behalf, at no charge to you. Unless otherwise stated, you will pay all insurance, bonding, audit, and other fees based on your activities herein. Unless you inform RIA in writing at least thirty (30) days prior to the date fees for renewal of any licenses, permits or regulations are due, RIA reserves the right, at its sole option, to pay such fees for your benefit and hold you responsible for paying to RIA any costs incurred by RIA in paying such fees.

#### **5. COMPLIANCE WITH RULES**

You will familiarize yourself and conduct your Securities Business in strict compliance with all federal and state securities laws, rules and regulations as well as the rules and regulations of self-regulatory bodies including, but not limited to, FINRA, in the event you are also an appointed registered representative of a FINRA licensed broker dealer. You will observe all rules and policies of RIA as published in any compliance or other policies and procedures manuals published by RIA and any supplements and amendments thereto in addition to any other rules and policies communicated to you by RIA, and these policies and rules are incorporated by reference and made a part of this Agreement. You will notify RIA immediately of any audits, investigations, proceedings, customer complaints or similar matters regarding your Securities Business or in any way involving RIA or Indemnified Parties (as defined below) whether related to Securities Business or otherwise.

#### **6. CUSTOMER REIMBURSEMENT**

RIA reserves the right, for any reason, to refund to any customer all or any part of payment received from such customer, and you agree to reimburse RIA promptly for any payment received by you as a result of such transaction the amount of any reimbursement made or expense incurred by RIA in connection with such reimbursement. You may not settle any claim, refund, or agree to refund to a Securities Business customer any amount without prior written approval of RIA.

#### **7. ADVERTISING**

You will not use in connection with your Securities Business, whether by mail, printed material (including, but not limited to, business cards and letterhead), newspaper, radio,



television, Internet or any other media, any sales, promotional or advertising literature without the prior written approval of RIA.

#### **8. RESPONSIBILITY AND INDEMNITY FOR YOUR ACTIVITIES**

You represent and warrant to RIA your relationship or affiliation with RIA will not violate the terms or conditions of any other agreement to which you are a party. You represent and warrant that, by entering in this agreement with RIA, you are not violating any fiduciary obligations owing to any third party, and you are not breaching the terms of any preexisting or present agreement you have with any third-party. You agree to defend, indemnify and hold harmless RIA, its parent and affiliated companies and their respective officers, directors, employees, agents and assigns ("Indemnified Parties") from and against all losses, liabilities, claims, damages and expenses for which you are solely responsible arising from your Securities Business, negligence, breach of any term of this Agreement, breach of the terms of any agreement you have with any third-party, including any prior employment or contractor agreements with any third-party, breach of any warranty or representation made in this Agreement, or any violation or alleged violation of any applicable laws, rules, regulations, or policies whether resulting in litigation or adverse legal action against Indemnified Parties. In addition, you agree to defend, indemnify and hold harmless Indemnified Parties from, and against, any losses, liabilities, claims, damages or expenses arising from any of your Outside Business activities or conduct including, but not limited to, tax accounting, legal, insurance or registered investment advisor, or any other activities not associated with RIA, whether resulting in litigation or adverse legal action against Indemnified Parties.

#### **9. REMUNERATION**

You will receive 35% of a client's gross fees (total fees paid less referral fees incurred by the Company for third-party referral services) for each client for which you are the primary advisor. Fees shall be remitted within 15 days of collection from clients. Fees are typically billed and paid quarterly after the first complete quarter with initial mid-quarter fees being billed and paid on a prorated daily basis after the completion of the first quarter.

#### **10. REIMBURSED OPERATING EXPENSES**

So long as the gross fees for the total of the clients for which you are the primary advisor exceeds one million dollars (\$1,000,000) annually, you will receive reimbursed operating expenses of up to 15% of a client's gross fees (total fees paid less referral fees incurred by the Company for third-party referral services) for each client for which you are the primary advisor. Fees shall be remitted within 15 days of collection from clients. Fees are typically billed and paid quarterly after the first complete quarter.

#### **11. CHANGE IN REMUNERATION SCHEDULE**

RIA shall not change the remuneration schedule.



**12. OFFSET OF REMUNERATION OR OTHER AMOUNTS OWED**

RIA reserves the right, and you hereby authorize RIA, to offset or withhold from any amount due, or that may become due, you from RIA the amount of any debt, loss, damage or expense of RIA arising from your Securities Business, gross negligence or indemnification of Indemnified Parties, or any other amount owned by you to RIA or Indemnified Parties for any reason.

**13. CONFIDENTIALITY**

You agree, during the term of this Agreement and after its termination, not to divulge to others, or use for your benefit or the benefit of others, without written permission of RIA, any information obtained during the term of this Agreement relating to financial condition, trade secrets, techniques, hardware, software, business plans, know-how, sales, lists of registered representatives or prospective representatives, lists of customers or prospective customers, and securities of any company related to the RIA ("Confidential Information"). All Confidential Information and any other books, records, notes of files supplied by RIA, and other similar data or information used by you or to which you come in contact during the term of this Agreement with respect to the activities of the RIA will remain the property of the RIA and will not be removed, copied in whole or in part, or used in any way to benefit any person or entity other than RIA. You further agree that upon the request of RIA, whether prior to or following termination of this Agreement, you will immediately deliver to RIA all Confidential Information and any other written or other material of RIA, and you agree not to reproduce by any means any such material. Notwithstanding the foregoing, all tax files and other tax client information legally required to be maintained by you will remain your property.

**14. SALES INFORMATION**

You agree that, in connection with your participation in various of RIA's sales programs, RIA may provide information to other representatives of RIA concerning the products you sell pursuant to this Agreement and the amount of such sales. You agree that any such information provided to you will remain confidential pursuant to the terms of this agreement.

**15. REPRESENTATIVES, EMPLOYEES, AND CLIENT SOLICITATION**

During the term of this Agreement and for a period of one year after its termination, you shall not knowingly encourage, induce, or solicit any investment adviser representative of RIA to terminate their relationship with RIA or its affiliated companies without RIA's prior written consent. During the term of this Agreement and for a period of one year after its termination, you shall not knowingly encourage, induce, or solicit any other employee of RIA to terminate their relationship with RIA or its affiliated companies without RIA's prior written consent. During the term of this Agreement and for a period of one year after its termination, you shall not knowingly encourage, induce, solicit, or cause or permit to be solicited any client of RIA, not serviced by you, to terminate their relationship with RIA. As to clients you originated or RIA clients you have been assigned to service, in the event of the termination of this agreement for any reason, and subject to

the conditions of any other agreement you have with RIA, such clients' notification to RIA that they wish to continue their relationship with you in the future with another registered investment advisor, RIA will provide to you its files for each of the affected clients, and amounts due to RIA for advance fees paid by the clients for which you were paid remuneration, within ten days of such notice.

**16. TERMINATION**

This Agreement will terminate (1) upon your death or adjudged incompetence; (2) upon the mutual written consent of the parties; (3) upon thirty (30) days written notice to the other party delivered to their last known address; of (4) for good cause as set forth herein. You agree that RIA may terminate this Agreement for good cause without notice to you, and that good cause includes the following: (a) your conviction, by a court of competent jurisdiction, of a crime involving moral turpitude, whether committed during the term of this Agreement; (b) your commission of an act of fraud upon, or an act materially evidencing bad faith or dishonesty toward RIA; (c) the breach of your duties and obligations pursuant to this Agreement, including but not limited to the violation of any rules or regulations regarding your Securities Business; of (d) your adjudication as a bankrupt or a conviction of a crime punishable by imprisonment.

**17. REMUNERATION FOLLOWING TERMINATION**

Following termination of this Agreement for any reason other than good cause as set forth above, you will be entitled to keep all remuneration earned through date of termination. At termination, RIA shall calculate all unearned remuneration, which shall be due from you to the RIA.

**18. REMEDIES**

You agree that the services rendered by RIA are special, unique, and of extraordinary character, that the remedy at law for any breach of this Agreement will be inadequate as a result, and that RIA is entitled to injunctive relief in addition to any other remedy of RIA.

**19. GOVERNING LAW**

This contract will be governed by and construed in accordance with the laws of the State of Washington.

**20. INVALID PROVISIONS**

If any provision of this Agreement is declared invalid, such invalidity will not invalidate the entire Agreement, but the Agreement will be construed as if not containing the particular provisions held to be invalid, and the rights of the parties will be construed and enforced accordingly.



**21. BINDING EFFECT**

All provisions of the Agreement will be binding upon and, to the extent permitted, inure to the benefit of, the heirs, executors, administrators, successors, representatives and assigns of the parties.

**22. FAILURE TO ENFORCE**

The forbearance or neglect of RIA to enforce any provisions of the Agreement, to terminate this Agreement pursuant to its terms, or to take advantage of any right of privilege hereunder, will not constitute a waiver of any right or privilege under the Agreement otherwise.

**23. ASSIGNMENT**

This Agreement or any beneficial interest in the Agreement cannot be assigned by the parties without the written consent of the other party.

**24. NOTICES**

All notices, requests, and other communications to RIA provided for herein will be in writing and delivered, unless otherwise notified by RIA, to Private Advisory Group, 16880 NE 79th St, Redmond WA 98052. Notices, requests and communications to you will be delivered to your address set forth below or last address maintained by RIA and shall be effective immediately if delivered in person, one day after deposit of delivery by overnight mail, or three days after deposit for delivery by United States Mail. RIA may also deliver notices to your electronically via its website or e-mail to your last known address.

**25. PAYMENT FOLLOWING DEATH**

You may designate a beneficiary in the space below to receive, upon your death, ongoing residual fees arising from purchases or sales made pursuant to this Agreement by or to customers for whom you are the representative of record according to the books and records of RIA prior to your death. To the extent allowed by applicable laws, regulations and rules, RIA will pay your beneficiary fees until such time as a new representative, including but not limited to RIA, is appointed to the customer's account at RIA's sole discretion. You agree to indemnify, defend and hold harmless Indemnified Parties from any action or damages resulting from the payment or nonpayment pursuant to this section.

Beneficiary and Relationship \_\_\_\_\_

**26. ENTIRETY OF AGREEMENT**

This Agreement represents the entire agreement between the parties and supersedes all prior agreements or understandings whether oral or written with respect to the subject matter of the Agreement. Except for a change in the commission schedule, no



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amendment or modification of the Agreement will be valid unless in writing and signed by the parties.

Understood and Agreed:

Representative:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

Private Advisory Group LLC

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

ASSET PURCHASE AGREEMENT – Exhibit B  
Enviso Capital, LLC/ Private Advisory Group LLC

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**EXHIBIT B**

**ASSIGNMENT OF REMUNERATION AND REIMBURSED OPERATING EXPENSES**

By this agreement ("*Agreement*") between Private Advisory Group LLC. ("*RIA*") and \_\_\_\_\_ ("*You*," "*you*," "*Your*," or "*your*"), you hereby assign any remuneration and reimbursed expenses due to you as outlined in the preceding Independent Contractor Agreement to Enviso Capital.

This assignment shall remain enforce unless otherwise mutually agreed upon by the parties.

Representative:

Private Advisory Group LLC

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Printed Name

16880 NE 79th Street  
Redmond WA 98052

ASSET PURCHASE AGREEMENT – Exhibit B  
Enviso Capital, LLC/ Private Advisory Group LLC

1168681.02

**PRIVATE ADVISORY GROUP  
NON-SOLICITATION AGREEMENT**

This agreement is between Private Advisory Group ("**PAG**") and \_\_\_\_\_  
(the "**Investment Advisor**").

The success of PAG as a Registered Investment Advisor depends on its ability to maintain its client base. It would therefore be detrimental to PAG for any Investment Advisor Representative who leaves PAG to solicit PAG's clients away from the PAG.

The undersigned therefore agrees that during his/her tenure and for a period of one year following the termination of your relationship with PAG you will not solicit any PAG clients that PAG or its other Investment Advisor Representatives have served during your tenure. For these purposes solicitation includes any type of contact with PAG's clients, including but not limited to email, meetings, letters/mailings, telephone calls, or internet communications where you solicit PAG clients to hire you or your employees, independent contractors, or partners to become their Investment Advisor. This restriction does not apply to clients you have originated or that PAG has assigned to you.

If you breach this Agreement in any way, PAG shall have the right to pursue any and all legal action against you, including but not limited to seeking damages and injunctive relief.

This Agreement will be governed by and construed in accordance with Washington law. The prevailing party in any dispute regarding this Agreement will be entitled to its reasonable attorneys' fees and costs.

This Agreement may be altered only with the written consent of both parties.



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**Investment Advisor:**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

**Private Advisory Group LLC**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

16880 NE 79th Street  
Redmond WA 98052

**ASSET PURCHASE AGREEMENT – Exhibit B**  
**Enviso Capital, LLC/ Private Advisory Group LLC**

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**EXHIBIT C**  
**PROMISSORY NOTE**

[see attached]

ASSET PURCHASE AGREEMENT – Exhibit C  
Enviso Capital, LLC/ Private Advisory Group LLC

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## SUBORDINATED PROMISSORY NOTE

**BORROWER:** Private Advisory Group LLC  
16880 NE 79TH ST.  
Redmond, WA 98052  
Telephone: (425) 498-2320

**LENDER:** Enviso Capital, LLC  
10920 Via Frontera  
Suite 520  
San Diego, CA 92127  
Phone: (858) 679-5000

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**PRINCIPAL AMOUNT:** \$3,750,000

**DATE OF NOTE:** January 1, 2016

**PROMISE TO PAY.** PRIVATE ADVISORY GROUP LLC, a Washington limited liability company ("**Borrower**"), promises to pay to the order of ENVISO CAPITAL, LLC a California limited liability company ("**Lender**"), in lawful money of the United States of America, the principal amount of Three Million Seven Hundred and Fifty Thousand and No/100 Dollars (\$3,750,000.00), subject to adjustments described below, together with interest on the unpaid principal balance from the date of this Note until paid in full. Borrower shall pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

1. **PURPOSE.** This Note is issued pursuant to that certain Asset Purchase Agreement by and between Borrower and Lender, of even date herewith (the "**Agreement**") and is subject to all of the terms thereof, including, without limitation, provisions allowing adjustments to the principal balance of this Note pursuant to Section 1.6 of the Agreement. Capitalized terms used herein which are not otherwise defined, if any, shall have the meanings ascribed to them in the Agreement.

2. **INTEREST RATE.** Interest shall accrue on the unpaid balance of this Note at a rate of five percent (5.0%) per annum. Interest shall be calculated on the basis of a 365-day year and actual days elapsed. **NOTICE:** Under no circumstances will the interest rate on this Note be more than the maximum rate allowed by applicable law.

3. **PAYMENT.** Interest shall accrue, but no payments of interest shall be due, during the first twelve (12) months after the Closing (the "**Deferred Interest**"). On the first anniversary of the Closing, the Deferred Interest will be added to the principal balance of this Note. Quarterly payments of principal and interest, amortized over six years (the "**Term**"), will begin thirty (30) days after the fifth (5<sup>th</sup>) calendar quarter following the Closing and will continue on the same day each quarter thereafter, until paid in full.

4. **MATURITY; APPLICATION OF PAYMENTS.** The outstanding principal balance and all accrued and unpaid interest shall be due and payable on or before December 31, 2022 (the "**Maturity Date**"); provided that, after the occurrence of an Event of Default (as defined below), the outstanding principal and all accrued interest shall be payable on demand. Unless otherwise agreed or required by applicable law, payments will be applied first to expenses for which Borrower is liable hereunder or under the Agreement (including unpaid collection costs and late charges), next to accrued and unpaid interest, and then to the principal balance.

5. **PREPAYMENT.** This Note may be prepaid without penalty.

6. **DEFAULT.** Each of the following shall constitute an event of default ("**Event of Default**") under this Note:

- a. **Payment Default.** Borrower fails to make any payment when due under the Note within thirty (30) business days after written notice of such failure is received from the Lender.
- b. **Other Defaults.** Borrower fails to comply with or to perform any other term, obligation, covenant or condition made for the benefit of Lender in the Agreement or in any Transaction Documents. In the event of a failure of any Borrower obligation to Lender under the Agreement, Borrower may cure such failure if, after the delivery of written notice from Lender demanding cure of such failure, Borrower: (a) cures the failure within ninety (90) days; or (b) if the cure requires

ASSET PURCHASE AGREEMENT – Exhibit C  
Enviso Capital, LLC/ Private Advisory Group LLC



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more than ninety (90) days, immediately initiates steps sufficient to cure the failure and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance within one hundred twenty (120) days after the Lender's notice is received.

- c. **Default in Favor of Third Parties.** Borrower defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement, in favor of any other creditor or person that may materially affect Borrower's ability to repay the Note or perform Borrower's obligations under the Note.
- d. **Dissolution, Change in Ownership, Insolvency, etc.** Borrower is dissolved (regardless of whether election to continue is made), or terminates its existence as a going business, Borrower participates in a merger or any change in ownership that results in ownership changes of twenty-five percent (25%) or more, Borrower assigns this Note, Borrower becomes insolvent, meaning Borrower cannot pay its debts as they come due, a receiver is appointed for any part of Borrower's property, an assignment for the benefit of creditors or any type of creditor workout is made, or a proceeding under any bankruptcy or insolvency laws by or against Borrower is commenced but not discharged within sixty (60) days.

7. **Events Upon Default.** In addition to any events described elsewhere in this Note, upon an Event of Default, the parties hereby agree that all "Restrictive Covenants" as described in Section 5.1 of the Agreement shall become null and void.

8. **ATTORNEYS' FEES; EXPENSES.** Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender the reasonable amount incurred by Lender due to such an action. This includes, subject to any limits under applicable law, Lender's reasonable attorneys' fees and legal expenses, whether or not there is a lawsuit, including attorneys' fees and expenses incurred by Lender at trial, on appeal and in any arbitration or bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction).

9. **JURY WAIVER. LENDER AND BORROWER HEREBY WAIVE THE RIGHT TO ANY JURY TRIAL IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER LENDER OR BORROWER AGAINST THE OTHER.**

10. **GOVERNING LAW.** This Note will be governed by, construed and enforced in accordance with the laws of the State of Washington without regard to its conflicts of law provisions. This Note has been accepted by Lender in the State of Washington.

11. **CHOICE OF VENUE.** If there is a lawsuit, Borrower agrees to submit to the jurisdiction of the courts located in King County, Washington and waives any objections that such venue is an inconvenient forum.

12. **SUCCESSOR INTERESTS.** The terms of this Note shall be binding upon Borrower and Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns. Borrower shall not have the right to assign Borrower's rights or obligations under this Note or any interest therein without the prior written consent of Lender.

13. **GENERAL PROVISIONS.** Lender may delay or forego enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made.

[Signatures on following page.]

ASSET PURCHASE AGREEMENT – Exhibit C  
Enviso Capital, LLC/ Private Advisory Group LLC

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ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. BORROWER AGREES TO THE TERMS OF THIS NOTE.

**BORROWER:**

**PRIVATE ADVISORY GROUP LLC**

DocuSigned by:  
By: Chris Bean  
Name: 88558D012A954DF: 3ean  
Title: CEO  
1/5/2016 | 8:33 AM PT

ASSET PURCHASE AGREEMENT – Exhibit D  
Enviso Capital, LLC/ Private Advisory Group LLC

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**EXHIBIT D**  
**BILL OF SALE**

[see attached]

**ASSET PURCHASE AGREEMENT – Exhibit D**  
**Enviso Capital, LLC/Private Advisory Group LLC**



**BILL OF SALE**

THIS BILL OF SALE (this "*Bill of Sale*"), dated as of January 1, 2016, is executed and delivered by ENVISO CAPITAL GROUP, LLC, a California liability company ("*Seller*"), to PRIVATE ADVISORY GROUP LLC, a Washington limited liability company ("*Buyer*").

WHEREAS, Seller and Buyer are parties to that certain Asset Purchase Agreement, dated as of January 1, 2016 (the "*Agreement*").

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Bill of Sale and the Agreement, the parties agree as follows:

1. Definitions. Capitalized terms used but not defined in this Bill of Sale shall have the meanings assigned to them in the Agreement.
2. Bill of Sale and Assignment. For valuable consideration, of which Seller acknowledges receipt, Seller hereby sells, transfers, assigns, and conveys all of its right, title and interest in and to the Acquired Assets to Buyer.
3. Future Assurances. Seller will execute and deliver to Buyer any and all additional documents that may be necessary or appropriate to transfer the Purchased Assets or to otherwise effectuate the purposes of this Bill of Sale.
4. Governing Law. This Bill of Sale shall be construed, performed, and enforced in accordance with the laws of the State of Washington, exclusive of choice of law or conflicts of law rules or principles.

Seller:

ENVISO CAPITAL, LLC

DocuSigned by:  
By: Ryan Bowers  
Ryan AC6E17533AD54B0...

1/5/2016 | 8:29 AM PT

Buyer:

PRIVATE ADVISORY GROUP LLC

DocuSigned by:  
By: Chris Bean  
S Ch B856BD012A854DF... CEO

1/5/2016 | 8:33 AM PT

ASSET PURCHASE AGREEMENT – Exhibit D  
Enviso Capital, LLC/Private Advisory Group LLC

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**EXHIBIT E**  
**ASSIGNMENT AND ASSUMPTION AGREEMENT**

[see attached]

ASSET PURCHASE AGREEMENT – Exhibit E  
Enviso Capital, LLC/Private Advisory Group LLC

## ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "*Assignment and Assumption Agreement*"), dated as January 1, 2016, is executed and delivered by ENVISO CAPITAL GROUP, LLC, a California liability company ("*Seller*"), to PRIVATE ADVISORY GROUP LLC, a Washington limited liability company ("*Buyer*"). Capitalized terms used but not otherwise defined in this Assignment and Assumption Agreement have the respective meanings set forth in that certain Asset Purchase Agreement, dated January 1, 2016, (the "*Agreement*"), the applicable terms of which are hereby incorporated by reference into this Assignment and Assumption Agreement.

WHEREAS, Seller and Buyer are parties to the Agreement;

WHEREAS, pursuant to Article 1 of the Agreement, Seller has agreed to sell, transfer, convey, assign and deliver or cause to be sold, transferred, conveyed, assigned and delivered, and Buyer has agreed to purchase, acquire, receive and accept, as they exist on the Closing Date, the Acquired Assets, including without limitation, the Transferred Agreements;

WHEREAS, pursuant to Article 1 of the Agreement, Buyer has agreed to assume, perform and pay only the Assumed Liabilities from and after the Effective Time;

WHEREAS, the parties hereto acknowledge that pursuant to the Agreement of even date herewith, Seller irrevocably and unconditionally sold, transferred, conveyed, assigned and delivered to Buyer all of Seller's right, title and interest in and to the Acquired Assets, which include the Transferred Agreements; and

WHEREAS, pursuant to the Agreement, the parties hereto have agreed to execute this Assignment and Assumption Agreement with respect to the Assumed Liabilities to be assumed by Buyer at the Closing;

NOW THEREFORE, in consideration of the foregoing premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto hereby agree as follows:

1. Upon the terms and subject to the conditions set forth in the Agreement, and in consideration for the sale of the Acquired Assets, Buyer hereby assumes and agrees to pay, satisfy and discharge when due the Assumed Liabilities. Buyer shall not assume or be obligated to pay, satisfy, discharge or perform, and shall not be deemed by virtue of the execution and delivery of this Assignment and Assumption Agreement, to have assumed, or to have agreed to pay, satisfy, discharge or perform any liabilities or obligations of Seller other than the Assumed Liabilities.

2. The terms and provisions of this Assignment and Assumption Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

3. This Assignment and Assumption Agreement will be governed by and construed

ASSET PURCHASE AGREEMENT – Exhibit E  
Enviso Capital, LLC/Private Advisory Group LLC



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and enforced in accordance with the laws of the State of Washington, without regard to its conflict of laws principles.

4. This Assignment and Assumption Agreement may be executed in multiple counterparts, each of which will be deemed an original for all purposes and all of which will be deemed collectively to be one agreement. Execution may be effected by delivery of facsimiles of signature pages, and facsimiles of signatures will be deemed to be originals for all purposes of this Assignment and Assumption Agreement.

5. This Assignment and Assumption Agreement is executed and delivered pursuant to, and is subject to the terms and conditions of, and shall be governed in all respects by, the Agreement. If there is any conflict between this Assignment and Assumption Agreement and the Agreement, the Agreement controls.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Assumption Agreement to be duly executed and delivered as of the date first written above.

Seller:

ENVISO CAPITAL, LLC

DocuSigned by:  
By: Ryan Bowers  
Ry: AC6E17533AD54B0 ..  
1/5/2016 | 8:29 AM PT

Buyer:

PRIVATE ADVISORY GROUP LLC

DocuSigned by:  
By: Chris Bran  
S C B855BD012A954DF .., CEO  
1/5/2016 | 8:33 AM PT

ASSET PURCHASE AGREEMENT – Exhibit E  
Enviso Capital, LLC/Private Advisory Group LLC

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**SCHEDULE 1.1(a)**  
**TRANSFERRED AGREEMENTS**

[Enviso to provide list]

ASSET PURCHASE AGREEMENT – Schedule 1.1(a)  
Enviso Capital, LLC/Private Advisory Group LLC

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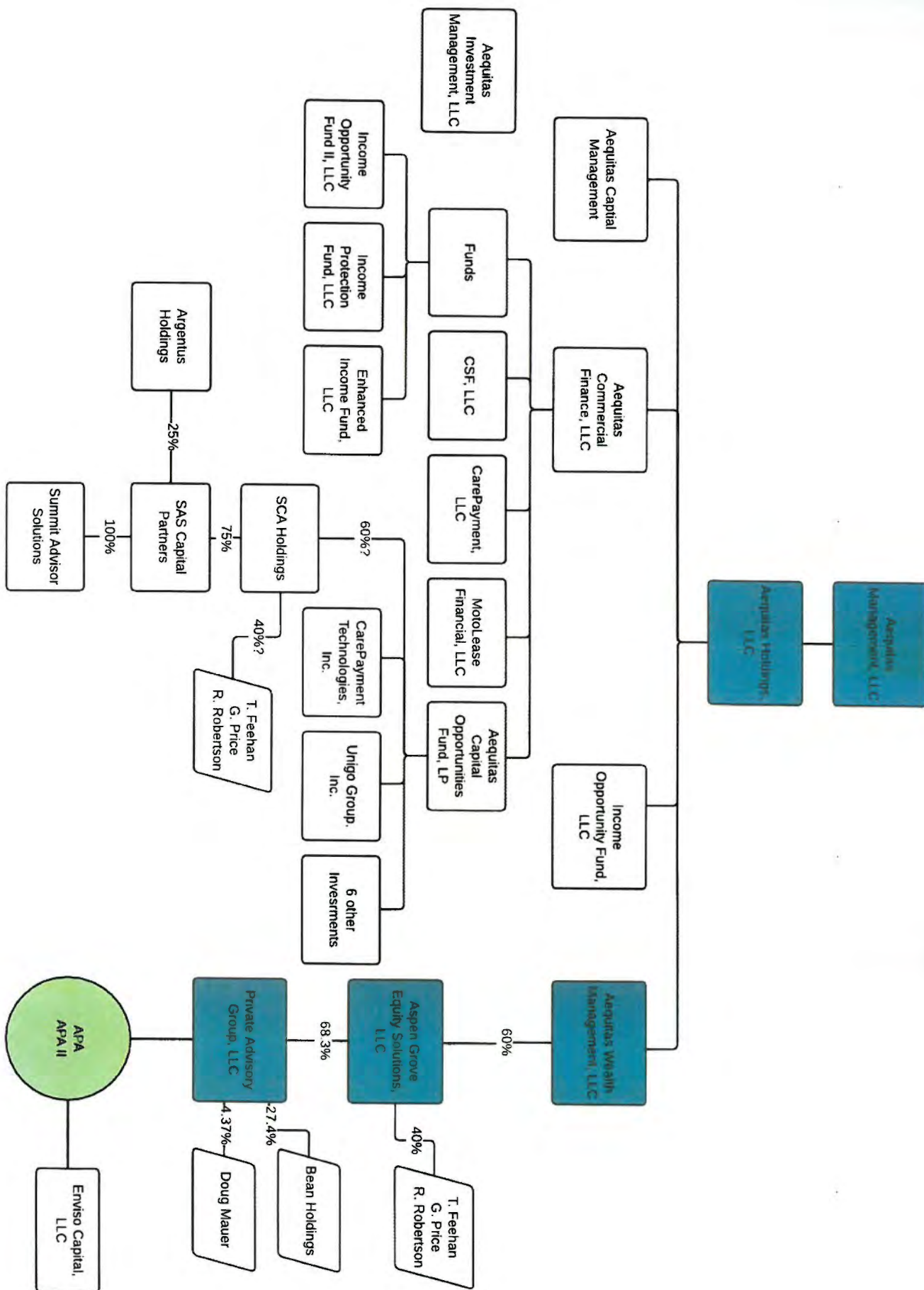
**SCHEDULE 3.5(a)**

**ASSETS UNDER MANAGEMENT**

[Enviso to provide list]

ASSET PURCHASE AGREEMENT -- Schedule 3.5(a)  
Enviso Capital, LLC/ Private Advisory Group LLC





VINCENT J. BARTOLOTTA, JR., ESQ. (SBN 055139)  
 KAREN R. FROSTROM, ESQ. (SBN 207044)  
 THORSNES BARTOLOTTA MCGUIRE LLP  
 2550 Fifth Avenue, 11<sup>th</sup> Floor  
 San Diego, California 92103  
 Tel: (619) 236-9363 Fax: (619) 236-9653

Attorneys for Plaintiff ENVISO CAPITAL GROUP, LLC

**ELECTRONICALLY FILED**  
 Superior Court of California,  
 County of San Diego

**05/13/2016 at 09:55:00 AM**  
 Clerk of the Superior Court  
 By Christina Villegas, Deputy Clerk

**SUPERIOR COURT OF THE STATE OF CALIFORNIA**  
**COUNTY OF SAN DIEGO**

ENVISO CAPITAL GROUP, LLC,

Plaintiff,

v.

AEQUITAS HOLDINGS, LLC, a Oregon  
 Corporation; AEQUITAS WEALTH,  
 MANAGEMENT, LLC, a Delaware  
 Corporation; ROBERT JESENK, an  
 individual; BRIAN OLIVER, an individual;  
 BRIAN RICE, an individual; ANDREW  
 MACRITCHIE, an individual; PRIVATE  
 ADVISORY GROUP, LLC, a Washington  
 Corporation; S. CHRISTOPHER BEAN, an  
 individual; A. DOUG MAURER, an  
 individual; ASPEN GROVE EQUITY  
 SOLUTIONS LLC, an Oregon Corporation;  
 DOUGLAS BEAN, an individual, GARY  
 PRICE, an individual; JONATHAN  
 BISHOPP, an individual,

Defendants.

Case No.: 37-2016-00009462-CU-BC-CTL

**FIRST AMENDED COMPLAINT FOR (1)  
 NEGLIGENCE; AND (2) BREACH OF  
 CONTRACT**

**Jury Trial Demanded**

**Dept: C-68**  
**Judge: Judith F. Hayes**  
**Complaint Filed: March 22, 2016**  
**Trial Date: None set**

Plaintiff alleges as follows under information and belief unless otherwise indicated:

1. Plaintiff Enviso Capital is a California limited liability company with its principal place of business at 10920 Via Frontera in San Diego County.

2. Private Advisory Group LLC is a Washington limited liability company with its principal place of business at 16880 NE 79<sup>th</sup> Street, Redmond, Washington.

3. Robert Jesenik resides in West Linn, Oregon. He founded Aequis in 1993. He is currently the 35% owner of Aequis Management, the 84% owner of Aequis Holdings, the 100% owner of Aequis Commercial Finance, and the 100% owner of Aequis Capital Management. He is the CEO and President of the Aequis entities and the Chief Investment Officer of Aequis Capital Management and Aequis Investment Management.

4. Brian Oliver resides in Aurora, Oregon. He owns 25% of Aequis Management and is the Executive Director of the Aequis entities. He was a primary fundraiser and responsible for working with the investment committee to select and approve investments.

5. Aequis Holdings LLC is an Oregon limited liability company with its principal place of business at 5300 Meadows Road, Suite 400, Lake Oswego, Oregon.

6. Aequis Wealth Management LLC is a Delaware limited liability company with its principal place of business at 5300 Meadows Road, Suite 400, Lake Oswego, Oregon.

7. A. Douglas Maurer is an individual who resides in Aliso Viejo, California. He serves as a member and 4% owner of Private Advisory Group.

8. S. Christopher Bean is an individual who resides in Redmond, Washington. He serves as the CEO of Private Advisory Group LLC and a member of Bean Holdings which owns 27.4% of Private Advisory Group.

9. Brian Rice is an individual who resides in Portland, Oregon. He serves as the Executive Vice President and Partner of Aequis Capital, and President of Aequis Advisor Services

10. Douglas Bean is an individual who resides in Redmond, Washington. He serves as a member of Bean Holdings which owns 27.4% of Private Advisory Group.

11. Andy MacRitchie is an individual who resides in Washington, DC. He serves as the Executive Vice President for Corporate Development and owner of Aequis Management

12. Aspen Grove Equity Solutions LLC is an Oregon limited liability company with its principal place of business at 5300 Meadows Road, Suite 400, Lake Oswego, Oregon.

13. Gary Price is an individual who at all relevant times was the managing member of Aspen Grove Equity Solutions LLC.



14. Jonathan Bishopp is an individual who at all relevant times was the Chief Compliance Officer and Managing Director of Private Advisory Group.

13. Plaintiff does not know the true names or capacities of Defendants sued herein as Does 1 through 20, inclusive, and therefore sue these Defendants as Does until their identities and involvement can be determined. Plaintiff will amend this Complaint to allege their true names and capacities when ascertained. Plaintiffs are informed and believe and thereon allege that each of the fictitiously named Defendants is in some manner responsible for the damages to Plaintiff alleged herein.

14. Plaintiff is informed and believe and thereon allege that at all relevant times Defendants, and Does 1 through 20, and each of them, were acting in their capacity as agents, servants, independent contractors, joint venturers, partners, alter egos, assigns, successors in interest and/or employees of their co-defendants, and at all times relevant hereto were acting within the full course and scope of their authority as such agents, servants, assigns, independent contractors, joint venturers, partners, alter egos, successors in interest and/or employees with the express, implied, and/or apparent consent, knowledge, permission and ratification of their co-defendants, and each of them, and are in some way liable to Plaintiff on the facts alleged herein, and proximately caused injuries and damages thereby as herein alleged.

15. The Aequis group of companies was formed in 1993. It is now composed of 75 entities with various interrelated holdings. At the top is Aequis Management, headed by Robert Jesenik. Aequis provided alternative investment solutions through private credit, private equity, and specialty finance investments designed to capitalize on market inefficiencies. Aequis issued "private notes" to investors which were illiquid. As such Aequis was constantly seeking new investment ideas, strategies and capital to continue growing their assets under management and to redeem investors who chose to exit these investments. Ultimately those efforts backfired.

16. We now understand that in 2015, the Aequis group began to experience severe cash flow problems. In November 2013, Chris Bean sold 68% of his company, Private Advisory Group, to Aequis in exchange for Aequis's agreement to finance PAG's rapid acquisition model to increase assets under management to \$2 billion in four years. Aequis held its 68% share of PAG in

1 a company called Aspen Grove Equity Solutions, by way of Aequitas Wealth Management, a  
2 company headed by Brian Rice.

3 17. In the latter half of 2015 Aequitas needed capital to cover short term liquidity needs  
4 and approached PAG. Aequitas offered above market interest rates on 90 day loans in an effort to  
5 entice investors and raise capital. Although it was obvious that Aequitas was experiencing  
6 significant cash flow problems, PAG continued to recommend that its clients invest with Aequitas  
7 through private notes and loans to Aequitas affiliates.

8 18. In April 2015, Ryan Bowers of Enviso Capital was meeting with Aequitas executives  
9 to discuss Aequitas various investment and business opportunities. During that meeting, Ryan  
10 mentioned Enviso was in preliminary negotiations regarding a sale transaction of its wealth  
11 management business. Aequitas told Ryan about PAG's acquisition model and asked for the  
12 opportunity to bid on Enviso's wealth management business and related investment advisory  
13 agreements.

14 19. On June 11, 2015, Ryan met with Chris Bean, the CEO of PAG, in order to discuss a  
15 potential transaction between PAG and Enviso. Enviso's goal at that meeting was to understand the  
16 relationship between Aequitas and PAG and to understand how the transaction would benefit  
17 Enviso's clients. At that time, Chris Bean informed Ryan of PAG's history, business model, recent  
18 successes as well as a reasonable timeline of 90 days to complete due diligence with Enviso in  
19 pursuit of a future deal.

20 20. The next formal conversation took place on July 2, 2015, by telephone between  
21 Enviso and Aequitas. PAG advised that the transaction could be closed in 90 days and initiated the  
22 diligence process with a formal package of requested items. Chris Bean continued to convey  
23 specifics of the transaction by which PAG would acquire Enviso's accounts. PAG advised that it  
24 anticipated receiving a 35% profit day one of operations. It also confirmed that it would take  
25 responsibility for management, investment management, compliance, insurance, payroll and  
26 benefits. By August 2015, the transaction had advanced to specific term negotiations.

27 21. On September 21, 2015, representatives of Enviso, Aequitas and PAG met at  
28 Aequitas's headquarters in Portland, Oregon to finalize the details of the agreement. At that



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 2550 FIFTH AVENUE, 11TH FLOOR  
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 (619) 236-9363  
 FAX (619) 236-9653

1 meeting, the parties had agreed to deal terms and were now beginning to outline the priorities and  
 2 components to the transition. Enviso informed PAG and Aequitas that its advisors' securities  
 3 licenses were set to expire on October 2, 2015 and that the parties would need to be in agreement by  
 4 the end of the days meetings as to whether or not they were to proceed with a deal. The reason being,  
 5 that if Enviso and PAG did not finalize a transaction, Enviso's advisors would need their licenses to  
 6 complete a transaction with another interested buyer that had also submitted an offer to enter into a  
 7 transaction with Enviso. Chris Bean and Brian Rice told Enviso that the deal was set to proceed and  
 8 that they were instructing their attorneys to draft documents. Additionally, that Enviso's advisors  
 9 would not need their licenses and should let them expire because PAG was prepared to consummate  
 10 the transaction on the terms already discussed and had the wherewithal to meet all of the terms.  
 11 After summarizing the agreement and receiving PAG's confirmation, Enviso's Principals let their  
 12 securities licenses lapse and advised the other two companies which had also submitted purchase  
 13 offers, that it had reached an agreement with PAG and that it was terminating negotiations with the  
 14 other parties.

15 22. After agreeing to proceed with a sales transaction with PAG, turning away other  
 16 potential buyers and agreeing on the Asset Purchase Agreement, PAG and Enviso began to  
 17 formulate a transition plan. The next meeting took place on November 11, 2015 at Enviso's offices.  
 18 The meeting was attended by Chris Bean, Doug Maurer, Ryan Bowers, Marc Seward and Jeff  
 19 LaBerge. The parties agreed the first step was to communicate the transaction to Enviso's clients  
 20 and to inform them of the next steps for an orderly transition. However, before Enviso approved any  
 21 client communication they specifically asked Chris Bean and PAG if there were any skeletons in the  
 22 closet they should know about. This was an important question because Enviso had clients with  
 23 whom they had a long-standing relationship and they did not want to breach their trust. Also, the  
 24 agreement envisioned that Marc Seward would continue to service the client accounts and he wanted  
 25 to make sure he would be able to do so on a high quality basis.

26 23. After the November 11 meeting, Enviso drafted a letter to its clients informing them  
 27 of the upcoming merger transaction and obtained PAG's approval of its accuracy from both the  
 28 management team at PAG as well as their compliance department. That letter represented that the



1 “financial resources backing” PAG and the “greater cost efficiencies” of PAG would benefit  
2 Enviro’s clients. Jonathan Bishopp, the Chief Compliance Officer and Managing Director of PAG  
3 personally supervised and was responsible for the implementation of the client transition process.  
4 During that process, Enviro conducted hundreds of meetings and conversations with each client to  
5 answer questions about the merger and obtain the clients consent for the transition.

6 24. The Asset Purchase Agreement negotiated between Enviro and PAG provided the  
7 following:

8 a. PAG would pay Enviro an Initial Payment of \$1.25 million on the closing  
9 date (1.5[a]);

10 b. PAG would provide Enviro with a \$3.75 million promissory note on the  
11 closing date (1.5[b]);

12 c. There was to be a valuation adjustment to the value of the promissory note  
13 after 12 months based upon the client’s assets under management which had executed investment  
14 advisory agreements with PAG (1.6);

15 d. PAG cannot claw back any payments made to Enviro (1.6[b]);

16 e. Performance of the agreement is fully authorized by PAG and PAG has the  
17 ability to fully perform (4.2);

18 f. PAG is not aware of any government investigation related to any of its assets  
19 (4.4); and

20 g. The Asset Purchase Agreement contained a non-market participation clause.  
21 This clause would indemnify Enviro from a reduction in the note amount due to a decline in stock or  
22 bond prices over the ensuing 12 month period following the closing date.

23 h. The agreement does not omit any material information (4.6)

24 25. Originally the parties agreed to a December 15, 2015 closing date. However, on  
25 December 15, Chris Bean emailed Ryan and, for the first time, indicated that he was having to deal  
26 with an “amalgamation of owners” to amass the Enviro payment. In response, Ryan expressed  
27 “serious concern” that the December 15 closing date was not coming to pass because Enviro had  
28 communicated the transaction to its clients and had begun terminating employees and service

1 providers critical to its business operations in reliance on the agreement with PAG. Prior to this  
 2 exchange, PAG and Aequitas had represented to Enviso that “money was not a problem” and that  
 3 the transaction would close in 2015. Ultimately, Chris Bean convinced Ryan Bowers that the whole  
 4 problem was merely a miscommunication on PAG’s owners end and that a January 4, 2016 closing  
 5 date was realistic and viable. This is the closing date provided by the signed Asset Purchase  
 6 Agreement.

7 26 January 4, 2016 came and went and no payment was made. On January 6, 2016,  
 8 Ryan Bowers and Jonathan Bishopp had a lengthy conversation and started the operational transition  
 9 from Enviso to PAG along with an agreement that PAG would submit 50% of the funds due on the  
 10 8<sup>th</sup> with the remainder the following week. By the 8<sup>th</sup>, it was clear to Enviso that PAG did not itself  
 11 have the wherewithal to consummate the deal but that it was relying on Aequitas to make the  
 12 balance of the Initial Payment to Enviso of \$1.25 million. At 2:49 p.m. that day, Ryan emailed Chris  
 13 Bean to confirm that the funds had been wired. Chris Bean’s response, shockingly, began with “A  
 14 little background.” Enviso believed that it had already been given all of the background it needed  
 15 from PAG. The “background” that Chris Bean for the first time provided was that PAG was only  
 16 prepared to pay \$500,000 without funding from Aspen Grove, a subsidiary of Aequitas.

17 27. By January 14, still no funds had been wired. Chris Bean represented that he would  
 18 wire Bean Holdings portion of the Initial Payment “first thing this morning” and that PAG would  
 19 wire the balance the next day. Bean Holdings owns 27.4% of PAG, as such Bean Holdings made  
 20 their portion of the Initial Payment \$342,500 (\$1,250,000 times 27.4%). Although the payment from  
 21 Bean Holdings was received the subsequent payment due of \$907,500 was never made nor received.

22 28. On the evening of January 27<sup>th</sup> Marc Seward arranged a meeting with several owners of  
 23 PAG including Chris Bean, Doug Bean, Gary Price and Doug Maurer. He also had Ryan Bowers  
 24 conference call into the meeting. Marc was very concerned that the balance of the Initial Payment  
 25 had not been made and he wanted the issue resolved. Enviso’s advisors were engaging with clients  
 26 in meetings every day. They were communicating the transaction and had clients sign forms for the  
 27 transition of their advisory agreement to PAG away from Enviso. Marc and Ryan were told by all in  
 28 attendance not to worry, payment would be made shortly and there must be some miscommunication



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 SAN DIEGO, CALIFORNIA 92103  
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 FAX (619) 236-9653

1 with Aspen Grove/Aequitas. At that time the entire group also told Marc and Ryan that they already  
 2 had several backup plans in place to borrow the money and make the payment should Aequitas be  
 3 unable to make the payment due. They told them to continue to meet with the clients and to proceed  
 4 with the transition.

5 28. On February 2, when the balance had still not been paid, Ryan contacted Brian Oliver  
 6 at Aequitas directly without going through Chris Bean or Gary Price at in order to attempt to get  
 7 answers regarding the missing payment. Brian told Ryan that Aequitas and had serious cash flow  
 8 issues. Specifically, Brian said that Aequitas had experienced liquidity problems in the fall of 2015  
 9 and had begun to default on payments to lenders. Brian also said that the SEC was investigating  
 10 Aequitas and that it was starting to also investigate Aequitas's subsidiaries and related companies.  
 11 As a result of this, he advised that Aequitas would not be able to make its portion of the Initial  
 12 Payment to PAG through Aspen Grove. Brian additionally stated that Chris Bean and Gary Price  
 13 were in the process of making arrangements to complete the balance due of the initial payment.  
 14 When Ryan confronted Chris Bean with that news, Chris Bean said that Ryan and Brian must not  
 15 have communicated well because Brian would never have said something like that. However, by  
 16 this point, it was becoming increasingly difficult to rely on the assurances of either PAG, Aspen  
 17 Grove or Aequitas.

18 29. On March 10, 2016, the SEC filed a lawsuit against Aequitas Management, Aequitas  
 19 Holdings, Aequitas Commercial Finance, Aequitas Capital Management, Aequitas Investment  
 20 Management, Robert Jesenik, Brian Oliver, and Scott Gillis, alleging that the Defendants had  
 21 defrauded and misused client assets and investments.

## **FIRST CAUSE OF ACTION**

### **Negligence**

25 30. The above allegations are incorporated herein by reference.

26 31. Defendants had a duty of care to Enviso. They knew or should have known that PAG  
 27 did not have the wherewithal to enter into a transaction to acquire Enviso as PAG purported it could.  
 28 Not only was PAG not authorized to act independently of its affiliated owners but PAG did not have



1 the necessary investment capital to acquire Enviso without the financial backing of its affiliated  
2 owners. The fact that Aequitas, a majority owner of PAG, was seeking short term, hard money loans  
3 from PAG's clients just thirty days prior to executing the Asset Purchase Agreement, was an obvious  
4 indication that PAG did not have the adequate financial backing as they had represented to Enviso.

5 32. Defendants breached their duty of care. They lured Enviso into a seriously  
6 compromised position by representing themselves as a large and financially sound company with the  
7 wherewithal to consummate a multiple million-dollar deal and provide a secure place to handle  
8 prudent management of Enviso's client accounts.

9 33. As a proximate result of Defendants' wrongful conduct, Enviso has been harmed. It  
10 has lost value merely by the fact that its clients have already been burned by the failed PAG deal. It  
11 cannot simply return to the two other past suitors and expect to get comparable deals because they  
12 will now demand discounts due to the risk of client loss. Enviso has also been damaged in other  
13 ways to be proven at trial.

## 14 **SECOND CAUSE OF ACTION**

### 15 **Breach of Contract (Against PAG)**

16 34. The above allegations are incorporated herein by reference.

17 35. As is alleged above, PAG executed a contract with Enviso that contained certain  
18 representations and promises. Those were at least the following:

- 19 a. PAG would pay Enviso \$1.25 million on the closing date (1.5[a]);
- 20 b. PAG would provide Enviso a \$3.75 million promissory note on the closing  
21 date (1.5[b];
- 22 c. Performance of the agreement is fully authorized by PAG and PAG has the  
23 ability to fully perform (4.2);
- 24 d. PAG is not aware of any government investigation related to any of its assets  
25 (4.4); and
- 26 e. The agreement does not omit any material information (4.6).

27 36. PAG failed to satisfy the promises made to Enviso.

- 28 a. PAG did not pay Enviso \$1.25 million;

c. PAG lacked the ability to fully perform;

e. The agreement lacked material information about the wherewithal of PAG and its related entities.

37. As a proximate result of PAG's breaches, Enviso has been harmed in an amount to be proven at trial.

**PRAYER FOR RELIEF**

Enviso prays for relief as follows:

1. For compensatory damages;
2. For injunctive and declaratory relief;
3. For recovery of attorneys' fees and costs; and
4. For such and other relief as the court deems appropriate.

Dated: May 9, 2016

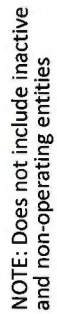
THORSNES BARTOLOTTA McGUIRE LLP

By: 

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## RK00089







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January 10, 2017

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1211 SW 5<sup>th</sup> Ave, Ste. 1600  
Portland, OR 97204  
lream@schwabe.com

Re: Competing Bids for Property Subject to Receivership

Dear Larry:

I am writing to you in your capacity as counsel for the court-appointed receiver (the "Receiver") for Aequitas Management, LLC, Aequitas Holdings, LLC, Aequitas Commercial Finance, LLC, Aequitas Capital Management, Inc., and Aequitas Investment Management, LLC (together, "Aequitas"). This firm represents Compass Partners International II LLP, and its affiliates and subsidiaries (together, "Compass"), in connection with its consideration of a comprehensive bid for the assets of each of the Aequitas entities.

Compass is a private equity investor with a focus on secondary direct transactions. Compass works closely with prospective sellers to provide creative exit solutions in complex deal environments and has the ability to provide full or partial exits from illiquid legacy positions. Compass has extensive experience executing and managing portfolio transactions, most recently illustrated by the 2016 acquisition of certain interests from Bridgepoint, involving €360 million of equity commitments and an enterprise value for the assets exceeding €1.7 billion. We believe that the Aequitas Property fits well with the Compass investment philosophy and spans industries where we believe we can deliver competitive insights and advantages.

Compass seeks to partner with managers of businesses with attractive growth prospects and is known to assist in the business' continuing development, expansion, and profit potential. Typically, it looks to hold investments for three to five years. Compass has offices in both London and New York and has a seasoned team of transaction partners who have completed transactions investing in excess of \$2.7 billion. The Compass team includes senior executives with significant operating and strategic experience to complement our in-house investment skills.

Compass intends to submit a letter to the Receiver outlining its intent to submit a final, binding offer for the Property that provides the Receiver with value well in excess of \$55 million. That final bid would be in accordance with the terms set forth in, the bidding

January 10, 2017

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procedures attached to the District Court's December 28, 2016 Order Granting Receiver's Motion (1) for Approval of Bidding Procedures, Break-Up Fee, and Cedar Springs Capital as Stalking Horse Bidder, and (2) to Schedule Final Sale Hearing (the "Bid Procedures Order"). Although Compass still needs to complete its diligence, Compass intends to submit a bid for the Property that will be:

- for substantially all of the Property;
- on substantially the same terms as those set forth in the Purchase and Sale Agreement (but will not provide for a breakup fee or expense reimbursement);
- in a structure that delivers to the Seller at least \$55 million in value, in cash at closing;
- a firm offer without any contingencies to the validity, effectiveness or binding nature thereof, other than those set forth in the Purchase and Sale Agreement;
- accompanied by information about Compass that will be sufficient to allow you to determine Compass's financial wherewithal to close; and
- irrevocable through the conclusion of the Final Hearing, unless such bid is deemed to be a "Back-up Bid," at which point it will remain open until 20 days after the sale order becomes a final non-appealable order.

As a result, we believe that any Compass bid is likely to be deemed a "Qualified Alternative Bid" for the Property, and will materially increase the value of the Property and the return to the estate's constituencies.

Compass cannot, however, submit its final, binding bid within the expedited time frame set forth in the Bid Procedures Order. Although Compass understands the Receiver's interest in moving expeditiously to consummate a sale of the Property, it does not believe the truncated process – 14 days from the entry of the Bid Procedures Order, including a federal holiday – will allow a meaningful opportunity for competing bidders to evaluate the Property and compose alternative bids, and will not maximize the value of that Property for the benefit of the estate.

As a result, Compass hereby requests an extension of the deadline for filing "Qualified Alternative Bids" for an additional forty five (45) days to allow Compass to conclude its diligence and meaningfully participate in the bidding and auction process. Because this extension is likely to produce a competing alternative bid with greater value for the Property and the estate, we believe this extension is reasonable and appropriate under the circumstances.



January 10, 2017

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If you have any questions, or would like to discuss, I am available at your convenience.

Very truly yours,



Henry P. Baer, Jr.

cc: Sheila E. O'Callaghan ([ocallaghans@sec.gov](mailto:ocallaghans@sec.gov))  
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January 10, 2017

Page 4

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Telephone: (415) 705-2500  
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UNITED STATES DISTRICT COURT  
DISTRICT OF OREGON  
PORTLAND DIVISION

SECURITIES AND EXCHANGE COMMISSION,  
Plaintiff,

vs.

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

Defendants,

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

~~PROPOSED~~ STIPULATED INTERIM  
ORDER APPOINTING RECEIVER

~~PROPOSED~~ INTERIM ORDER  
APPT. RECEIVER

Pursuant to the stipulation entered into by Plaintiff Securities and Exchange Commission ("Commission") and defendants Aequitas Management, LLC, Aequitas Holdings, LLC, Aequitas Commercial Finance, LLC, Aequitas Capital Management, Inc. and Aequitas Investment Management, LLC, directly or through their attorneys of record, the Court finds that the appointment of a receiver in this action is necessary and appropriate for the purposes of marshaling and preserving all assets of defendants Aequitas Management, LLC, Aequitas Holdings, LLC, Aequitas Commercial Finance, LLC, Aequitas Capital Management, Inc. and Aequitas Investment Management, LLC (collectively "Receivership Defendants"), and hereby orders as follows:

**I. Appointment of Receiver**

1. IT IS HEREBY ORDERED that Ronald Greenspan, is appointed to serve without bond as receiver of the Receivership Defendants, and their subsidiaries and/or majority-owned affiliates as set forth on the attached Exhibit A (collectively "Receivership Entity"). The entities listed on the attached Exhibit B (collectively "Extended Entities") shall cooperate fully with the Receiver in the execution of his duties, but shall not be included in the Receivership Entity, unless the Receiver in his discretion seeks approval from this Court to include such entities as part of the Receivership Entity. Mr. Greenspan (the "Receiver") is authorized to retain FTI Consulting, Inc., and the law firms of Pepper Hamilton LLP ("Pepper Hamilton") and Pachulski Stang Ziehl & Jones LLP ("Pachulski") in connection with this appointment. With the Court's approval, the Receiver, Pepper Hamilton and Pachulski shall be compensated from the Receivership Estates (as defined in paragraph 6 below) for all reasonable fees and costs. The professionals mentioned above are permitted to retain any remaining balances from pre-receivership retainers to apply to invoices approved in the future.

The agreed upon fee schedules for these professional firms are as follows:

**FTI Consulting**

Senior Managing Director \$825

1

~~[PROPOSED]~~ INTERIM ORDER  
APPT. RECEIVER.



Managing Director \$660

Senior Director \$605

Director \$570

Senior Consultant \$460

Consultant \$345

Project Assistant \$250

Rates above reflect a discount from ordinary rates. FTI Consulting may add or substitute other professionals with comparable experience at comparable rates.

Pepper Hamilton LLP

Joseph V. Del Raso (Partner) \$845

Ivan B. Knauer (Partner) \$725

John P. Falco (Partner) \$445

Brian M. Nichilo (Associate) \$330

Rates above reflect a discount from ordinary rates. Pepper Hamilton may add or substitute other professionals with comparable experience at comparable rates. Rates, after application of discount to ordinary rates, range from \$445 to \$845 for partners, from \$275-\$490 for associates and from \$100 to \$250 for paralegals and other non-attorney staff.

Pachulski Stang Ziehl & Jones LLP

Ira D. Kharasch (Partner) \$846

John W. Lucas (Partner) \$574

Rates above reflect a discount from ordinary rates. Pachulski may add or substitute other professionals with comparable experience at comparable rates.

Schwabe, Williamson & Wyatt

Senior Shareholder \$510

Junior Shareholder \$465

Associate \$330

2

[PROPOSED] INTERIM ORDER  
APPT. RECEIVER.

Paralegal \$230

Rates above reflect a discount from ordinary rates. Schwabe, Williamson & Wyatt may add or substitute other professionals with comparable experience at comparable rates.

The Receiver is also authorized to retain a noticing agent.

**II. Asset Freeze**

2. Except as otherwise specified herein with respect to the powers of the Receiver, all property of the Receivership Entity is frozen until further order of this Court. Accordingly, all persons and entities with direct or indirect control over any property of the Receivership Entity, other than the Receiver, are hereby restrained and enjoined from directly or indirectly transferring, setting off, receiving, changing, selling, pledging, assigning, liquidating or otherwise disposing of or withdrawing such assets.

**III. General Powers and Duties of Receiver**

3. The Receiver shall have all powers, authorities, rights and privileges heretofore possessed by the officers, directors, members, managers and general and limited partners of the Receivership Entity under applicable state and federal law, by the governing charters, by-laws, articles and/or agreements in addition to all powers and authority of a receiver at equity, and all powers conferred upon a receiver by the provisions of 28 U.S.C. §§ 754, 959 and 1692, and Fed.R.Civ.P. 66.

4. The trustees, directors, officers, members, and managers of the Receivership Entity are hereby dismissed and the powers of any general partners, directors, members and/or managers are hereby suspended. Such persons and entities shall have no authority with respect to the Receivership Entity's operations or assets, except to the extent as may hereafter be expressly granted by the Receiver. The Receiver shall have the authority to dismiss any employees, investment advisors, accountants, attorneys and other agents of the Receivership Entity as needed to effectively execute his duties and responsibilities. The Receiver shall assume and control the operation of the Receivership Entity and preserve all of their claims. The

Receiver is expressly permitted to provide any notices required under this Order or otherwise by electronic means.

5. No person, other than the Receiver, holding or claiming any position of any sort with any of the Receivership Entity shall possess any authority to act by or on behalf of any of the Receivership Entity.

6. Subject to the specific provisions in Sections IV through XV, below, the Receiver shall have the following general powers and duties:

- A. To use reasonable efforts to determine the nature, location and value of all property interests of the Receivership Entity, including, but not limited to, monies, funds, securities, credits, effects, goods, chattels, lands, premises, leases, claims, rights and other assets, together with all rents, profits, dividends, interest or other income attributable thereto, of whatever kind, which the Receivership Entity own, possess, have a beneficial interest in, or control directly or indirectly ("Receivership Property" or, collectively, the "Receivership Estates");
- B. To take custody, control and possession of all Receivership Property and records relevant thereto from the Receivership Entity; to sue for and collect, recover, receive and take into possession from third parties all Receivership Property and records relevant thereto;
- C. To manage, control, operate and maintain the Receivership Estates and hold in his possession, custody and control all Receivership Property, subject to powers provided below and pending further Order of this Court;
- D. To use Receivership Property for the benefit of the Receivership Entity, which, from the date of this Order, shall be treated as a consolidated enterprise for the purpose of making payments and disbursements, including payments to professionals, and incurring expenses as may be necessary or advisable in the ordinary course of business in discharging his duties as Receiver; however, this provision shall have no force or effect with respect to whether the Receivership Entity shall be treated as a consolidated enterprise for the distribution (claims payment) phase of this matter nor after a motion and court order prospectively making this paragraph of no further force or effect;
- E. To take any action which, prior to the entry of this Order, could have been taken by the officers, directors, partners, managers, trustees and agents of the Receivership Entity;
- F. To engage and employ persons in his discretion to assist him in carrying out his duties and responsibilities hereunder, including, but not limited to, accountants, attorneys, securities traders, registered representatives,



financial or business advisers, liquidating agents, real estate agents, forensic experts, brokers, traders or auctioneers;

- G. To take such action as necessary and appropriate for the preservation of Receivership Property or to prevent the dissipation or concealment of Receivership Property;
- H. To issue subpoenas for documents and testimony consistent with the Federal Rules of Civil Procedure, concerning any subject matter within the powers and duties granted by this Order;
- I. To bring such legal actions based on law or equity in any state, federal, or foreign court as the Receiver deems necessary or appropriate in discharging his duties as Receiver;
- J. To pursue, resist and defend all suits, actions, claims and demands which may now be pending or which may be brought by or asserted against the Receivership Estates; and,
- K. To take such other action as may be approved by this Court.

#### IV. Access to Information

7. The Receivership Entity and the past and/or present officers, directors, agents, managers, general and limited partners, trustees, attorneys, accountants and employees of the entity Receivership Entity, as well as those acting in their place, are hereby ordered and directed to preserve and turn over immediately upon the Receiver's request to the Receiver forthwith all paper and electronic information of, and/or relating to, the Receivership Entity and/or all Receivership Property; such information shall include but not be limited to books, records, documents, accounts and all other instruments and papers.

#### V. Access to Books, Records and Accounts

8. The Receiver is authorized to take immediate possession of all assets, bank accounts or other financial accounts, books and records and all other documents or instruments relating to the Receivership Entity. All persons and entities having control, custody or possession of any Receivership Property are hereby directed to turn such property over to the Receiver.

9. The Receivership Entity, as well as their agents, servants, employees, attorneys,

any persons acting for or on behalf of the Receivership Entity, and any persons receiving notice of this Order by personal service, facsimile transmission or otherwise, having possession of the property, business, books, records, accounts or assets of the Receivership Entity are hereby directed to deliver the same to the Receiver, his agents and/or employees.

10. All banks, brokerage firms, financial institutions, and other persons or entities which have possession, custody or control of any assets or funds held by, in the name of, or for the benefit of, directly or indirectly, the Receivership Entity that receive actual notice of this Order by personal service, email, facsimile transmission or otherwise shall:

- A. Not liquidate, transfer, sell, convey or otherwise transfer any assets, securities, funds, or accounts in the name of or for the benefit of the Receivership Entity except upon instructions from the Receiver;
- B. Not exercise any form of set-off, alleged set-off, lien, or any form of self-help whatsoever, or refuse to transfer any funds or assets to the Receiver's control without the permission of this Court;
- C. Within five (5) business days of receipt of that notice, file with the Court (in redacted form if required by F.R.Civ.Pro 5.2) and serve on the Receiver and counsel for the Commission a sworn statement setting forth, with respect to each such account or other asset, the balance in the account or description of the assets as of the close of business on the date of receipt of the; and,
- D. Cooperate expeditiously in providing information and transferring funds, assets and accounts to the Receiver or at the direction of the Receiver.

#### **VI. Access to Personal Property**

11. The Receiver is authorized to take immediate possession of all personal property of the Receivership Entity, wherever located, including but not limited to electronically stored information, computers, laptops, hard drives, external storage drives, and any other such memory, media or electronic storage devices, books, papers, data processing records, evidence of indebtedness, bank records and accounts, savings records and accounts, brokerage records and accounts, certificates of deposit, stocks, bonds, debentures, and other securities and investments, contracts, mortgages, furniture, office supplies and equipment.

12. The Receiver is authorized to open all mail directed to or received by or at the



offices or post office boxes of the Receivership Entity, and to inspect all mail opened prior to the entry of this Order, to determine whether items or information therein fall within the mandates of this Order.

#### **VII. Notice to Third Parties**

13. The Receiver shall promptly give notice, which may be electronic, of his appointment to all known officers, directors, agents, employees, shareholders, creditors, debtors, managers and general and limited partners of the Receivership Entity, as the Receiver deems necessary or advisable to effectuate the operation of the receivership

14. All persons and entities owing any obligation, debt, or distribution with respect to an ownership interest to any Receivership Entity shall, until further ordered by this Court, pay all such obligations in accordance with the terms thereof to the Receiver and its receipt for such payments shall have the same force and effect as if the Receivership Entity had received such payment.

15. In furtherance of his responsibilities in this matter, the Receiver is authorized to communicate with, and/or serve this Order upon, any person, entity or government office that he deems appropriate to inform them of the status of this matter and/or the financial condition of the Receivership Entity. All government offices which maintain public files of security interests in real and personal property shall, consistent with such office's applicable procedures, record this Order upon the request of the Receiver or the Commission.

16. The Receiver is authorized to instruct the United States Postmaster to hold and/or reroute mail which is related, directly or indirectly, to the business, operations or activities of any of the Receivership Entity (the "Receiver's Mail"), including all mail addressed to, or for the benefit of, the Receivership Entity. The Postmaster shall not comply with, and shall immediately report to the Receiver, any change of address or other instruction given by anyone other than the Receiver concerning the Receiver's Mail. The Receivership Entity shall not open any of the Receiver's Mail and shall immediately turn over such mail, regardless of when received, to the



Receiver.

### **VIII. Injunction Against Interference with Receiver**

17. The Receivership Entity and all persons receiving notice of this Order by personal service, email, facsimile or otherwise, are hereby restrained and enjoined from directly or indirectly taking any action or causing any action to be taken, without the express written agreement of the Receiver, which would:

- A. Interfere with the Receiver's efforts to take control, possession, or management of any Receivership Property; such prohibited actions include but are not limited to, using self-help or executing or issuing or causing the execution or issuance of any court attachment, subpoena, replevin, execution, or other process for the purpose of impounding or taking possession of or interfering with or creating or enforcing a lien upon any Receivership Property;
- B. Hinder, obstruct or otherwise interfere with the Receiver in the performance of his duties; such prohibited actions include but are not limited to, concealing, destroying or altering records or information;
- C. Dissipate or otherwise diminish the value of any Receivership Property; such prohibited actions include but are not limited to, releasing claims or disposing, transferring, exchanging, assigning or in any way conveying any Receivership Property, enforcing judgments, assessments or claims against any Receivership Property or any Receivership Entity, attempting to modify, cancel, terminate, call, extinguish, revoke, foreclose upon, enforce default provisions or accelerate (the due date), of any lease, loan, mortgage, indebtedness, security agreement or other agreement executed by any Receivership Entity or which otherwise affects any Receivership Property; or,
- D. Interfere with or harass the Receiver, or interfere in any manner with the exclusive jurisdiction of this Court over the Receivership Estates.

18. The Receivership Entity and Extended Entities shall cooperate with and assist the Receiver in the performance of his duties.

19. The Receiver shall promptly notify the Court and Commission counsel of any failure or apparent failure of any person or entity to comply in any way with the terms of this Order.

### **IX. Stay of Litigation**

20. As set forth in detail below, the following proceedings, excluding the instant

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proceeding and any action or proceeding by a governmental unit to enforce such governmental unit's police or regulatory power and actions of the Commission related to the above-captioned enforcement action, are stayed until further Order of this Court:

All civil legal proceedings of any nature, including, but not limited to, bankruptcy proceedings, arbitration proceedings, foreclosure actions, default proceedings, or other actions of any nature involving: (a) the Receiver, in his capacity as Receiver; (b) any Receivership Property, wherever located; (c) any of the Receivership Entity; or (d) any of the Receivership Entity's past or present officers, directors, managers, agents, or general or limited partners sued for, or in connection with, any action taken by them while acting in such capacity of any nature, whether as plaintiff, defendant, third-party plaintiff, third-party defendant, or otherwise (such proceedings are hereinafter referred to as "Ancillary Proceedings").

21. The parties to any and all Ancillary Proceedings are enjoined from commencing or continuing any such legal proceeding, or from taking any action, in connection with any such proceeding, including, but not limited to, the issuance or employment of process.

22. All Ancillary Proceedings are stayed in their entirety, and all Courts having any jurisdiction thereof are enjoined from taking or permitting any action until further Order of this Court. Any statute of limitation or ultimate repose applicable to a cause of action that is enjoined pursuant to this Order is tolled, effective March 14, 2016 and during the term of this Interim Order, unless otherwise subsequently ordered by this Court. Further, as to a cause of action accrued or accruing in favor of one or more of the Receivership Entity against a third person or party, any applicable statute of limitation is tolled during the period in which this injunction against commencement of legal proceedings is in effect as to that cause of action.

#### **X. Managing Assets**

23. For each of the Receivership Entity, where appropriate and necessary in the judgment of the Receiver, the Receiver shall establish one or more custodial accounts at a federally insured bank to receive and hold all cash equivalent Receivership Property.

24. The Receiver may, without further Order of this Court, transfer, compromise, abandon or otherwise dispose of any Receivership Property, other than real estate, in the ordinary course of business, on terms and in the manner the Receiver deems most beneficial to the



Receivership Entity and with due regard to the realization of the true and proper value of such Receivership Property. The Receiver may sell real estate and assets outside of the ordinary course of business with Court approval. The assets of the Receivership Entity, with Court approval, may be sold, transferred or disposed, free and clear of any liens, claims or encumbrances, with such liens, claims or encumbrances attaching to the proceeds.

24a. The Receiver is authorized to take the following actions with respect to (a) CarePayment Holdings, LLC ("CP Holdings"), and its subsidiaries (collectively with CP Holdings, the "CPH Entities") or entities in which CP Holdings has a beneficial interest, including CarePayment, LLC ("CPLLC") and CP Funding I Trust ("CP Trust"), all of which are Receivership Entities in this Interim Order, and (b) CarePayment Technologies, Inc. ("CPYT"), which is not a Receivership Entity but in which the receivership estate owns a substantial equity interest: permit the CPH Entities to continue to borrow funds under their existing revolving credit receivables funding facilities or a new facility within the maximum amounts contemplated by the existing Credit Facilities so long as the lenders or their assignees and successors in interest are willing to continue to advance such funds, with the proceeds of such continued borrowings under the Credit Facilities to be used by the applicable CPH Entities to continue to purchase healthcare receivables consistent with past practices, with such continued borrowings to be secured by a first priority lien in such purchased healthcare receivables as provided in the existing documentation for the respective Credit Facilities. Nothing in this Paragraph shall create, or be intended to create, an obligation of any lender under a receivables facility to permit any entity to borrow funds thereunder nor shall the agreement of any lender to permit any entity to borrow funds, or the refusal to permit an entity to borrow funds, be considered in future proceedings following the expiration of this Interim Order.

25. The Receiver is authorized to take all actions to manage, maintain, and/or wind-down business operations of the Receivership Entity, including making legally required payments to creditors, employees, and agents of the Receivership Entity and communicating

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with vendors, investors, governmental and regulatory authorities, and others, as appropriate.

#### **XI. Investigating and Prosecuting Claims**

26. Subject to the requirement, in Section IX above, that leave of this Court is required to resume or commence certain litigation, the Receiver is authorized and empowered to investigate, prosecute, defend, intervene in or otherwise participate in, compromise, and/or adjust actions in any state, federal or foreign court or proceeding of any kind as may in his discretion, and in consultation with Commission counsel, be advisable or proper to recover and/or conserve Receivership Property.

27. Subject to his obligation to expend receivership funds in a reasonable and cost-effective manner, the Receiver is authorized and empowered to investigate the manner in which the financial and business affairs of the Receivership Entity were conducted and (after obtaining leave of this Court) to institute such actions and legal proceedings, for the benefit and on behalf of the Receivership Entity, as the Receiver deems necessary and appropriate. The Receiver may seek, among other legal and equitable relief, the imposition of constructive trusts, disgorgement of profits, asset turnover, avoidance of fraudulent transfers, rescission and restitution, collection of debts, and such other relief from this Court as may be necessary to enforce this Order. The Receiver should provide prior notice to Counsel for the Commission before commencing investigations and/or actions.

28. The Receiver hereby holds, and is therefore empowered to waive, all privileges, including the attorney-client privilege, held by the Receivership Entity

29. The receiver has a continuing duty to ensure that there are no conflicts of interest between the Receiver, his Retained Personnel (as that term is defined below), and the Receivership Entity.

#### **XII. Bankruptcy Filing**

30. The Receiver may seek authorization of this Court to file voluntary petitions for relief under Title 11 of the United States Code (the "Bankruptcy Code") for the Receivership

Entity. If a Receivership Entity is placed in bankruptcy proceedings, the Receiver may become, and may be empowered to operate each of the Receivership Estates as, a debtor in possession. In such a situation, the Receiver shall have all of the powers and duties as provided a debtor in possession under the Bankruptcy Code to the exclusion of any other person or entity. Pursuant to Paragraph 4 above, the Receiver is vested with management authority for all entity Receivership Entity and may therefore file and manage a Chapter 11 petition.

31. The provisions of Section IX above bar any person or entity, other than the Receiver, from placing any of the Receivership Entity in bankruptcy proceedings.

### **XIII. Liability of Receiver**

32. Until further Order of this Court, the Receiver shall not be required to post bond or give an undertaking of any type in connection with his fiduciary obligations in this matter.

33. The Receiver and his agents, acting within scope of such agency ("Retained Personnel") are entitled to rely on all outstanding rules of law and Orders of this Court and shall not be liable to anyone for their own good faith compliance with any order, rule, law, judgment, or decree. In no event shall the Receiver or Retained Personnel be liable to anyone for their good faith compliance with their duties and responsibilities as Receiver or Retained Personnel, nor shall the Receiver or Retained Personnel be liable to anyone for any actions taken or omitted by them except upon a finding by this Court that they acted or failed to act as a result of malfeasance, bad faith, gross negligence, or in reckless disregard of their duties.

34. This Court shall retain jurisdiction over any action filed against the Receiver or Retained Personnel based upon acts or omissions committed in their representative capacities.

35. In the event the Receiver decides to resign, the Receiver shall first give written notice to the Commission's counsel of record and the Court of its intention, and the resignation shall not be effective until the Court appoints a successor. The Receiver shall then follow such instructions as the Court may provide.



#### **XIV. Recommendations and Reports**

36. The Receiver is authorized, empowered and directed to develop a plan for the fair, reasonable, and efficient recovery and liquidation of all remaining, recovered, and recoverable Receivership Property (the "Liquidation Plan").

37. Within thirty (30) days after the end of the first full calendar quarter occurring after the final order of appointment, the Receiver shall serve and file with the Court a verified report and petition for instructions. The report and petition must contain a summary of the operations of the Receiver, an inventory of the assets and an estimated range of their appraised value, a schedule of all receipts and disbursements, and a list of all creditors, their addresses and the amounts of their claims according to the books and records of the Receivership Entity. Such report shall not establish any presumption(s) regarding distribution of the Receivership Property. The petition must contain the Receiver's recommendation as to the continuance of the Receivership and reason therefor.

38. Within thirty (30) days after the end of the first full calendar quarter occurring after the final order of appointment and each calendar quarter thereafter, the Receiver shall file and serve a full report and accounting of each Receivership Entity (the "Quarterly Status Report"), reflecting (to the best of the Receiver's knowledge as of the period covered by the report) the existence, value, and location of all Receivership Property, and of the extent of liabilities, both those claimed to exist by others and those the Receiver believes to be legal obligations of the Receivership Entity.

39. The Quarterly Status Report shall contain the following:

- A. A summary of the operations of the Receiver;
- B. The amount of cash on hand, the amount and nature of accrued administrative expenses, and the amount of unencumbered funds in the estate;
- C. A schedule of all the Receiver's receipts and disbursements (attached as Exhibit A to the Quarterly Status Report), with one column for the quarterly period covered and a second column for the entire duration of

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the receivership;

- D. A description of all known Receivership Property, including anticipated or proposed dispositions, and reasons for retaining assets where no disposition is intended;
- E. A description of liquidated and unliquidated claims held by the Receivership Entity, including the need for forensic and/or investigatory resources; approximate valuations of claims; and anticipated or proposed methods of enforcing such claims (including likelihood of success in: (i) reducing the claims to judgment; and, (ii) collecting such judgments);
- F. A list of all known creditors with their addresses and the amounts of their claims according to the books and records of the Receivership Entity;
- G. The status of litigation brought by the Receivership Estate after such proceedings have been commenced; and,
- H. The Receiver's recommendations for a continuation or discontinuation of the Receivership and the reasons for the recommendations.

40. On the request of the Commission, the Receiver shall provide the Commission with any documentation that the Commission deems necessary to meet its reporting requirements, that is mandated by statute or Congress, or that is otherwise necessary to further the Commission's mission.

#### **XV. Fees, Expenses and Accountings**

41. Subject to Paragraphs 42 – 48 immediately below, the Receiver need not obtain Court approval prior to the disbursement of Receivership funds for expenses in the ordinary course of the administration and operation of the Receivership. Further, prior Court approval is not required for payments of applicable federal, state or local taxes.

42. Subject to Paragraph 43 immediately below, the Receiver is authorized to solicit professional persons and Entity ("Retained Personnel") to assist him in carrying out the duties and responsibilities described in this Order. The Receiver shall not engage any Retained Personnel, other than those appointed pursuant to Paragraph 1 above, without first obtaining an Order of the Court authorizing such engagement, which authorization can be granted *nunc pro tunc* at the discretion of the court.

43. The Receiver and Retained Personnel are entitled to reasonable compensation and

expense reimbursement from the Receivership Estates as described in the "Billing Instructions for Receivers in Civil Actions Commenced by the U.S. Securities and Exchange Commission" (the "Billing Instructions") agreed to by the Receiver. Such compensation shall require the prior approval of the Court.

44. Within sixty (60) days after the end of each calendar quarter, the Receiver and Retained Personnel shall apply to the Court for compensation and expense reimbursement from the Receivership Entity (the "Quarterly Fee Applications"). At least thirty (30) days prior to filing each Quarterly Fee Application with the Court, the Receiver will serve upon counsel for the Commission a complete copy of the proposed Application, together with all exhibits and relevant billing information in a format to be provided by the Commission staff.

45. All Quarterly Fee Applications will be interim and will be subject to final reviews at the close of the Receivership. At the close of the Receivership, the Receiver will file a final fee application.

46. Quarterly Fee Applications may be subject to a holdback in the amount of 20% of the amount of fees, for each application filed with the Court. Such holdback amounts shall not include out-of-pocket expenses of the Receiver and Retained Personnel. The total amounts held back during the course of the Receivership will be paid out at the discretion of the Court as part of the final fee application submitted at the close of the Receivership.

47. Each Quarterly Fee Application shall:

- A. Comply with the terms of the Billing Instructions agreed to by the Receiver; and,
- B. Contain representations (in addition to the Certification required by the Billing Instructions) that: (i) the fees and expenses included therein were incurred in the best interests of the Receivership Estate; and, (ii) with the exception of the Billing Instructions, the Receiver has not entered into any agreement, written or oral, express or implied, with any person or entity concerning the amount of compensation paid or to be paid from the Receivership Estate, or any sharing thereof, except that the Receiver's fees shall be paid to FTI Consulting, Inc.

48. At the close of the Receivership, the Receiver shall submit a Final Accounting, in

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a format to be provided by the Commission staff, as well as the Receiver's final application for compensation and expense reimbursement.

49. Notwithstanding anything in this Interim Order to the contrary, the Receiver shall not (a) establish any custodial account in the name of CP Funding I Trust ("CP Trust"), except that the Receiver shall be permitted to change signatories on any account for which an officer or representative of the borrower is a signatory, (b) transfer, compromise, abandon, or otherwise dispose of any assets of or commingle or distribute any of the assets or proceeds thereof of CP Trust to any person or entity (other than the lender or agent under the facility to CP Trust) or (c) make payments from the assets of CP Trust or otherwise manage, maintain and or wind down business operation of CP Trust in any manner inconsistent with (a) and (b). During the term of this Interim Order, the lender or agent under the facility with CP Trust shall not exercise any remedies as a result of the occurrence of an Event of Default or Servicer Termination under the relevant documents.

50. Any objections to the [Proposed] Stipulated Order Appointing Receiver (Docket No. 2-2) shall be filed with the Court by March 18, 2016. Any responses by Plaintiff or Defendants are due by March 24, 2016. No further pleadings relating to the [Proposed] Stipulated Order Appointing Receiver (Doc. No. 2-2) shall be filed. On March 29, 2016, at 10:00 a.m., the Court will hold a hearing, without any presumptions arising from the terms of this Interim Order, on the [Proposed] Stipulated Order Appointing Receiver (Doc. No. 2-2).

IT IS SO ORDERED.

DATED this 16 day of MARCH, 2016

  
United States District Judge



## EXHIBIT A

|    |  |    |  |
|----|--|----|--|
| 1  | Aequitas Enterprise Services, LLC        | 27 | Aequitas Senior Housing, LLC                 |
| 2  | Aequitas Hybrid Fund, LLC                | 28 | Aequitas Capital Opportunities Fund, LP      |
| 3  | Aequitas Income Opportunity Fund II, LLC | 29 | Aequitas Capital Opportunities GP, LLC       |
| 4  | Aequitas Private Client Fund, LLC        | 30 | ACC Holdings 5, LLC                          |
| 5  | Aequitas Income Opportunity Fund, LLC    | 31 | ACC Funding Series Trust 2015-5              |
| 6  | Aequitas ETC Founders Fund, LLC          | 32 | Aequitas Corporate Lending, LLC              |
| 7  | Aequitas Enhanced Income Fund, LLC       | 33 | Aequitas Wealth Management, LLC              |
| 8  | Aequitas WRFF I, LLC                     | 34 | Aequitas Wealth Management Partner Fund, LLC |
| 9  | Aequitas Income Protection Fund, LLC     | 35 | Hickory Growth Partners, LLC                 |
| 10 | Aequitas EIF Debt Fund, LLC              | 36 | Aspen Grove Equity Solutions, LLC            |
| 11 | ACC C Plus Holdings, LLC                 | 37 | Aequitas International Holdings, LLC         |
| 12 | ACC Holdings 2, LLC                      | 38 | Aequitas Asset Management Oregon, LLC        |
| 13 | ACC Funding Trust 2014-2                 | 39 | AAM Fund Investment, LLC                     |
| 14 | Aequitas Peer-To-Peer Funding, LLC       | 40 | Aequitas Senior Housing Operations, LLC      |
| 15 | CarePayment Holdings, LLC                | 41 | Executive Citation, LLC                      |
| 16 | CarePayment, LLC                         | 42 | Executive Falcon, LLC                        |
| 17 | CP Funding I Holdings, LLC               | 43 | APF Holdings, LLC                            |
| 18 | CP Funding I Trust                       | 44 | Aequitas Partner Fund, LLC                   |
| 19 | Campus Student Funding, LLC              |    |  |
| 20 | ACC F Plus Holdings, LLC                 |    |  |
| 21 | ACC Holdings 1, LLC                      |    |  |
| 22 | ACC Funding Trust 2014-1                 |    |  |
| 23 | ML Financial Holdings, LLC               |    |  |
| 24 | Motolease Financial, LLC                 |    |  |
| 25 | Unigo Student Funding, LLC               |    |  |
| 26 | The Hill Land, LLC                       |    |  |

**EXHIBIT B**

|   |  |
|---|--|
| 1 | CarePayment Technologies, Inc            |
| 2 | EDPlus Holdings, LLC                     |
| 3 | Marketing Services Platform, Inc.        |
| 4 | Ivey Performance Marketing, LLC          |
| 5 | Gridbox Media, LLC                       |
| 6 | Skagit Gardens, Inc.                     |
| 7 | Synchronex, LLC                          |
| 8 | Aequitas International Opportunities, LP |

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MANAGEMENT, LLC

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

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NOVEMBER 10, 2016

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v.

AEQUITAS MANAGEMENT, LLC;  
AEQUITAS HOLDINGS, LLC;  
AEQUITAS COMMERCIAL FINANCE,  
LLC; AEQUITAS CAPITAL  
MANAGEMENT, INC.; AEQUITAS  
INVESTMENT MANAGEMENT, LLC;  
ROBERT J. JESENİK, 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")**

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**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



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## Aequitas Receiver Report

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### 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].<sup>1</sup>

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,

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<sup>1</sup> 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.<sup>2</sup> 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

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<sup>2</sup> 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 Aequis 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, Aequis 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<sup>3</sup> 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,

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<sup>3</sup> 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.<sup>4</sup> 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

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<sup>4</sup> 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,<sup>5</sup> 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***

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<sup>5</sup> 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<sup>6</sup> ("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").

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<sup>6</sup> <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%                       |
| <b>Total:</b>                          | <b>69.04%</b>               |

- (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 MogI 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 MogI-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").<sup>7</sup> 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

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<sup>7</sup> 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<sup>8</sup> ("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 Aequis's 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 Aequis 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

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<sup>8</sup> <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.<sup>9</sup> 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.<sup>10</sup> 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.<sup>11</sup> The parties are negotiating the transaction documents.

## VI. Communications to Interested Parties

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<sup>9</sup> 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.

<sup>10</sup> <http://windowrock.com/>

<sup>11</sup> 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 Aequis 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.<sup>12</sup>

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<sup>12</sup> 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 30<sup>th</sup>, 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 30<sup>th</sup>.

## **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 <sup>[1]</sup>      | -                | 0.0%        | -              | 0.0%        | -                | 0.0%        |
| <b>Total:</b>                  | <b>2,217,510</b> | <b>100%</b> | <b>122,498</b> | <b>100%</b> | <b>2,340,008</b> | <b>100%</b> |

[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.

1. Blank stays of litigation are allowed.
  - a. Wencke, Acorn, Vescor (Wing)
2. Factors to consider are (1) whether the stay preserves the status quo; (2) timing of the motion; (3) the merit of the underlying case.
  - a. Universal, Wencke II, TLC

Wencke (1980):

Superior built a motel/restaurant. Sold it to Lamplighter with a leaseback. Superior assigned its interest to Sun Fruit, which sublet the complex to Rinn. Rinn sublet it to Rinn-Sunnyvale. It is now known as the Executive Inn. Wencke and Mets acquired control of Sun Fruit by fraudulent means.

Superior filed a lawsuit to regain possession of the leasehold. The state court ruled in Superior's favor but before Superior took possession, the federal court stayed all state court actions.

The federal case was filed by the SEC. The court appointed a receiver. Some of Sun Fruit's assets were subject to the receivership and so they were placed under control of the receiver. Eventually, the court terminated the receivership. Superior made a motion to lift the stay. It was denied.

Superior was not a party or party representative. Rule 65 authorizes injunctive relief against persons in active concert or participation with them. However, the court can enjoin persons other than those listed in Rule 65 upon a proper showing because the court has broad equitable power.

"[W]here the likelihood that the receiver will prevail is small, when the receiver's position is considered realistically and not in the abstract, there is less reason to permit the receiver to avoid resolving the claim; a blanket stay should not be used to prejudice the rights which innocent and legitimate creditors may have against the receivership entities." 1373.

"Where the motion for relief from the stay is made soon after the receiver has assumed control over the estate, the receiver's need to organize and understand the entities under his control may weigh more heavily than the merits of the party's claim." 1373-4.

**The value of the hotel property to the estate is substantial. 1374.**

**The receiver may be required to post bond to retain the injunction. 1374-75.**

Wing:

The SEC action was against Southwick and companies he controlled, including Vescor. Covenant had loaned \$66MM to entities related to Vescor.

Covenant filed a motion to lift the stay. At that time, **the receiver had not yet obtained all of the records of the Vescor transactions.** 1194.

The receiver also had **evidence that there had been co-mingling** between Vescor and Covenant. 1194. Y receiver asked the court to pend the decision until his investigation was completed. 1194.

Wencke (1984):

"At some point, persons with claims against the receivership should have their day in court." 1231. A sever-year-old receivership with no new information for six years appears to be a completed investigation, justifying lifting of the stay.



TLC:

SEC ponzi scheme receivership.

There is evidence of a connection between the TLC investments and moving parties. 1037-8.

Moving parties have not shown that they will suffer harm if the stay is not lifted.

Acorn:

Acorn Fund is an investment company. Its general partner is Acorn Partners, a company run by Torkelson. Barracks invested in Acorn. US sued Torkelson for getting \$32MM from the SBA, investing it in his companies and then diverting it to personal use. The receiver imposed a stay of litigation against Barracks.

"[A]n appropriate escape valve, which allows potential litigants to petition the court for permission to sue, is necessary so that litigants are not denied a day in court during a lengthy stay." 443.

"Far into a receivership, if a litigant demonstrates that harm will result from not being able to pursue a colorably meritorious claim, we do not see why a receiver should continue to be protected from suit." 443.

[V]ery early in a receivership even the most meritorious claims might fail to justify lifting a stay given the possible disruption of the receiver's duties." 443-4.

A two year old receivership could not continue to stay a meritorious case where continuance of the stay would result in substantial injury. 444.

Barracks wanted to pursue claims against the SBA. Since those claims are barred as a matter of law, there is no reason to lift the stay.

Barracks wanted to pursue claims against Acorn. The wrong of which Barracks complains is the same injury suffered by all of the other investors. Due to the lack of direct injury, the stay remains in place.

Universal:

Movants are investors through the services of Burton companies. Investors relied upon him to find qualified borrowers for their loans. Burton is now accused of securities fraud. However, the stay benefits the investors by protecting the assets.

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Of Counsel  
MICHAEL T. THORSNES

June 15, 2016

Joel Parker  
Schwabe Williamson & Wyatt  
1211 SW Fifth Avenue, Suite 1900  
Portland, OR 97204

Re: *Enviso v. Aequitas, et al.*

Dear Joel:

As we discussed, Enviso is asking for consideration during the receiver's review process to determine that it may pursue its claims during the pendency of the SEC investigation and litigation. Please accept this letter as a confirmation of this request. We have, at your request, asked our trial court to stay this case pending the receiver's review process. A copy of that filing is enclosed herewith. We do not believe that Enviso's claims will deplete the assets of Aequitas if those claims are timely and properly tendered to the applicable insurance policies. It is our contention that the various Defendants breached duties to Enviso while the companies were discussing forming a relationship and that those breaches resulted in an impossibility of performance of that formation despite Enviso having changed position in reliance to its detriment. Please consider allowing these claims to move forward under these conditions.

Sincerely,



Karen R. Frostrom  
of  
Thorsnes Bartolotta McGuire LLP

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Attorneys for Plaintiff ENVISO CAPITAL GROUP, LLC

**SUPERIOR COURT OF THE STATE OF CALIFORNIA**  
**COUNTY OF SAN DIEGO**

ENVISO CAPITAL GROUP, LLC,

Plaintiff,

v.

AEQUITAS HOLDINGS, LLC, a Oregon Corporation; AEQUITAS WEALTH, MANAGEMENT, LLC, a Delaware Corporation; ROBERT JESENİK, an individual; BRIAN OLIVER, an individual; BRIAN RICE, an individual; ANDREW MACRITCHIE, an individual; PRIVATE ADVISORY GROUP, LLC, a Washington Corporation; S. CHRISTOPHER BEAN, an individual; A. DOUG MAURER, an individual; ASPEN GROVE EQUITY SOLUTIONS LLC, an Oregon Corporation; DOUGLAS BEAN, an individual, GARY PRICE, an individual; JONATHAN BISHOPP, an individual,

Defendants.

Case No.: 37-2016-00009462-CU-BC-CTL

**NOTICE OF STAY OF PROCEEDINGS**

**Jury Trial Demanded**

**Dept:** C-68  
**Judge:** Judith F. Hayes  
**Complaint Filed:** March 22, 2016  
**Trial Date:** None set

In accordance with the provisions of the Order Appointing Receiver ("Order" a copy of which is attached hereto as Exhibit "A"), entered in the matter of Securities and Exchange Commission v. Aequitas Management, LLC, *et. al.*, United States District Court for the District of

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1 Oregon, No. 3:16-cv-00438-PK ("SEC Action"), Plaintiff request to stay this matter until further  
2 order of the Court in the SEC Action.

3 Dated: June 15, 2016

THORSNES BARTOLOTTA McGUIRE LLP

4  
5 By: 

6 KAREN R. FROSTROM, ESQ.  
7 VINCENT J. BARTOLOTTA, JR., ESQ.  
8 Attorneys for Plaintiff  
9 ENVISO CAPITAL GROUP LLC  
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# EXHIBIT “A”

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UNITED STATES DISTRICT COURT  
DISTRICT OF OREGON  
PORTLAND DIVISION

SECURITIES AND EXCHANGE COMMISSION,  
Plaintiff,

vs.

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

Defendants,

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

~~PROPOSED~~ STIPULATED INTERIM  
ORDER APPOINTING RECEIVER

~~PROPOSED~~ INTERIM ORDER  
APPT. RECEIVER



Pursuant to the stipulation entered into by Plaintiff Securities and Exchange Commission ("Commission") and defendants Aequitas Management, LLC, Aequitas Holdings, LLC, Aequitas Commercial Finance, LLC, Aequitas Capital Management, Inc. and Aequitas Investment Management, LLC, directly or through their attorneys of record, the Court finds that the appointment of a receiver in this action is necessary and appropriate for the purposes of marshaling and preserving all assets of defendants Aequitas Management, LLC, Aequitas Holdings, LLC, Aequitas Commercial Finance, LLC, Aequitas Capital Management, Inc. and Aequitas Investment Management, LLC (collectively "Receivership Defendants"), and hereby orders as follows:

#### **I. Appointment of Receiver**

1. IT IS HEREBY ORDERED that Ronald Greenspan, is appointed to serve without bond as receiver of the Receivership Defendants, and their subsidiaries and/or majority-owned affiliates as set forth on the attached Exhibit A (collectively "Receivership Entity"). The entities listed on the attached Exhibit B (collectively "Extended Entities") shall cooperate fully with the Receiver in the execution of his duties, but shall not be included in the Receivership Entity, unless the Receiver in his discretion seeks approval from this Court to include such entities as part of the Receivership Entity. Mr. Greenspan (the "Receiver") is authorized to retain FTI Consulting, Inc., and the law firms of Pepper Hamilton LLP ("Pepper Hamilton") and Pachulski Stang Ziehl & Jones LLP ("Pachulski") in connection with this appointment. With the Court's approval, the Receiver, Pepper Hamilton and Pachulski shall be compensated from the Receivership Estates (as defined in paragraph 6 below) for all reasonable fees and costs. The professionals mentioned above are permitted to retain any remaining balances from pre-receivership retainers to apply to invoices approved in the future.

The agreed upon fee schedules for these professional firms are as follows:

#### **FTI Consulting**

Senior Managing Director \$825

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~~[PROPOSED]~~ INTERIM ORDER  
APPT. RECEIVER.

Managing Director \$660

Senior Director \$605

Director \$570

Senior Consultant \$460

Consultant \$345

Project Assistant \$250

Rates above reflect a discount from ordinary rates. FTI Consulting may add or substitute other professionals with comparable experience at comparable rates.

Pepper Hamilton LLP

Joseph V. Del Raso (Partner) \$845

Ivan B. Knauer (Partner) \$725

John P. Falco (Partner) \$445

Brian M. Nichilo (Associate) \$330

Rates above reflect a discount from ordinary rates. Pepper Hamilton may add or substitute other professionals with comparable experience at comparable rates. Rates, after application of discount to ordinary rates, range from \$445 to \$845 for partners, from \$275-\$490 for associates and from \$100 to \$250 for paralegals and other non-attorney staff.

Pachulski Stang Ziehl & Jones LLP

Ira D. Kharasch (Partner) \$846

John W. Lucas (Partner) \$574

Rates above reflect a discount from ordinary rates. Pachulski may add or substitute other professionals with comparable experience at comparable rates.

Schwabe, Williamson & Wyatt

Senior Shareholder \$510

Junior Shareholder \$465

Associate \$330

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[PROPOSED] INTERIM ORDER  
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Paralegal \$230

Rates above reflect a discount from ordinary rates. Schwabe, Williamson & Wyatt may add or substitute other professionals with comparable experience at comparable rates.

The Receiver is also authorized to retain a noticing agent.

## **II. Asset Freeze**

2. Except as otherwise specified herein with respect to the powers of the Receiver, all property of the Receivership Entity is frozen until further order of this Court. Accordingly, all persons and entities with direct or indirect control over any property of the Receivership Entity, other than the Receiver, are hereby restrained and enjoined from directly or indirectly transferring, setting off, receiving, changing, selling, pledging, assigning, liquidating or otherwise disposing of or withdrawing such assets.

## **III. General Powers and Duties of Receiver**

3. The Receiver shall have all powers, authorities, rights and privileges heretofore possessed by the officers, directors, members, managers and general and limited partners of the Receivership Entity under applicable state and federal law, by the governing charters, by-laws, articles and/or agreements in addition to all powers and authority of a receiver at equity, and all powers conferred upon a receiver by the provisions of 28 U.S.C. §§ 754, 959 and 1692, and Fed.R.Civ.P. 66.

4. The trustees, directors, officers, members, and managers of the Receivership Entity are hereby dismissed and the powers of any general partners, directors, members and/or managers are hereby suspended. Such persons and entities shall have no authority with respect to the Receivership Entity's operations or assets, except to the extent as may hereafter be expressly granted by the Receiver. The Receiver shall have the authority to dismiss any employees, investment advisors, accountants, attorneys and other agents of the Receivership Entity as needed to effectively execute his duties and responsibilities. The Receiver shall assume and control the operation of the Receivership Entity and preserve all of their claims. The



Receiver is expressly permitted to provide any notices required under this Order or otherwise by electronic means.

5. No person, other than the Receiver, holding or claiming any position of any sort with any of the Receivership Entity shall possess any authority to act by or on behalf of any of the Receivership Entity.

6. Subject to the specific provisions in Sections IV through XV, below, the Receiver shall have the following general powers and duties:

- A. To use reasonable efforts to determine the nature, location and value of all property interests of the Receivership Entity, including, but not limited to, monies, funds, securities, credits, effects, goods, chattels, lands, premises, leases, claims, rights and other assets, together with all rents, profits, dividends, interest or other income attributable thereto, of whatever kind, which the Receivership Entity own, possess, have a beneficial interest in, or control directly or indirectly ("Receivership Property" or, collectively, the "Receivership Estates");
- B. To take custody, control and possession of all Receivership Property and records relevant thereto from the Receivership Entity; to sue for and collect, recover, receive and take into possession from third parties all Receivership Property and records relevant thereto;
- C. To manage, control, operate and maintain the Receivership Estates and hold in his possession, custody and control all Receivership Property, subject to powers provided below and pending further Order of this Court;
- D. To use Receivership Property for the benefit of the Receivership Entity, which, from the date of this Order, shall be treated as a consolidated enterprise for the purpose of making payments and disbursements, including payments to professionals, and incurring expenses as may be necessary or advisable in the ordinary course of business in discharging his duties as Receiver; however, this provision shall have no force or effect with respect to whether the Receivership Entity shall be treated as a consolidated enterprise for the distribution (claims payment) phase of this matter nor after a motion and court order prospectively making this paragraph of no further force or effect;
- E. To take any action which, prior to the entry of this Order, could have been taken by the officers, directors, partners, managers, trustees and agents of the Receivership Entity;
- F. To engage and employ persons in his discretion to assist him in carrying out his duties and responsibilities hereunder, including, but not limited to, accountants, attorneys, securities traders, registered representatives,

financial or business advisers, liquidating agents, real estate agents, forensic experts, brokers, traders or auctioneers;

- G. To take such action as necessary and appropriate for the preservation of Receivership Property or to prevent the dissipation or concealment of Receivership Property;
- H. To issue subpoenas for documents and testimony consistent with the Federal Rules of Civil Procedure, concerning any subject matter within the powers and duties granted by this Order;
- I. To bring such legal actions based on law or equity in any state, federal, or foreign court as the Receiver deems necessary or appropriate in discharging his duties as Receiver;
- J. To pursue, resist and defend all suits, actions, claims and demands which may now be pending or which may be brought by or asserted against the Receivership Estates; and,
- K. To take such other action as may be approved by this Court.

#### IV. Access to Information

7. The Receivership Entity and the past and/or present officers, directors, agents, managers, general and limited partners, trustees, attorneys, accountants and employees of the entity Receivership Entity, as well as those acting in their place, are hereby ordered and directed to preserve and turn over immediately upon the Receiver's request to the Receiver forthwith all paper and electronic information of, and/or relating to, the Receivership Entity and/or all Receivership Property; such information shall include but not be limited to books, records, documents, accounts and all other instruments and papers.

#### V. Access to Books, Records and Accounts

8. The Receiver is authorized to take immediate possession of all assets, bank accounts or other financial accounts, books and records and all other documents or instruments relating to the Receivership Entity. All persons and entities having control, custody or possession of any Receivership Property are hereby directed to turn such property over to the Receiver.

9. The Receivership Entity, as well as their agents, servants, employees, attorneys,



any persons acting for or on behalf of the Receivership Entity, and any persons receiving notice of this Order by personal service, facsimile transmission or otherwise, having possession of the property, business, books, records, accounts or assets of the Receivership Entity are hereby directed to deliver the same to the Receiver, his agents and/or employees.

10. All banks, brokerage firms, financial institutions, and other persons or entities which have possession, custody or control of any assets or funds held by, in the name of, or for the benefit of, directly or indirectly, the Receivership Entity that receive actual notice of this Order by personal service, email, facsimile transmission or otherwise shall:

- A. Not liquidate, transfer, sell, convey or otherwise transfer any assets, securities, funds, or accounts in the name of or for the benefit of the Receivership Entity except upon instructions from the Receiver;
- B. Not exercise any form of set-off, alleged set-off, lien, or any form of self-help whatsoever, or refuse to transfer any funds or assets to the Receiver's control without the permission of this Court;
- C. Within five (5) business days of receipt of that notice, file with the Court (in redacted form if required by F.R.Civ.Pro 5.2) and serve on the Receiver and counsel for the Commission a sworn statement setting forth, with respect to each such account or other asset, the balance in the account or description of the assets as of the close of business on the date of receipt of the; and,
- D. Cooperate expeditiously in providing information and transferring funds, assets and accounts to the Receiver or at the direction of the Receiver.

#### **VI. Access to Personal Property**

11. The Receiver is authorized to take immediate possession of all personal property of the Receivership Entity, wherever located, including but not limited to electronically stored information, computers, laptops, hard drives, external storage drives, and any other such memory, media or electronic storage devices, books, papers, data processing records, evidence of indebtedness, bank records and accounts, savings records and accounts, brokerage records and accounts, certificates of deposit, stocks, bonds, debentures, and other securities and investments, contracts, mortgages, furniture, office supplies and equipment.

12. The Receiver is authorized to open all mail directed to or received by or at the



offices or post office boxes of the Receivership Entity, and to inspect all mail opened prior to the entry of this Order, to determine whether items or information therein fall within the mandates of this Order.

#### **VII. Notice to Third Parties**

13. The Receiver shall promptly give notice, which may be electronic, of his appointment to all known officers, directors, agents, employees, shareholders, creditors, debtors, managers and general and limited partners of the Receivership Entity, as the Receiver deems necessary or advisable to effectuate the operation of the receivership

14. All persons and entities owing any obligation, debt, or distribution with respect to an ownership interest to any Receivership Entity shall, until further ordered by this Court, pay all such obligations in accordance with the terms thereof to the Receiver and its receipt for such payments shall have the same force and effect as if the Receivership Entity had received such payment.

15. In furtherance of his responsibilities in this matter, the Receiver is authorized to communicate with, and/or serve this Order upon, any person, entity or government office that he deems appropriate to inform them of the status of this matter and/or the financial condition of the Receivership Entity. All government offices which maintain public files of security interests in real and personal property shall, consistent with such office's applicable procedures, record this Order upon the request of the Receiver or the Commission.

16. The Receiver is authorized to instruct the United States Postmaster to hold and/or reroute mail which is related, directly or indirectly, to the business, operations or activities of any of the Receivership Entity (the "Receiver's Mail"), including all mail addressed to, or for the benefit of, the Receivership Entity. The Postmaster shall not comply with, and shall immediately report to the Receiver, any change of address or other instruction given by anyone other than the Receiver concerning the Receiver's Mail. The Receivership Entity shall not open any of the Receiver's Mail and shall immediately turn over such mail, regardless of when received, to the

Receiver.

### **VIII. Injunction Against Interference with Receiver**

17. The Receivership Entity and all persons receiving notice of this Order by personal service, email, facsimile or otherwise, are hereby restrained and enjoined from directly or indirectly taking any action or causing any action to be taken, without the express written agreement of the Receiver, which would:

- A. Interfere with the Receiver's efforts to take control, possession, or management of any Receivership Property; such prohibited actions include but are not limited to, using self-help or executing or issuing or causing the execution or issuance of any court attachment, subpoena, replevin, execution, or other process for the purpose of impounding or taking possession of or interfering with or creating or enforcing a lien upon any Receivership Property;
- B. Hinder, obstruct or otherwise interfere with the Receiver in the performance of his duties; such prohibited actions include but are not limited to, concealing, destroying or altering records or information;
- C. Dissipate or otherwise diminish the value of any Receivership Property; such prohibited actions include but are not limited to, releasing claims or disposing, transferring, exchanging, assigning or in any way conveying any Receivership Property, enforcing judgments, assessments or claims against any Receivership Property or any Receivership Entity, attempting to modify, cancel, terminate, call, extinguish, revoke, foreclose upon, enforce default provisions or accelerate (the due date), of any lease, loan, mortgage, indebtedness, security agreement or other agreement executed by any Receivership Entity or which otherwise affects any Receivership Property; or,
- D. Interfere with or harass the Receiver, or interfere in any manner with the exclusive jurisdiction of this Court over the Receivership Estates.

18. The Receivership Entity and Extended Entities shall cooperate with and assist the Receiver in the performance of his duties.

19. The Receiver shall promptly notify the Court and Commission counsel of any failure or apparent failure of any person or entity to comply in any way with the terms of this Order.

### **IX. Stay of Litigation**

20. As set forth in detail below, the following proceedings, excluding the instant



proceeding and any action or proceeding by a governmental unit to enforce such governmental unit's police or regulatory power and actions of the Commission related to the above-captioned enforcement action, are stayed until further Order of this Court:

All civil legal proceedings of any nature, including, but not limited to, bankruptcy proceedings, arbitration proceedings, foreclosure actions, default proceedings, or other actions of any nature involving: (a) the Receiver, in his capacity as Receiver; (b) any Receivership Property, wherever located; (c) any of the Receivership Entity; or (d) any of the Receivership Entity's past or present officers, directors, managers, agents, or general or limited partners sued for, or in connection with, any action taken by them while acting in such capacity of any nature, whether as plaintiff, defendant, third-party plaintiff, third-party defendant, or otherwise (such proceedings are hereinafter referred to as "Ancillary Proceedings").

21. The parties to any and all Ancillary Proceedings are enjoined from commencing or continuing any such legal proceeding, or from taking any action, in connection with any such proceeding, including, but not limited to, the issuance or employment of process.

22. All Ancillary Proceedings are stayed in their entirety, and all Courts having any jurisdiction thereof are enjoined from taking or permitting any action until further Order of this Court. Any statute of limitation or ultimate repose applicable to a cause of action that is enjoined pursuant to this Order is tolled, effective March 14, 2016 and during the term of this Interim Order, unless otherwise subsequently ordered by this Court. Further, as to a cause of action accrued or accruing in favor of one or more of the Receivership Entity against a third person or party, any applicable statute of limitation is tolled during the period in which this injunction against commencement of legal proceedings is in effect as to that cause of action.

#### **X. Managing Assets**

23. For each of the Receivership Entity, where appropriate and necessary in the judgment of the Receiver, the Receiver shall establish one or more custodial accounts at a federally insured bank to receive and hold all cash equivalent Receivership Property.

24. The Receiver may, without further Order of this Court, transfer, compromise, abandon or otherwise dispose of any Receivership Property, other than real estate, in the ordinary course of business, on terms and in the manner the Receiver deems most beneficial to the



Receivership Entity and with due regard to the realization of the true and proper value of such Receivership Property. The Receiver may sell real estate and assets outside of the ordinary course of business with Court approval. The assets of the Receivership Entity, with Court approval, may be sold, transferred or disposed, free and clear of any liens, claims or encumbrances, with such liens, claims or encumbrances attaching to the proceeds.

24a. The Receiver is authorized to take the following actions with respect to (a) CarePayment Holdings, LLC ("CP Holdings"), and its subsidiaries (collectively with CP Holdings, the "CPH Entities") or entities in which CP Holdings has a beneficial interest, including CarePayment, LLC ("CPLLC") and CP Funding I Trust ("CP Trust"), all of which are Receivership Entities in this Interim Order, and (b) CarePayment Technologies, Inc. ("CPYT"), which is not a Receivership Entity but in which the receivership estate owns a substantial equity interest: permit the CPH Entities to continue to borrow funds under their existing revolving credit receivables funding facilities or a new facility within the maximum amounts contemplated by the existing Credit Facilities so long as the lenders or their assignees and successors in interest are willing to continue to advance such funds, with the proceeds of such continued borrowings under the Credit Facilities to be used by the applicable CPH Entities to continue to purchase healthcare receivables consistent with past practices, with such continued borrowings to be secured by a first priority lien in such purchased healthcare receivables as provided in the existing documentation for the respective Credit Facilities. Nothing in this Paragraph shall create, or be intended to create, an obligation of any lender under a receivables facility to permit any entity to borrow funds thereunder nor shall the agreement of any lender to permit any entity to borrow funds, or the refusal to permit an entity to borrow funds, be considered in future proceedings following the expiration of this Interim Order.

25. The Receiver is authorized to take all actions to manage, maintain, and/or wind-down business operations of the Receivership Entity, including making legally required payments to creditors, employees, and agents of the Receivership Entity and communicating

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with vendors, investors, governmental and regulatory authorities, and others, as appropriate.

#### **XI. Investigating and Prosecuting Claims**

26. Subject to the requirement, in Section IX above, that leave of this Court is required to resume or commence certain litigation, the Receiver is authorized and empowered to investigate, prosecute, defend, intervene in or otherwise participate in, compromise, and/or adjust actions in any state, federal or foreign court or proceeding of any kind as may in his discretion, and in consultation with Commission counsel, be advisable or proper to recover and/or conserve Receivership Property.

27. Subject to his obligation to expend receivership funds in a reasonable and cost-effective manner, the Receiver is authorized and empowered to investigate the manner in which the financial and business affairs of the Receivership Entity were conducted and (after obtaining leave of this Court) to institute such actions and legal proceedings, for the benefit and on behalf of the Receivership Entity, as the Receiver deems necessary and appropriate. The Receiver may seek, among other legal and equitable relief, the imposition of constructive trusts, disgorgement of profits, asset turnover, avoidance of fraudulent transfers, rescission and restitution, collection of debts, and such other relief from this Court as may be necessary to enforce this Order. The Receiver should provide prior notice to Counsel for the Commission before commencing investigations and/or actions.

28. The Receiver hereby holds, and is therefore empowered to waive, all privileges, including the attorney-client privilege, held by the Receivership Entity

29. The receiver has a continuing duty to ensure that there are no conflicts of interest between the Receiver, his Retained Personnel (as that term is defined below), and the Receivership Entity.

#### **XII. Bankruptcy Filing**

30. The Receiver may seek authorization of this Court to file voluntary petitions for relief under Title 11 of the United States Code (the "Bankruptcy Code") for the Receivership



Entity. If a Receivership Entity is placed in bankruptcy proceedings, the Receiver may become, and may be empowered to operate each of the Receivership Estates as, a debtor in possession. In such a situation, the Receiver shall have all of the powers and duties as provided a debtor in possession under the Bankruptcy Code to the exclusion of any other person or entity. Pursuant to Paragraph 4 above, the Receiver is vested with management authority for all entity Receivership Entity and may therefore file and manage a Chapter 11 petition.

31. The provisions of Section IX above bar any person or entity, other than the Receiver, from placing any of the Receivership Entity in bankruptcy proceedings.

### **XIII. Liability of Receiver**

32. Until further Order of this Court, the Receiver shall not be required to post bond or give an undertaking of any type in connection with his fiduciary obligations in this matter.

33. The Receiver and his agents, acting within scope of such agency ("Retained Personnel") are entitled to rely on all outstanding rules of law and Orders of this Court and shall not be liable to anyone for their own good faith compliance with any order, rule, law, judgment, or decree. In no event shall the Receiver or Retained Personnel be liable to anyone for their good faith compliance with their duties and responsibilities as Receiver or Retained Personnel, nor shall the Receiver or Retained Personnel be liable to anyone for any actions taken or omitted by them except upon a finding by this Court that they acted or failed to act as a result of malfeasance, bad faith, gross negligence, or in reckless disregard of their duties.

34. This Court shall retain jurisdiction over any action filed against the Receiver or Retained Personnel based upon acts or omissions committed in their representative capacities.

35. In the event the Receiver decides to resign, the Receiver shall first give written notice to the Commission's counsel of record and the Court of its intention, and the resignation shall not be effective until the Court appoints a successor. The Receiver shall then follow such instructions as the Court may provide.



#### **XIV. Recommendations and Reports**

36. The Receiver is authorized, empowered and directed to develop a plan for the fair, reasonable, and efficient recovery and liquidation of all remaining, recovered, and recoverable Receivership Property (the "Liquidation Plan").

37. Within thirty (30) days after the end of the first full calendar quarter occurring after the final order of appointment, the Receiver shall serve and file with the Court a verified report and petition for instructions. The report and petition must contain a summary of the operations of the Receiver, an inventory of the assets and an estimated range of their appraised value, a schedule of all receipts and disbursements, and a list of all creditors, their addresses and the amounts of their claims according to the books and records of the Receivership Entity. Such report shall not establish any presumption(s) regarding distribution of the Receivership Property. The petition must contain the Receiver's recommendation as to the continuance of the Receivership and reason therefor.

38. Within thirty (30) days after the end of the first full calendar quarter occurring after the final order of appointment and each calendar quarter thereafter, the Receiver shall file and serve a full report and accounting of each Receivership Entity (the "Quarterly Status Report"), reflecting (to the best of the Receiver's knowledge as of the period covered by the report) the existence, value, and location of all Receivership Property, and of the extent of liabilities, both those claimed to exist by others and those the Receiver believes to be legal obligations of the Receivership Entity.

39. The Quarterly Status Report shall contain the following:

- A. A summary of the operations of the Receiver;
- B. The amount of cash on hand, the amount and nature of accrued administrative expenses, and the amount of unencumbered funds in the estate;
- C. A schedule of all the Receiver's receipts and disbursements (attached as Exhibit A to the Quarterly Status Report), with one column for the quarterly period covered and a second column for the entire duration of

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~~PROPOSED~~ INTERIM ORDER  
APPT. RECEIVER.

the receivership;

- D. A description of all known Receivership Property, including anticipated or proposed dispositions, and reasons for retaining assets where no disposition is intended;
- E. A description of liquidated and unliquidated claims held by the Receivership Entity, including the need for forensic and/or investigatory resources; approximate valuations of claims; and anticipated or proposed methods of enforcing such claims (including likelihood of success in: (i) reducing the claims to judgment; and, (ii) collecting such judgments);
- F. A list of all known creditors with their addresses and the amounts of their claims according to the books and records of the Receivership Entity;
- G. The status of litigation brought by the Receivership Estate after such proceedings have been commenced; and,
- H. The Receiver's recommendations for a continuation or discontinuation of the Receivership and the reasons for the recommendations.

40. On the request of the Commission, the Receiver shall provide the Commission with any documentation that the Commission deems necessary to meet its reporting requirements, that is mandated by statute or Congress, or that is otherwise necessary to further the Commission's mission.

#### **XV. Fees, Expenses and Accountings**

41. Subject to Paragraphs 42 – 48 immediately below, the Receiver need not obtain Court approval prior to the disbursement of Receivership funds for expenses in the ordinary course of the administration and operation of the Receivership. Further, prior Court approval is not required for payments of applicable federal, state or local taxes.

42. Subject to Paragraph 43 immediately below, the Receiver is authorized to solicit professional persons and Entity ("Retained Personnel") to assist him in carrying out the duties and responsibilities described in this Order. The Receiver shall not engage any Retained Personnel, other than those appointed pursuant to Paragraph 1 above, without first obtaining an Order of the Court authorizing such engagement, which authorization can be granted *nunc pro tunc* at the discretion of the court.

43. The Receiver and Retained Personnel are entitled to reasonable compensation and



expense reimbursement from the Receivership Estates as described in the "Billing Instructions for Receivers in Civil Actions Commenced by the U.S. Securities and Exchange Commission" (the "Billing Instructions") agreed to by the Receiver. Such compensation shall require the prior approval of the Court.

44. Within sixty (60) days after the end of each calendar quarter, the Receiver and Retained Personnel shall apply to the Court for compensation and expense reimbursement from the Receivership Entity (the "Quarterly Fee Applications"). At least thirty (30) days prior to filing each Quarterly Fee Application with the Court, the Receiver will serve upon counsel for the Commission a complete copy of the proposed Application, together with all exhibits and relevant billing information in a format to be provided by the Commission staff.

45. All Quarterly Fee Applications will be interim and will be subject to final reviews at the close of the Receivership. At the close of the Receivership, the Receiver will file a final fee application.

46. Quarterly Fee Applications may be subject to a holdback in the amount of 20% of the amount of fees, for each application filed with the Court. Such holdback amounts shall not include out-of-pocket expenses of the Receiver and Retained Personnel. The total amounts held back during the course of the Receivership will be paid out at the discretion of the Court as part of the final fee application submitted at the close of the Receivership.

47. Each Quarterly Fee Application shall:

- A. Comply with the terms of the Billing Instructions agreed to by the Receiver; and,
- B. Contain representations (in addition to the Certification required by the Billing Instructions) that: (i) the fees and expenses included therein were incurred in the best interests of the Receivership Estate; and, (ii) with the exception of the Billing Instructions, the Receiver has not entered into any agreement, written or oral, express or implied, with any person or entity concerning the amount of compensation paid or to be paid from the Receivership Estate, or any sharing thereof, except that the Receiver's fees shall be paid to FTI Consulting, Inc.

48. At the close of the Receivership, the Receiver shall submit a Final Accounting, in



a format to be provided by the Commission staff, as well as the Receiver's final application for compensation and expense reimbursement.

49. Notwithstanding anything in this Interim Order to the contrary, the Receiver shall not (a) establish any custodial account in the name of CP Funding I Trust ("CP Trust"), except that the Receiver shall be permitted to change signatories on any account for which an officer or representative of the borrower is a signatory, (b) transfer, compromise, abandon, or otherwise dispose of any assets of or commingle or distribute any of the assets or proceeds thereof of CP Trust to any person or entity (other than the lender or agent under the facility to CP Trust) or (c) make payments from the assets of CP Trust or otherwise manage, maintain and or wind down business operation of CP Trust in any manner inconsistent with (a) and (b). During the term of this Interim Order, the lender or agent under the facility with CP Trust shall not exercise any remedies as a result of the occurrence of an Event of Default or Servicer Termination under the relevant documents.

50. Any objections to the [Proposed] Stipulated Order Appointing Receiver (Docket No. 2-2) shall be filed with the Court by March 18, 2016. Any responses by Plaintiff or Defendants are due by March 24, 2016. No further pleadings relating to the [Proposed] Stipulated Order Appointing Receiver (Doc. No. 2-2) shall be filed. On March 29, 2016, at 10:00 a.m., the Court will hold a hearing, without any presumptions arising from the terms of this Interim Order, on the [Proposed] Stipulated Order Appointing Receiver (Doc. No. 2-2).

IT IS SO ORDERED.

DATED this 16 day of MARCH, 2016

  
United States District Judge

## EXHIBIT A

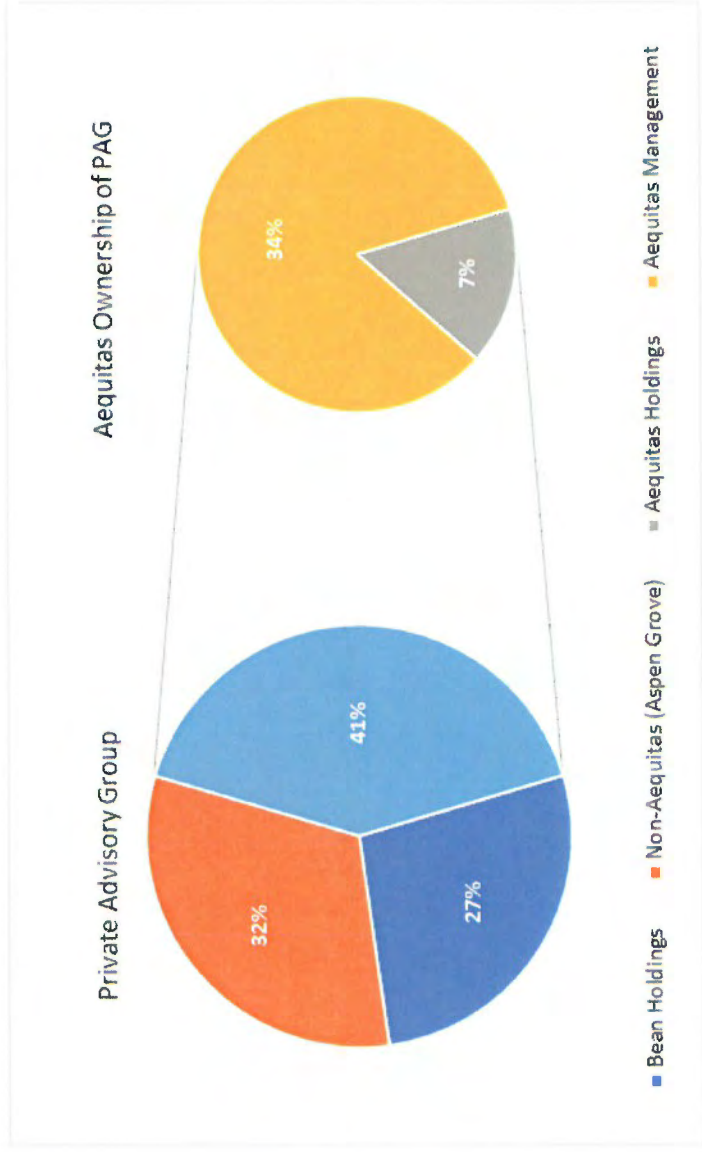
|    |  |    |  |
|----|--|----|--|
| 1  | Aequitas Enterprise Services, LLC        | 27 | Aequitas Senior Housing, LLC                 |
| 2  | Aequitas Hybrid Fund, LLC                | 28 | Aequitas Capital Opportunities Fund, LP      |
| 3  | Aequitas Income Opportunity Fund II, LLC | 29 | Aequitas Capital Opportunities GP, LLC       |
| 4  | Aequitas Private Client Fund, LLC        | 30 | ACC Holdings 5, LLC                          |
| 5  | Aequitas Income Opportunity Fund, LLC    | 31 | ACC Funding Series Trust 2015-5              |
| 6  | Aequitas ETC Founders Fund, LLC          | 32 | Aequitas Corporate Lending, LLC              |
| 7  | Aequitas Enhanced Income Fund, LLC       | 33 | Aequitas Wealth Management, LLC              |
| 8  | Aequitas WRFF I, LLC                     | 34 | Aequitas Wealth Management Partner Fund, LLC |
| 9  | Aequitas Income Protection Fund, LLC     | 35 | Hickory Growth Partners, LLC                 |
| 10 | Aequitas EIF Debt Fund, LLC              | 36 | Aspen Grove Equity Solutions, LLC            |
| 11 | ACC C Plus Holdings, LLC                 | 37 | Aequitas International Holdings, LLC         |
| 12 | ACC Holdings 2, LLC                      | 38 | Aequitas Asset Management Oregon, LLC        |
| 13 | ACC Funding Trust 2014-2                 | 39 | AAM Fund Investment, LLC                     |
| 14 | Aequitas Peer-To-Peer Funding, LLC       | 40 | Aequitas Senior Housing Operations, LLC      |
| 15 | CarePayment Holdings, LLC                | 41 | Executive Citation, LLC                      |
| 16 | CarePayment, LLC                         | 42 | Executive Falcon, LLC                        |
| 17 | CP Funding I Holdings, LLC               | 43 | APF Holdings, LLC                            |
| 18 | CP Funding I Trust                       | 44 | Aequitas Partner Fund, LLC                   |
| 19 | Campus Student Funding, LLC              |    |  |
| 20 | ACC F Plus Holdings, LLC                 |    |  |
| 21 | ACC Holdings 1, LLC                      |    |  |
| 22 | ACC Funding Trust 2014-1                 |    |  |
| 23 | ML Financial Holdings, LLC               |    |  |
| 24 | Motolease Financial, LLC                 |    |  |
| 25 | Unigo Student Funding, LLC               |    |  |
| 26 | The Hill Land, LLC                       |    |  |

**EXHIBIT B**

|   |  |
|---|--|
| 1 | CarePayment Technologies, Inc            |
| 2 | EDPlus Holdings, LLC                     |
| 3 | Marketing Services Platform, Inc.        |
| 4 | Ivey Performance Marketing, LLC          |
| 5 | Gridbox Media, LLC                       |
| 6 | Skagit Gardens, Inc.                     |
| 7 | Synchronex, LLC                          |
| 8 | Aequitas International Opportunities, LP |

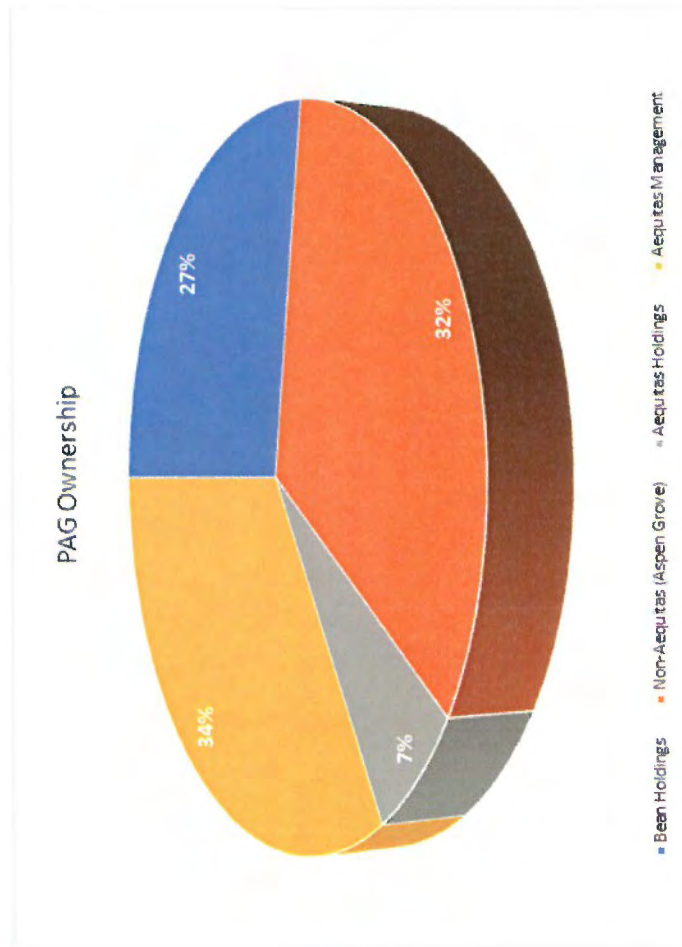


Bean Holdings 27%  
Non-Aequitas (Aspen Grove) 32%  
Aequitas Holdings 7%  
Aequitas Management 34%



27%  
32%  
7%  
34%

Bean Holdings  
Non-Aequitas (Aspen Grove)  
Aequitas Holdings  
Aequitas Management



**ATTACHMENT "A"**

**U.S. District Court  
District of Oregon (Portland (3))  
CIVIL DOCKET FOR CASE # 3:16-cv-00438-PK**

Securities and Exchange Commission v. Aequitas Management,  
LLC et al  
Assigned to: Magistrate Judge Paul Papak  
Cause: 15:77 Securities Fraud

Date Filed: 03/10/2016  
Jury Demand: Defendant  
Nature of Suit: 850 Securities/Commodities  
Jurisdiction: U.S. Government Plaintiff

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V.

**Movant**

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**Karen R. Frostrom** (admitted *pro hac vice*; CSB No. 207044)  
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Attorneys for Plaintiff Enviso Capital Group LLC

**IN THE UNITED STATES DISTRICT COURT**

**FOR THE STATE OF OREGON**

SECURITIES AND EXCHANGE  
 COMMISSION,,

Plaintiff,

v.

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

Defendants.

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

**DECLARATION OF KAREN FROSTROM IN  
 SUPPORT OF ENVISO CAPITAL GROUP'S  
 SECOND MOTION TO LIFT STAY**

I, Karen Frostrom, under penalty of perjury hereby make the following declaration based upon personal knowledge and am competent to make the following statements herein:

1. I am one of the attorneys representing Enviso Capital Group in *Enviso Capital Group, LLC v. Aequitas Holdings, LLC*, et al., San Diego Superior Court Case No. 37-2016-00009462-CU-BC-CTL and in this action.

2. On May 24, 2016, an attorney representing the Receiver in this action, Troy Greenfield, sent an email to me and my law partner contending that “commencing” *Enviso Capital*

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1 *Group, LLC v. Aequitas Holdings, LLC*, et al, San Diego Superior Court Case No. 37-2016-  
 2 00009462-CU-BC-CTL “was in violation of an Order Appointing Receiver dated April 14, 2016 in  
 3 this case. We had commenced the state court case in San Diego on March 22, 2016 before the Order  
 4 that he referenced was in place. Additionally, we were not aware of and Receiver’s counsel did not  
 5 mention in that email that there had been an earlier order, an Interim Order, originally appointing a  
 6 Receiver in this case, dated March 16, 2016.

7 3. On May 27, 2016, I received an email from attorney Roger Mellem, who was  
 8 representing Private Advisory Group, LLC (“PAG”), S. Christopher Bean, Douglas Bean, and  
 9 Jonathan Bishop in the state court case in San Diego. He also for the first time mentioned the Order  
 10 Appointing Receiver in this case and provided a copy of it to me. He specifically mentioned that the  
 11 Order defined “Receivership Entity” as including Aspen Grove Equity Solutions, LLC, which is a  
 12 majority owner of PAG, and therefore concluded that nothing further could happen in the state court  
 13 case.

14 4. On May 27, 2016, I spoke with Receiver’s counsel Troy Greenfield by telephone  
 15 about the Order’s scope. During that call, I explained that PAG is not listed as a Receivership Entity  
 16 in Exhibit A. Mr. Greenfield argued that PAG is included as a Receivership Entity even though it is  
 17 not listed in Exhibit A because Aspen Grove, which is listed in Exhibit A, is a majority owner of  
 18 PAG. In my opinion, Mr. Greenfield was misreading the definition of “Receivership Entity” set  
 19 forth on page 1 of the Order. The Order states, “IT IS HEREBY ORDERED that Ronald Greenspan,  
 20 is appointed to serve without bond as receiver of the Receivership Defendants, and their subsidiaries  
 21 and/or majority owned affiliates as set forth on the attached Exhibit A (collectively “Receivership  
 22 Entity”). My interpretation was: if the entity is not listed on Exhibit A, it is not part of the  
 23 “Receivership Entity.”

24 5. During that call on May 27, 2016, it seemed that Mr. Greenfield was more focused on  
 25 the words “and their subsidiaries and/or majority owned affiliates” than on the words “as set forth on  
 26 the attached Exhibit A.” Even those words though do not include PAG. Those words are referring  
 27 to subsidiaries or majority owned affiliates of the Receivership Defendants. I admit that Aspen  
 28 Grove is a subsidiary or majority owned affiliate of Aequitas, a Receivership Defendant, but PAG is

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1 not. I also admit that Aspen Grove owns a majority interest in PAG. But the Order does not state  
 2 “the Receivership Defendants, and their subsidiaries and/or majority owned affiliates *and the*  
 3 *subsidiaries and majority owned affiliates of those subsidiaries and/or majority owned affiliates.*”  
 4 To include PAG within the scope of the Order in his interpretation of it, Mr. Greenfield had added  
 5 those words to the Order. Nonetheless, he would not concede my points. Instead, he acknowledged  
 6 how I could contend that the Order is ambiguous.

7 6. Despite our differing interpretations of the Order, Mr. Greenfield explained during  
 8 the May 27 call, he wanted to have the stay apply to the state court case regarding PAG in San Diego  
 9 because of Aspen Growth’s ownership interest in PAG until the Receiver issued his report in  
 10 September. He also said if we fought him on his interpretation, he would probably win in court  
 11 because it would only be a few months until there was a final decision about PAG in the Receiver’s  
 12 report expected in September. In exchange for agreeing to wait until the Receiver issued his report  
 13 in September, Mr. Greenfield agreed to convey a letter from me to the Receiver explaining why the  
 14 case in San Diego is unique and why it would not be harmful to the estate for it to proceed given that  
 15 the insurance involved in the state court case was not implicated in this federal case.

16 7. On June 15, 2016, I wrote to Mr. Parker, another lawyer in Mr. Greenfield’s firm  
 17 representing the Receiver, and confirmed that we had filed a Notice of Stay of Proceedings in the  
 18 state court in San Diego. In other words, we had upheld our end of the bargain struck during the  
 19 May 27 call. In return on June 23, 2016, Mr. Parker confirmed that the Receiver had received  
 20 Enviso’s request for relief from the stay imposed by the April 14, 2016 Order. Mr. Parker reiterated  
 21 that the Receiver would issue a report as required by the Order regarding Enviso’s case in San Diego  
 22 and other litigation potentially impacting the receivership estate.

23 8. On September 14, 2016, the Receiver issued his report in which, from our  
 24 perspective, he concluded PAG is not holding any assets of any company involved in the SEC case.

25 9. On November 3, 2016, a representative from Enviso Capital Group spoke to the  
 26 Receiver. The Receiver said that the court had recently asked for his recommendation regarding the  
 27 stayed entities and that he had suggested extending the stay for an additional 90 days to conduct  
 28 alternative dispute resolution. Enviso’s representative explained that the insurance that would pay



1 out on the claim in the state court case in San Diego, Director's and Officer's Insurance, did not  
 2 apply to the SEC case, which involves Errors & Omissions policies. The Receiver said it Enviso can  
 3 show that Enviso's claim in state court is not a claim on assets or insurance involved in the SEC  
 4 case, then he had no problem lifting the stay as to PAG in the state court case.

5 10. On November 8, 2016, based upon this conversation between Enviso's representative  
 6 and the Receiver, I called the Receiver's counsel, Mr. Greenfield, to request that he agree to lift the  
 7 stay. Mr. Greenfield refused.

8 11. On December 28, 2016, after Enviso filed its Motion to Lift Stay, Mr. Greenfield  
 9 objected, contending I had not conferred enough with him before filing the motion and reiterating  
 10 that Aspen Grove, listed on Exhibit A, is a majority owner in PAG, which is not listed on Exhibit A,  
 11 and therefore in his opinion, the stay must continue. Furthermore, he said that mediation would  
 12 likely occur on March 1-2 and that it made no sense to waste insurance policies in the meantime.

13 12. On January 18, 2017, I conferred again with Mr. Greenfield about lifting the stay as  
 14 to PAG, Chris Bean, and Doug Maurer. Once again, Mr. Greenfield and I had differing  
 15 interpretations of the scope of the Order Appointing Receiver. We also disagreed about the  
 16 conclusions regarding PAG in the Receiver's report. Mr. Greenfield urged us to hold off on a  
 17 motion to lift the stay until after the mediation that he said would occur in early March. Asked if he  
 18 would agree to lift the stay if the mediation did not end successfully, he said he would have to wait  
 19 and see. Given that the insurance available to resolve this SEC case is different than the insurance  
 20 involved in the state court case in San Diego and that the parties continue to disagree about the scope  
 21 of the Order and the conclusions in the Receiver's report, I concluded that it is necessary to bring  
 22 these issues to the Court to resolve.

23 ///

24 ///

25 ///

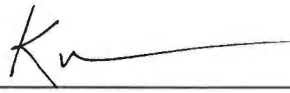
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1 I HEREBY DECLARE THAT THE ABOVE STATEMENT IS TRUE TO THE BEST OF  
2 MY KNOWLEDGE AND BELIEF, AND THAT I UNDERSTAND IT IS MADE FOR USE  
3 AS EVIDENCE IN COURT AND SUBJECT TO PENALTY FOR PERJURY.

4 Executed on the 22<sup>nd</sup> day of February, 2017 in San Diego, California.  
5

6  
7   
8 \_\_\_\_\_  
9 Karen Frostrom  
10

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**ATTORNEY CERTIFICATE OF SERVICE**

I hereby certify that on February 22, 2017, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system, which send notification of such filing to the attorneys listed in Attachment A.

Dated: February 22, 2017

THORSNES BARTOLOTTA McGUIRE LLP

By: s/ Karen R. Frostrom

KAREN R. FROSTROM, ESQ.  
VINCENT J. BARTOLOTTA, JR., ESQ.

and

THE HEEKIN LAW FIRM  
Katherine R. Heekin

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UNITED STATES DISTRICT COURT  
DISTRICT OF OREGON  
PORTLAND DIVISION

SECURITIES AND EXCHANGE COMMISSION,  
Plaintiff,

vs.

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

Defendants,

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

~~PROPOSED~~ STIPULATED INTERIM  
ORDER APPOINTING RECEIVER

~~PROPOSED~~ INTERIM ORDER  
APPT. RECEIVER

Pursuant to the stipulation entered into by Plaintiff Securities and Exchange Commission ("Commission") and defendants Aequitas Management, LLC, Aequitas Holdings, LLC, Aequitas Commercial Finance, LLC, Aequitas Capital Management, Inc. and Aequitas Investment Management, LLC, directly or through their attorneys of record, the Court finds that the appointment of a receiver in this action is necessary and appropriate for the purposes of marshaling and preserving all assets of defendants Aequitas Management, LLC, Aequitas Holdings, LLC, Aequitas Commercial Finance, LLC, Aequitas Capital Management, Inc. and Aequitas Investment Management, LLC (collectively "Receivership Defendants"), and hereby orders as follows:

**I. Appointment of Receiver**

1. IT IS HEREBY ORDERED that Ronald Greenspan, is appointed to serve without bond as receiver of the Receivership Defendants, and their subsidiaries and/or majority-owned affiliates as set forth on the attached Exhibit A (collectively "Receivership Entity"). The entities listed on the attached Exhibit B (collectively "Extended Entities") shall cooperate fully with the Receiver in the execution of his duties, but shall not be included in the Receivership Entity, unless the Receiver in his discretion seeks approval from this Court to include such entities as part of the Receivership Entity. Mr. Greenspan (the "Receiver") is authorized to retain FTI Consulting, Inc., and the law firms of Pepper Hamilton LLP ("Pepper Hamilton") and Pachulski Stang Ziehl & Jones LLP ("Pachulski") in connection with this appointment. With the Court's approval, the Receiver, Pepper Hamilton and Pachulski shall be compensated from the Receivership Estates (as defined in paragraph 6 below) for all reasonable fees and costs. The professionals mentioned above are permitted to retain any remaining balances from pre-receivership retainers to apply to invoices approved in the future.

The agreed upon fee schedules for these professional firms are as follows:

**FTI Consulting**

Senior Managing Director \$825

1

~~[PROPOSED]~~ INTERIM ORDER  
APPT. RECEIVER.

Managing Director \$660

Senior Director \$605

Director \$570

Senior Consultant \$460

Consultant \$345

Project Assistant \$250

Rates above reflect a discount from ordinary rates. FTI Consulting may add or substitute other professionals with comparable experience at comparable rates.

Pepper Hamilton LLP

Joseph V. Del Raso (Partner) \$845

Ivan B. Knauer (Partner) \$725

John P. Falco (Partner) \$445

Brian M. Nichilo (Associate) \$330

Rates above reflect a discount from ordinary rates. Pepper Hamilton may add or substitute other professionals with comparable experience at comparable rates. Rates, after application of discount to ordinary rates, range from \$445 to \$845 for partners, from \$275-\$490 for associates and from \$100 to \$250 for paralegals and other non-attorney staff.

Pachulski Stang Ziehl & Jones LLP

Ira D. Kharasch (Partner) \$846

John W. Lucas (Partner) \$574

Rates above reflect a discount from ordinary rates. Pachulski may add or substitute other professionals with comparable experience at comparable rates.

Schwabe, Williamson & Wyatt

Senior Shareholder \$510

Junior Shareholder \$465

Associate \$330



Paralegal \$230

Rates above reflect a discount from ordinary rates. Schwabe, Williamson & Wyatt may add or substitute other professionals with comparable experience at comparable rates.

The Receiver is also authorized to retain a noticing agent.

**II. Asset Freeze**

2. Except as otherwise specified herein with respect to the powers of the Receiver, all property of the Receivership Entity is frozen until further order of this Court. Accordingly, all persons and entities with direct or indirect control over any property of the Receivership Entity, other than the Receiver, are hereby restrained and enjoined from directly or indirectly transferring, setting off, receiving, changing, selling, pledging, assigning, liquidating or otherwise disposing of or withdrawing such assets.

**III. General Powers and Duties of Receiver**

3. The Receiver shall have all powers, authorities, rights and privileges heretofore possessed by the officers, directors, members, managers and general and limited partners of the Receivership Entity under applicable state and federal law, by the governing charters, by-laws, articles and/or agreements in addition to all powers and authority of a receiver at equity, and all powers conferred upon a receiver by the provisions of 28 U.S.C. §§ 754, 959 and 1692, and Fed.R.Civ.P. 66.

4. The trustees, directors, officers, members, and managers of the Receivership Entity are hereby dismissed and the powers of any general partners, directors, members and/or managers are hereby suspended. Such persons and entities shall have no authority with respect to the Receivership Entity's operations or assets, except to the extent as may hereafter be expressly granted by the Receiver. The Receiver shall have the authority to dismiss any employees, investment advisors, accountants, attorneys and other agents of the Receivership Entity as needed to effectively execute his duties and responsibilities. The Receiver shall assume and control the operation of the Receivership Entity and preserve all of their claims. The

Receiver is expressly permitted to provide any notices required under this Order or otherwise by electronic means.

5. No person, other than the Receiver, holding or claiming any position of any sort with any of the Receivership Entity shall possess any authority to act by or on behalf of any of the Receivership Entity.

6. Subject to the specific provisions in Sections IV through XV, below, the Receiver shall have the following general powers and duties:

- A. To use reasonable efforts to determine the nature, location and value of all property interests of the Receivership Entity, including, but not limited to, monies, funds, securities, credits, effects, goods, chattels, lands, premises, leases, claims, rights and other assets, together with all rents, profits, dividends, interest or other income attributable thereto, of whatever kind, which the Receivership Entity own, possess, have a beneficial interest in, or control directly or indirectly ("Receivership Property" or, collectively, the "Receivership Estates");
- B. To take custody, control and possession of all Receivership Property and records relevant thereto from the Receivership Entity; to sue for and collect, recover, receive and take into possession from third parties all Receivership Property and records relevant thereto;
- C. To manage, control, operate and maintain the Receivership Estates and hold in his possession, custody and control all Receivership Property, subject to powers provided below and pending further Order of this Court;
- D. To use Receivership Property for the benefit of the Receivership Entity, which, from the date of this Order, shall be treated as a consolidated enterprise for the purpose of making payments and disbursements, including payments to professionals, and incurring expenses as may be necessary or advisable in the ordinary course of business in discharging his duties as Receiver; however, this provision shall have no force or effect with respect to whether the Receivership Entity shall be treated as a consolidated enterprise for the distribution (claims payment) phase of this matter nor after a motion and court order prospectively making this paragraph of no further force or effect;
- E. To take any action which, prior to the entry of this Order, could have been taken by the officers, directors, partners, managers, trustees and agents of the Receivership Entity;
- F. To engage and employ persons in his discretion to assist him in carrying out his duties and responsibilities hereunder, including, but not limited to, accountants, attorneys, securities traders, registered representatives,

financial or business advisers, liquidating agents, real estate agents, forensic experts, brokers, traders or auctioneers;

- G. To take such action as necessary and appropriate for the preservation of Receivership Property or to prevent the dissipation or concealment of Receivership Property;
- H. To issue subpoenas for documents and testimony consistent with the Federal Rules of Civil Procedure, concerning any subject matter within the powers and duties granted by this Order;
- I. To bring such legal actions based on law or equity in any state, federal, or foreign court as the Receiver deems necessary or appropriate in discharging his duties as Receiver;
- J. To pursue, resist and defend all suits, actions, claims and demands which may now be pending or which may be brought by or asserted against the Receivership Estates; and,
- K. To take such other action as may be approved by this Court.

#### **IV. Access to Information**

7. The Receivership Entity and the past and/or present officers, directors, agents, managers, general and limited partners, trustees, attorneys, accountants and employees of the entity Receivership Entity, as well as those acting in their place, are hereby ordered and directed to preserve and turn over immediately upon the Receiver's request to the Receiver forthwith all paper and electronic information of, and/or relating to, the Receivership Entity and/or all Receivership Property; such information shall include but not be limited to books, records, documents, accounts and all other instruments and papers.

#### **V. Access to Books, Records and Accounts**

8. The Receiver is authorized to take immediate possession of all assets, bank accounts or other financial accounts, books and records and all other documents or instruments relating to the Receivership Entity. All persons and entities having control, custody or possession of any Receivership Property are hereby directed to turn such property over to the Receiver.

9. The Receivership Entity, as well as their agents, servants, employees, attorneys,



any persons acting for or on behalf of the Receivership Entity, and any persons receiving notice of this Order by personal service, facsimile transmission or otherwise, having possession of the property, business, books, records, accounts or assets of the Receivership Entity are hereby directed to deliver the same to the Receiver, his agents and/or employees.

10. All banks, brokerage firms, financial institutions, and other persons or entities which have possession, custody or control of any assets or funds held by, in the name of, or for the benefit of, directly or indirectly, the Receivership Entity that receive actual notice of this Order by personal service, email, facsimile transmission or otherwise shall:

- A. Not liquidate, transfer, sell, convey or otherwise transfer any assets, securities, funds, or accounts in the name of or for the benefit of the Receivership Entity except upon instructions from the Receiver;
- B. Not exercise any form of set-off, alleged set-off, lien, or any form of self-help whatsoever, or refuse to transfer any funds or assets to the Receiver's control without the permission of this Court;
- C. Within five (5) business days of receipt of that notice, file with the Court (in redacted form if required by F.R.Civ.Pro 5.2) and serve on the Receiver and counsel for the Commission a sworn statement setting forth, with respect to each such account or other asset, the balance in the account or description of the assets as of the close of business on the date of receipt of the; and,
- D. Cooperate expeditiously in providing information and transferring funds, assets and accounts to the Receiver or at the direction of the Receiver.

#### **VI. Access to Personal Property**

11. The Receiver is authorized to take immediate possession of all personal property of the Receivership Entity, wherever located, including but not limited to electronically stored information, computers, laptops, hard drives, external storage drives, and any other such memory, media or electronic storage devices, books, papers, data processing records, evidence of indebtedness, bank records and accounts, savings records and accounts, brokerage records and accounts, certificates of deposit, stocks, bonds, debentures, and other securities and investments, contracts, mortgages, furniture, office supplies and equipment.

12. The Receiver is authorized to open all mail directed to or received by or at the

offices or post office boxes of the Receivership Entity, and to inspect all mail opened prior to the entry of this Order, to determine whether items or information therein fall within the mandates of this Order.

#### **VII. Notice to Third Parties**

13. The Receiver shall promptly give notice, which may be electronic, of his appointment to all known officers, directors, agents, employees, shareholders, creditors, debtors, managers and general and limited partners of the Receivership Entity, as the Receiver deems necessary or advisable to effectuate the operation of the receivership

14. All persons and entities owing any obligation, debt, or distribution with respect to an ownership interest to any Receivership Entity shall, until further ordered by this Court, pay all such obligations in accordance with the terms thereof to the Receiver and its receipt for such payments shall have the same force and effect as if the Receivership Entity had received such payment.

15. In furtherance of his responsibilities in this matter, the Receiver is authorized to communicate with, and/or serve this Order upon, any person, entity or government office that he deems appropriate to inform them of the status of this matter and/or the financial condition of the Receivership Entity. All government offices which maintain public files of security interests in real and personal property shall, consistent with such office's applicable procedures, record this Order upon the request of the Receiver or the Commission.

16. The Receiver is authorized to instruct the United States Postmaster to hold and/or reroute mail which is related, directly or indirectly, to the business, operations or activities of any of the Receivership Entity (the "Receiver's Mail"), including all mail addressed to, or for the benefit of, the Receivership Entity. The Postmaster shall not comply with, and shall immediately report to the Receiver, any change of address or other instruction given by anyone other than the Receiver concerning the Receiver's Mail. The Receivership Entity shall not open any of the Receiver's Mail and shall immediately turn over such mail, regardless of when received, to the



Receiver.

### **VIII. Injunction Against Interference with Receiver**

17. The Receivership Entity and all persons receiving notice of this Order by personal service, email, facsimile or otherwise, are hereby restrained and enjoined from directly or indirectly taking any action or causing any action to be taken, without the express written agreement of the Receiver, which would:

- A. Interfere with the Receiver's efforts to take control, possession, or management of any Receivership Property; such prohibited actions include but are not limited to, using self-help or executing or issuing or causing the execution or issuance of any court attachment, subpoena, replevin, execution, or other process for the purpose of impounding or taking possession of or interfering with or creating or enforcing a lien upon any Receivership Property;
- B. Hinder, obstruct or otherwise interfere with the Receiver in the performance of his duties; such prohibited actions include but are not limited to, concealing, destroying or altering records or information;
- C. Dissipate or otherwise diminish the value of any Receivership Property; such prohibited actions include but are not limited to, releasing claims or disposing, transferring, exchanging, assigning or in any way conveying any Receivership Property, enforcing judgments, assessments or claims against any Receivership Property or any Receivership Entity, attempting to modify, cancel, terminate, call, extinguish, revoke, foreclose upon, enforce default provisions or accelerate (the due date), of any lease, loan, mortgage, indebtedness, security agreement or other agreement executed by any Receivership Entity or which otherwise affects any Receivership Property; or,
- D. Interfere with or harass the Receiver, or interfere in any manner with the exclusive jurisdiction of this Court over the Receivership Estates.

18. The Receivership Entity and Extended Entities shall cooperate with and assist the Receiver in the performance of his duties.

19. The Receiver shall promptly notify the Court and Commission counsel of any failure or apparent failure of any person or entity to comply in any way with the terms of this Order.

### **IX. Stay of Litigation**

20. As set forth in detail below, the following proceedings, excluding the instant



proceeding and any action or proceeding by a governmental unit to enforce such governmental unit's police or regulatory power and actions of the Commission related to the above-captioned enforcement action, are stayed until further Order of this Court:

All civil legal proceedings of any nature, including, but not limited to, bankruptcy proceedings, arbitration proceedings, foreclosure actions, default proceedings, or other actions of any nature involving: (a) the Receiver, in his capacity as Receiver; (b) any Receivership Property, wherever located; (c) any of the Receivership Entity; or (d) any of the Receivership Entity's past or present officers, directors, managers, agents, or general or limited partners sued for, or in connection with, any action taken by them while acting in such capacity of any nature, whether as plaintiff, defendant, third-party plaintiff, third-party defendant, or otherwise (such proceedings are hereinafter referred to as "Ancillary Proceedings").

21. The parties to any and all Ancillary Proceedings are enjoined from commencing or continuing any such legal proceeding, or from taking any action, in connection with any such proceeding, including, but not limited to, the issuance or employment of process.

22. All Ancillary Proceedings are stayed in their entirety, and all Courts having any jurisdiction thereof are enjoined from taking or permitting any action until further Order of this Court. Any statute of limitation or ultimate repose applicable to a cause of action that is enjoined pursuant to this Order is tolled, effective March 14, 2016 and during the term of this Interim Order, unless otherwise subsequently ordered by this Court. Further, as to a cause of action accrued or accruing in favor of one or more of the Receivership Entity against a third person or party, any applicable statute of limitation is tolled during the period in which this injunction against commencement of legal proceedings is in effect as to that cause of action.

#### **X. Managing Assets**

23. For each of the Receivership Entity, where appropriate and necessary in the judgment of the Receiver, the Receiver shall establish one or more custodial accounts at a federally insured bank to receive and hold all cash equivalent Receivership Property.

24. The Receiver may, without further Order of this Court, transfer, compromise, abandon or otherwise dispose of any Receivership Property, other than real estate, in the ordinary course of business, on terms and in the manner the Receiver deems most beneficial to the

Receivership Entity and with due regard to the realization of the true and proper value of such Receivership Property. The Receiver may sell real estate and assets outside of the ordinary course of business with Court approval. The assets of the Receivership Entity, with Court approval, may be sold, transferred or disposed, free and clear of any liens, claims or encumbrances, with such liens, claims or encumbrances attaching to the proceeds.

24a. The Receiver is authorized to take the following actions with respect to (a) CarePayment Holdings, LLC ("CP Holdings"), and its subsidiaries (collectively with CP Holdings, the "CPH Entities") or entities in which CP Holdings has a beneficial interest, including CarePayment, LLC ("CPLLC") and CP Funding I Trust ("CP Trust"), all of which are Receivership Entities in this Interim Order, and (b) CarePayment Technologies, Inc. ("CPYT"), which is not a Receivership Entity but in which the receivership estate owns a substantial equity interest: permit the CPH Entities to continue to borrow funds under their existing revolving credit receivables funding facilities or a new facility within the maximum amounts contemplated by the existing Credit Facilities so long as the lenders or their assignees and successors in interest are willing to continue to advance such funds, with the proceeds of such continued borrowings under the Credit Facilities to be used by the applicable CPH Entities to continue to purchase healthcare receivables consistent with past practices, with such continued borrowings to be secured by a first priority lien in such purchased healthcare receivables as provided in the existing documentation for the respective Credit Facilities. Nothing in this Paragraph shall create, or be intended to create, an obligation of any lender under a receivables facility to permit any entity to borrow funds thereunder nor shall the agreement of any lender to permit any entity to borrow funds, or the refusal to permit an entity to borrow funds, be considered in future proceedings following the expiration of this Interim Order.

25. The Receiver is authorized to take all actions to manage, maintain, and/or wind-down business operations of the Receivership Entity, including making legally required payments to creditors, employees, and agents of the Receivership Entity and communicating

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with vendors, investors, governmental and regulatory authorities, and others, as appropriate.

#### **XI. Investigating and Prosecuting Claims**

26. Subject to the requirement, in Section IX above, that leave of this Court is required to resume or commence certain litigation, the Receiver is authorized and empowered to investigate, prosecute, defend, intervene in or otherwise participate in, compromise, and/or adjust actions in any state, federal or foreign court or proceeding of any kind as may in his discretion, and in consultation with Commission counsel, be advisable or proper to recover and/or conserve Receivership Property.

27. Subject to his obligation to expend receivership funds in a reasonable and cost-effective manner, the Receiver is authorized and empowered to investigate the manner in which the financial and business affairs of the Receivership Entity were conducted and (after obtaining leave of this Court) to institute such actions and legal proceedings, for the benefit and on behalf of the Receivership Entity, as the Receiver deems necessary and appropriate. The Receiver may seek, among other legal and equitable relief, the imposition of constructive trusts, disgorgement of profits, asset turnover, avoidance of fraudulent transfers, rescission and restitution, collection of debts, and such other relief from this Court as may be necessary to enforce this Order. The Receiver should provide prior notice to Counsel for the Commission before commencing investigations and/or actions.

28. The Receiver hereby holds, and is therefore empowered to waive, all privileges, including the attorney-client privilege, held by the Receivership Entity

29. The receiver has a continuing duty to ensure that there are no conflicts of interest between the Receiver, his Retained Personnel (as that term is defined below), and the Receivership Entity.

#### **XII. Bankruptcy Filing**

30. The Receiver may seek authorization of this Court to file voluntary petitions for relief under Title 11 of the United States Code (the "Bankruptcy Code") for the Receivership



Entity. If a Receivership Entity is placed in bankruptcy proceedings, the Receiver may become, and may be empowered to operate each of the Receivership Estates as, a debtor in possession. In such a situation, the Receiver shall have all of the powers and duties as provided a debtor in possession under the Bankruptcy Code to the exclusion of any other person or entity. Pursuant to Paragraph 4 above, the Receiver is vested with management authority for all entity Receivership Entity and may therefore file and manage a Chapter 11 petition.

31. The provisions of Section IX above bar any person or entity, other than the Receiver, from placing any of the Receivership Entity in bankruptcy proceedings.

### **XIII. Liability of Receiver**

32. Until further Order of this Court, the Receiver shall not be required to post bond or give an undertaking of any type in connection with his fiduciary obligations in this matter.

33. The Receiver and his agents, acting within scope of such agency ("Retained Personnel") are entitled to rely on all outstanding rules of law and Orders of this Court and shall not be liable to anyone for their own good faith compliance with any order, rule, law, judgment, or decree. In no event shall the Receiver or Retained Personnel be liable to anyone for their good faith compliance with their duties and responsibilities as Receiver or Retained Personnel, nor shall the Receiver or Retained Personnel be liable to anyone for any actions taken or omitted by them except upon a finding by this Court that they acted or failed to act as a result of malfeasance, bad faith, gross negligence, or in reckless disregard of their duties.

34. This Court shall retain jurisdiction over any action filed against the Receiver or Retained Personnel based upon acts or omissions committed in their representative capacities.

35. In the event the Receiver decides to resign, the Receiver shall first give written notice to the Commission's counsel of record and the Court of its intention, and the resignation shall not be effective until the Court appoints a successor. The Receiver shall then follow such instructions as the Court may provide.

#### **XIV. Recommendations and Reports**

36. The Receiver is authorized, empowered and directed to develop a plan for the fair, reasonable, and efficient recovery and liquidation of all remaining, recovered, and recoverable Receivership Property (the "Liquidation Plan").

37. Within thirty (30) days after the end of the first full calendar quarter occurring after the final order of appointment, the Receiver shall serve and file with the Court a verified report and petition for instructions. The report and petition must contain a summary of the operations of the Receiver, an inventory of the assets and an estimated range of their appraised value, a schedule of all receipts and disbursements, and a list of all creditors, their addresses and the amounts of their claims according to the books and records of the Receivership Entity. Such report shall not establish any presumption(s) regarding distribution of the Receivership Property. The petition must contain the Receiver's recommendation as to the continuance of the Receivership and reason therefor.

38. Within thirty (30) days after the end of the first full calendar quarter occurring after the final order of appointment and each calendar quarter thereafter, the Receiver shall file and serve a full report and accounting of each Receivership Entity (the "Quarterly Status Report"), reflecting (to the best of the Receiver's knowledge as of the period covered by the report) the existence, value, and location of all Receivership Property, and of the extent of liabilities, both those claimed to exist by others and those the Receiver believes to be legal obligations of the Receivership Entity.

39. The Quarterly Status Report shall contain the following:

- A. A summary of the operations of the Receiver;
- B. The amount of cash on hand, the amount and nature of accrued administrative expenses, and the amount of unencumbered funds in the estate;
- C. A schedule of all the Receiver's receipts and disbursements (attached as Exhibit A to the Quarterly Status Report), with one column for the quarterly period covered and a second column for the entire duration of

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the receivership;

- D. A description of all known Receivership Property, including anticipated or proposed dispositions, and reasons for retaining assets where no disposition is intended;
- E. A description of liquidated and unliquidated claims held by the Receivership Entity, including the need for forensic and/or investigatory resources; approximate valuations of claims; and anticipated or proposed methods of enforcing such claims (including likelihood of success in: (i) reducing the claims to judgment; and, (ii) collecting such judgments);
- F. A list of all known creditors with their addresses and the amounts of their claims according to the books and records of the Receivership Entity;
- G. The status of litigation brought by the Receivership Estate after such proceedings have been commenced; and,
- H. The Receiver's recommendations for a continuation or discontinuation of the Receivership and the reasons for the recommendations.

40. On the request of the Commission, the Receiver shall provide the Commission with any documentation that the Commission deems necessary to meet its reporting requirements, that is mandated by statute or Congress, or that is otherwise necessary to further the Commission's mission.

#### **XV. Fees, Expenses and Accountings**

41. Subject to Paragraphs 42 – 48 immediately below, the Receiver need not obtain Court approval prior to the disbursement of Receivership funds for expenses in the ordinary course of the administration and operation of the Receivership. Further, prior Court approval is not required for payments of applicable federal, state or local taxes.

42. Subject to Paragraph 43 immediately below, the Receiver is authorized to solicit professional persons and Entity ("Retained Personnel") to assist him in carrying out the duties and responsibilities described in this Order. The Receiver shall not engage any Retained Personnel, other than those appointed pursuant to Paragraph 1 above, without first obtaining an Order of the Court authorizing such engagement, which authorization can be granted *nunc pro tunc* at the discretion of the court.

43. The Receiver and Retained Personnel are entitled to reasonable compensation and



expense reimbursement from the Receivership Estates as described in the "Billing Instructions for Receivers in Civil Actions Commenced by the U.S. Securities and Exchange Commission" (the "Billing Instructions") agreed to by the Receiver. Such compensation shall require the prior approval of the Court.

44. Within sixty (60) days after the end of each calendar quarter, the Receiver and Retained Personnel shall apply to the Court for compensation and expense reimbursement from the Receivership Entity (the "Quarterly Fee Applications"). At least thirty (30) days prior to filing each Quarterly Fee Application with the Court, the Receiver will serve upon counsel for the Commission a complete copy of the proposed Application, together with all exhibits and relevant billing information in a format to be provided by the Commission staff.

45. All Quarterly Fee Applications will be interim and will be subject to final reviews at the close of the Receivership. At the close of the Receivership, the Receiver will file a final fee application.

46. Quarterly Fee Applications may be subject to a holdback in the amount of 20% of the amount of fees, for each application filed with the Court. Such holdback amounts shall not include out-of-pocket expenses of the Receiver and Retained Personnel. The total amounts held back during the course of the Receivership will be paid out at the discretion of the Court as part of the final fee application submitted at the close of the Receivership.

47. Each Quarterly Fee Application shall:

- A. Comply with the terms of the Billing Instructions agreed to by the Receiver; and,
- B. Contain representations (in addition to the Certification required by the Billing Instructions) that: (i) the fees and expenses included therein were incurred in the best interests of the Receivership Estate; and, (ii) with the exception of the Billing Instructions, the Receiver has not entered into any agreement, written or oral, express or implied, with any person or entity concerning the amount of compensation paid or to be paid from the Receivership Estate, or any sharing thereof, except that the Receiver's fees shall be paid to FTI Consulting, Inc.

48. At the close of the Receivership, the Receiver shall submit a Final Accounting, in

a format to be provided by the Commission staff, as well as the Receiver's final application for compensation and expense reimbursement.

49. Notwithstanding anything in this Interim Order to the contrary, the Receiver shall not (a) establish any custodial account in the name of CP Funding I Trust ("CP Trust"), except that the Receiver shall be permitted to change signatories on any account for which an officer or representative of the borrower is a signatory, (b) transfer, compromise, abandon, or otherwise dispose of any assets of or commingle or distribute any of the assets or proceeds thereof of CP Trust to any person or entity (other than the lender or agent under the facility to CP Trust) or (c) make payments from the assets of CP Trust or otherwise manage, maintain and or wind down business operation of CP Trust in any manner inconsistent with (a) and (b). During the term of this Interim Order, the lender or agent under the facility with CP Trust shall not exercise any remedies as a result of the occurrence of an Event of Default or Servicer Termination under the relevant documents.

50. Any objections to the [Proposed] Stipulated Order Appointing Receiver (Docket No. 2-2) shall be filed with the Court by March 18, 2016. Any responses by Plaintiff or Defendants are due by March 24, 2016. No further pleadings relating to the [Proposed] Stipulated Order Appointing Receiver (Doc. No. 2-2) shall be filed. On March 29, 2016, at 10:00 a.m., the Court will hold a hearing, without any presumptions arising from the terms of this Interim Order, on the [Proposed] Stipulated Order Appointing Receiver (Doc. No. 2-2).

IT IS SO ORDERED.

DATED this 16 day of MARCH, 2016

  
United States District Judge

## EXHIBIT A

|    |  |    |  |
|----|--|----|--|
| 1  | Aequitas Enterprise Services, LLC        | 27 | Aequitas Senior Housing, LLC                 |
| 2  | Aequitas Hybrid Fund, LLC                | 28 | Aequitas Capital Opportunities Fund, LP      |
| 3  | Aequitas Income Opportunity Fund II, LLC | 29 | Aequitas Capital Opportunities GP, LLC       |
| 4  | Aequitas Private Client Fund, LLC        | 30 | ACC Holdings 5, LLC                          |
| 5  | Aequitas Income Opportunity Fund, LLC    | 31 | ACC Funding Series Trust 2015-5              |
| 6  | Aequitas ETC Founders Fund, LLC          | 32 | Aequitas Corporate Lending, LLC              |
| 7  | Aequitas Enhanced Income Fund, LLC       | 33 | Aequitas Wealth Management, LLC              |
| 8  | Aequitas WRFF I, LLC                     | 34 | Aequitas Wealth Management Partner Fund, LLC |
| 9  | Aequitas Income Protection Fund, LLC     | 35 | Hickory Growth Partners, LLC                 |
| 10 | Aequitas EIF Debt Fund, LLC              | 36 | Aspen Grove Equity Solutions, LLC            |
| 11 | ACC C Plus Holdings, LLC                 | 37 | Aequitas International Holdings, LLC         |
| 12 | ACC Holdings 2, LLC                      | 38 | Aequitas Asset Management Oregon, LLC        |
| 13 | ACC Funding Trust 2014-2                 | 39 | AAM Fund Investment, LLC                     |
| 14 | Aequitas Peer-To-Peer Funding, LLC       | 40 | Aequitas Senior Housing Operations, LLC      |
| 15 | CarePayment Holdings, LLC                | 41 | Executive Citation, LLC                      |
| 16 | CarePayment, LLC                         | 42 | Executive Falcon, LLC                        |
| 17 | CP Funding I Holdings, LLC               | 43 | APF Holdings, LLC                            |
| 18 | CP Funding I Trust                       | 44 | Aequitas Partner Fund, LLC                   |
| 19 | Campus Student Funding, LLC              |    |  |
| 20 | ACC F Plus Holdings, LLC                 |    |  |
| 21 | ACC Holdings 1, LLC                      |    |  |
| 22 | ACC Funding Trust 2014-1                 |    |  |
| 23 | ML Financial Holdings, LLC               |    |  |
| 24 | Motolease Financial, LLC                 |    |  |
| 25 | Unigo Student Funding, LLC               |    |  |
| 26 | The Hill Land, LLC                       |    |  |



**EXHIBIT B**

|   |  |
|---|--|
| 1 | CarePayment Technologies, Inc            |
| 2 | EDPlus Holdings, LLC                     |
| 3 | Marketing Services Platform, Inc.        |
| 4 | Ivey Performance Marketing, LLC          |
| 5 | Gridbox Media, LLC                       |
| 6 | Skagit Gardens, Inc.                     |
| 7 | Syncronex, LLC                           |
| 8 | Aequitas International Opportunities, LP |

**ATTACHMENT "A"**

**U.S. District Court  
District of Oregon (Portland (3))  
CIVIL DOCKET FOR CASE # 3:16-cv-00438-PK**

Securities and Exchange Commission v. Aequitas Management,  
LLC et al  
Assigned to: Magistrate Judge Paul Papak  
Cause: 15:77 Securities Fraud

Date Filed: 03/10/2016  
Jury Demand: Defendant  
Nature of Suit: 850 Securities/Commodities  
Jurisdiction: U.S. Government Plaintiff

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Attorneys for Enviso Capital Group LLC

IN THE UNITED STATES DISTRICT COURT  
 FOR THE STATE OF OREGON

SECURITIES AND EXCHANGE  
 COMMISSION,

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

Plaintiff,

v.

**DECLARATION OF RYAN BOWERS  
 IN SUPPORT OF ENVISO CAPITAL  
 GROUP'S SECOND MOTION TO LIFT  
 STAY**

AEQUITAS MANAGEMENT, LLC;  
 AEQUITAS HOLDINGS, LLC;  
 AEQUITAS COMMERCIAL FINANCE, INC.;  
 AEQUITAS CAPITAL MANGEMENT, LLC;  
 ROBERT J. JESENİK; BRIAN A. OLIVER;  
 And N. SCOTT GILLIS,

Defendants.

I, Ryan Bowers, under penalty of perjury hereby make the following declaration based upon  
 personal knowledge and am competent to make the following statements herein:



1           1.       I am the Manager of Enviso Capital Group.

2           2.       After being contacted by counsel for the receiver and PAG, we agreed to stay a  
3 lawsuit we had filed in San Diego for breach of contract and misrepresentation. A copy of that  
4 lawsuit is Exhibit "E" to the motion. Prior to filing that motion, Enviso sent a demand letter to PAG.  
5 A copy of that letter is Exhibit "A" to the motion. At the same time, we sent a letter to the receiver  
6 explaining why our lawsuit was not in competition with the investor lawsuits that were anticipated.  
7 A copy of that letter is Exhibit "J" to the motion. Enviso was not an investor in any Aequitas entity  
8 but rather was pursuing a breach of contract case related to the agreement that is Exhibit "D" to the  
9 motion. The basis of the lawsuit centers around PAG's failure to make a payment due to Enviso in  
10 January 2016. Prior to the date that payment was due, Enviso had notified its clients of the pending  
11 transfer and had circulated consent forms and was prepared to comply with the obligations due from  
12 it under the agreement.  
13

14           3.       When we agreed to stay the San Diego case, we did so with the understanding that the  
15 stay was to allow the receiver enough time to do his investigation and issue a report anticipated in  
16 early fall. That report issued on September 14, 2016. A copy of the report is Exhibit "B" to the  
17 motion. At that same time, the receiver issued an organizational chart of all of the companies in  
18 which Aequitas had some form of ownership. That chart is Exhibit "F" to the motion. The receiver  
19 filed a supplement report on November 10, 2016. A copy of that report is Exhibit "I" to the motion.  
20 These reports indicate that the receiver is already in the process of liquidating assets, something  
21 further evidenced by a letter of intent that was recently received. That letter is Exhibit "G" to the  
22 motion. The receiver was appointed on March 16, 2016, which appoint is Exhibit "H" to the motion.  
23

24           4.       Exhibit "C" to the motion is part of the Form ADV that PAG is required to file to  
25 make full disclosure to potential investors.  
26

27           I HEREBY DECLARE THAT THE ABOVE STATEMENT IS TRUE TO THE BEST OF  
28           MY KNOWLEDGE AND BELIEF, AND THAT I UNDERSTAND IT IS MADE FOR USE

1 AS EVIDENCE IN COURT AND IS SUBJECT TO PENALTY FOR PERJURY.

2 Executed on the 21st day of February, 2017 in San Diego, California.

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Ryan Bowers

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**ATTORNEY CERTIFICATE OF SERVICE**

I hereby certify that on February 21, 2017, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system, which will send notification of such filing to the attorneys listed in Attachment A.

Dated: February 22, 2017

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By: s/ Karen R. Frostrom  
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**ATTACHMENT "A"**

**U.S. District Court  
District of Oregon (Portland (3))  
CIVIL DOCKET FOR CASE # 3:16-cv-00438-PK**

Securities and Exchange Commission v. Aequitas Management,  
LLC et al  
Assigned to: Magistrate Judge Paul Papak  
Cause: 15:77 Securities Fraud

Date Filed: 03/10/2016  
Jury Demand: Defendant  
Nature of Suit: 850 Securities/Commodities  
Jurisdiction: U.S. Government Plaintiff

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Attorneys for Enviso Capital Group LLC

IN THE UNITED STATES DISTRICT COURT  
FOR THE STATE OF OREGON

SECURITIES AND EXCHANGE  
COMMISSION,

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

Plaintiff,

**REQUEST FOR JUDICIAL NOTICE IN  
SUPPORT OF SECOND MOTION TO  
LIFT STAY**

v.

AEQUITAS MANAGEMENT, LLC;  
AEQUITAS HOLDINGS, LLC;  
AEQUITAS COMMERCIAL FINANCE, INC.;  
AEQUITAS CAPITAL MANGEMENT, LLC;  
ROBERT J. JESENİK; BRIAN A. OLIVER;  
And N. SCOTT GILLIS,

Defendants.

Pursuant to Federal Rule of Evidence Code 201, Plaintiff Enviso Capital Group, LLC  
respectfully requests that this Court take judicial notice of the following documents in support of

1 their Reply to their Motion to Lift Stay:

2 **Exhibit 1:** Civil Minutes – General, SEC v. Private Equity Management Group, LLC, et  
3 al.

4 **Exhibit 2:** Memorandum of Decision Granting Movant’s Emergency Motion to Modify  
5 the Stay [Dkt. 78], United States of America, Plaintiff v. JHW Greentree  
6 Capital, LP, Defendant

7  
8 Dated: February 22, 2017

THORSNES BARTOLOTTA McGUIRE LLP

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11 By: s/ Karen R. Frostrom  
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VINCENT J. BARTOLOTTA, JR., ESQ.

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**ATTORNEY CERTIFICATE OF SERVICE**

I hereby certify that on February 22, 2017, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system, which will send notification of such filing to the attorneys listed in Attachment A.

Dated: February 22, 2017

THORSNES BARTOLOTTA McGUIRE LLP

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SEC,  
v.  
PRIVATE EQUITY MANAGEMENT GROUP, LLC, et al.

Case No. CV 09-2901 PSG (Ex).

United States District Court, C.D. California,

November 18, 2010.

## CIVIL MINUTES — GENERAL

PHILIP S. GUTIERREZ, District Judge.

Proceedings: (In Chambers) Order GRANTING non-party Principal Life Insurance Company's motion for leave to file an action against the Receiver seeking declaratory judgment.

Before the Court is a motion filed by non-party Principal Life Insurance Company ("Principal Life") seeking leave to sue Robert P. Mosier (the "Receiver"). The Court finds this matter appropriate for decision without oral argument. *See* Fed. R. Civ. P. 78; L.R. 7-15. Having considered the papers submitted in support of and in opposition to the motion, the Court GRANTS Principal Life's motion.

## I. BACKGROUND

On April 24, 2009, the Securities and Exchange Commission initiated an action against defendants Private Equity Management Group, Inc., Private Equity Management Group LLC (collectively, "PEMGroup"), and Danny Pang. On August 4, 2009, the Court issued a preliminary injunction and order ("Preliminary Injunction") that, among other things, appointed Robert P. Mosier (the "Receiver") as permanent receiver of PEMGroup and its subsidiaries and affiliates. *See Preliminary Injunction* (Dkt #246). The Preliminary Injunction further ordered that "except by leave of this Court, during the pendency of this receivership, all . . . persons or entities seeking relief of any kind . . . are hereby preliminary restrained and enjoined from . . . commencing, prosecuting, continuing or enforcing any suit or proceeding" against PEMGroup and from "doing any act or thing whatsoever to interfere with taking control, possession or management by the permanent receiver . . . or in any way to interfere with or harass the permanent receiver." *See id.* at § IX.

On September 23, 2010, non-party Principal Life Insurance Company ("Principal Life") filed a motion seeking leave to file an action against the Receiver challenging the validity of an insurance policy issued on the life of Barbara Doricott (the "Policy"), which was among PEMGroup's investment life insurance policies. Principal Life asserts that the Policy was procured through fraud and misrepresentations, and that it would never have issued the policy had all material information been disclosed. *Mot.* 2:21-26. In addition to being voidable on these grounds, Principal Life further contends that the Policy is void and/or voidable due to a lack of insurable interest. *Id.* 3:1-9. Specifically, it claims that the Policy was procured through a "stranger-originated life insurance ("STOLI") transaction whereby strangers to Ms. Dorricott sought to gamble on her life and profit from her death." *Id.* 3:1-2.

## II. LEGAL STANDARD

As the Ninth Circuit has recognized, "[f]ederal courts have inherent equitable authority to issue a variety of ancillary relief measures in actions brought by Securities and Exchange Commission to enforce federal securities laws." *S.E.C. v. Wencke*, 622 F.2d 1363, 1369 (9th Cir. 1980). Included in this authority is the ability to issue a blanket stay prohibiting all persons, including non-parties, from commencing any suit against the receivership entities except by leave of the court. *See id.* 1369-70.

"Determining whether an exception should be made in a particular case to a previously entered blanket stay involves a comparison of the interests of the receiver (and the parties the receiver seeks to protect) and of the moving party." *Wencke*, 622 F.2d at 1373. Only if the party's interests outweigh those of the receiver will the stay be lifted. *See FTC v. 3R Bancorp.*, 2005 WL 497784 (N. D. Ill. 2005). In particular, three factors are to be considered in determining whether to lift a blanket stay:

- (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.



### III. DISCUSSION

The Receiver contends that Principal Life failed to demonstrate good cause to lift the Preliminary Injunction. *Opp.* 6:7-17. The Court, however, finds that, to the contrary, application of the three factors set forth in *Wencke* support modifying the Preliminary Injunction to allow Principal Life proceed on its claim that the Policy is void/voidable based on the alleged material misrepresentations and/or the absence of insurable interest.

#### A. Status Quo vs. Substantial Injury

The first inquiry under the *Wencke* framework is "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." *Wencke II*, 742 F.2d at 1231. Accordingly, one purpose of the Court's Preliminary Injunction is "to maintain the status quo to preserve funds that will be redistributed to investors." See Dkt. #424 (May 7, 2010). In *S.E.C. v. Byer* a district court found that maintaining the stay undeniably maintained the status quo where the moving party was "only concerned with recouping their own investments, presumably even at the expense of other investors." 592 F. Supp. 2d 532, 537 (S.D.N.Y., 2008).

Likewise, maintaining the stay preserves the status quo in this matter. Allowing Principal Life leave to sue so that it might avoid paying out life insurance benefits under the Policy would be to the detriment of the receivership estate, which includes among its assets numerous valuable life insurance policies that other life insurance companies might seek to rescind in the event Principal Life was granted leave to proceed. Additional the Court is not persuaded that Principal Life would suffer injury, let alone *substantial* injury, if not permitted to proceed. Indeed, given that Principal Life has been accepting premiums on the Policy (including a payment of \$6,900 on September 13, 2010, see *Mot.* 6:17-19), its allegations of injury are unconvincing. Thus, the first *Wencke* factor favors the Receiver.

#### B. Timing with Respect to the Receivership

The Ninth Circuit has explained that:

Where the motion for relief from the stay is made soon after the receiver has assumed control over the estate, the receiver's need to organize and understand the entities under his control may weigh more heavily than the merits of the party's claim. As the receivership progresses, however, it may become less plausible for the receiver to contend that he needs more time to explore the affairs of the entities. The merits of the moving party's claim may then loom larger in the balance.

*Wencke*, 622 F.2d at 1373-1374. Here, the receivership has been in place for well over a year. See *Preliminary Injunction* § VI, (Dkt. #246). Through regular status reports, the Court has been kept abreast of the Receiver's effort to "organize and understand the entities" under his control. See, e.g., *Receiver's Seventh Status Report* (Dkt #459). As the Court is satisfied that the Receiver has progressed sufficiently in that effort, the second *Wencke* factor cuts against the Receiver.

#### C. The Merit of Principal Life's Claim

Under the third prong of the *Wencke* framework, the Court must consider the merit of Principal Life's claim that the Policy is invalid. "Where the claim is unlikely to succeed (and the receiver therefore likely to prevail), there may be less reason to require the receiver to defend the action now rather than defer its resolution." *Wencke*, 622 F.2d at 1373. "On the other hand, where the likelihood that the receiver will prevail is small, when the receiver's position is considered realistically and not in the abstract, there is less reason to permit the receiver to avoid resolving the claim; a blanket stay should not be used to prejudice the rights which innocent and legitimate creditors may have against the receivership entities." *Id.*

Although Principal Life presents an interesting background discussion regarding the hazards of stranger-originated life insurance, see *Mot.* 9:10-13:7, it is not clear that it would prevail on the merits of its claim. However, in ruling on a motion to lift a stay, the Court need not evaluate whether Principal Life would be ultimately successful. Rather, the proper inquiry is whether Principal Life has alleged a "colorable claim" that would justify lifting the stay. *Wencke II*, 742 F.2d at 1232. Here, while Principal Life's contentions that the Policy was fraudulent and based on misrepresentations are speculative, they nonetheless suffice at this stage in the proceedings. See *Mot.* 15:3-26.

Likewise, although it is unclear whether the Policy would ultimately be deemed void for lack of an insurable interest, the Court finds that Principal Life has alleged a colorable claim to that effect. In opposing Principal Life's motion, the Receiver relies on *Lincoln Nat. Life Ins. Co. v. Gordon R.A. Fishman Irrevocable Life Trust*, in which the court held that life insurance policies were not void for having been procured by STOLI practice where the trust, its settlor, and its beneficiaries had insurable interests in settlor's life at time of inception. 638 F. Supp. 2d 1170, 1177 (C. D. Ca 2009) ("an interest in the life or health of a person insured must exist when the insurance takes effect, but need not exist thereafter or when the loss occurs").



However, in contrast to *Lincoln*, in which no interest in the policy was sold until nearly two years after issuance, here, Ms. Dorricott's daughter allegedly sold 100% of the interest in the policy less than three weeks after the policy was issued. *Mot.* 15:6-8; *Reply* 9 n.11. Thus, while further factual development is necessary to establish whether the Policy is actually void for lack of insurable interest, based on the foregoing, the Court finds that Principal Life's claim has sufficient potential merit to satisfy the third *Wencke* factor.

The Court further notes that in opposing this motion, the Receiver contends that because Principal Life failed to contest the Policy before the applicable contestability period expired, Principal Life's claim is now barred. *Opp.* 3:16-6:3. At this stage in the proceeding, given the limited briefing on this issue, the Court is unable to ascertain conclusively whether Principal Life's motion adequately "contests" the Policy for purposes the contestability period.

#### IV. CONCLUSION

In sum, application of the factors set forth by the Ninth Circuit in *Wencke* demonstrates that Principal Life is entitled to have the stay lifted so as pursue its claim that a life insurance policy under which it has been regularly collecting proceeds is void/voidable for lack of an insurable interest and/or material misrepresentations. Accordingly, for the foregoing reasons, Principal Life's motion is GRANTED.

IT IS SO ORDERED.

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**UNITED STATES OF AMERICA, Plaintiff,**  
**v.**  
**JHW GREENTREE CAPITAL, L.P., Defendant.**

Civil Action No. 3:12-CV-00116 (VLB).

**United States District Court, D. Connecticut.**

June 11, 2014.

**MEMORANDUM OF DECISION GRANTING MOVANT'S EMERGENCY  
MOTION TO MODIFY THE STAY [Dkt. 78]**

VANESSA L. BRYANT, District Judge.

**I. Introduction**

Movant Weingarten Maya Tropicana, LLC ("Weingarten" or "Movant") was the lessor of real property to Baja Fresh Westlake Village, Inc., the predecessor in interest to Fresh Enterprises, LLC ("Fresh"), a wholly owned subsidiary of BF Acquisition Holdings, LLC, an entity in which JHW Greentree Capital, L.P. ("JHW Greentree" or "Greentree") has an equity interest. Currently before the Court is Weingarten's Emergency Motion to Modify the Stay imposed in this case. For the reasons that follow, Movant's motion is GRANTED.

**II. Background**

JHW Greentree is a small business investment company licensed by the United States Small Business Association ("SBA" or "Receiver") on or about September 29, 2004. On February 10, 2012, with the consent of the parties, the Court entered an Order of Receivership and appointed the SBA as the liquidating Receiver of JHW Greentree. [Dkt. 9]. The Receiver was appointed "for the purpose of marshalling and liquidating in an orderly manner all of Greentree's assets and satisfying the claims of creditors thereof in the order of priority as determined by this Court." [Dkt. 9, Receivership Order ¶1]. Pursuant to paragraphs 7 and 8 of the Order, all civil litigation involving JHW Greentree, its present or past officers, directors, managers, or general partners, its Receiver, and/or its assets has been stayed. JHW Greentree's assets include a sixty percent equity interest in the voting class equity of BF Acquisition Holdings, LLC ("BFAH"); and Greentree also controls BFAH's board.

Weingarten leased non-residential property in Las Vegas, Nevada (the "Premises") to Baja Fresh Westlake Village, Inc. for use as a Baja Fresh restaurant pursuant to a Lease Contract ("Lease") dated February 12, 2003. [Dkt. 79, M. to Lift Stay p. 3; dkt. 79-2, Lease pp. 1, 37]. Baja Fresh Westlake Village, Inc. is the predecessor in interest to Fresh Enterprises, LLC ("Fresh"). [Dkt. 79, M. to Lift Stay p. 3]. Fresh is a wholly owned subsidiary of BFAH, in which JHW Greentree holds a sixty percent equity interest. The Receiver asserts that this restaurant location is franchised and that BFAH has entered into a sublease with a current franchisee. [Dkt. 81, Receiver's Opposition, p. 3].

The Lease contained an option to extend the Lease for an additional five year term at the end of the initial ten year term. Weingarten claims that Fresh failed to timely<sup>[1]</sup> exercise this option to extend, and thus the Lease term expired on January 31, 2014. Weingarten notified Fresh of the Lease's expiration date by letter on November 8, 2013. [Dkt. 79, M. to Lift Stay p. 3; dkt. 79-3, 11/8/13 letter]. On November 20, 2013, Fresh filed a complaint against Weingarten in Nevada state court, alleging, among other things, that Weingarten breached the Lease by refusing to allow an extension of the Lease beyond the initial ten year term, and seeking declaratory judgment as to Fresh's rights to the Premises and to



exercise the option to extend the Lease. [Dkt. 79, M. to Lift Stay p. 4; dkt. 79-4, NV complaint, ecf pp. 8-10]. Weingarten removed the action to the Nevada District Court. [Dkt. 79-4, Notice of Removal].

Weingarten filed a Motion to Dismiss in the Nevada District Court action on December 19, 2013, which Fresh opposed. [Dkt. 79-5, Weingarten MTD]. On March 25, 2014, apparently not having been informed of the receivership and the stay, the Nevada District Court granted Weingarten's Motion to Dismiss, holding that Fresh had failed to timely exercise the option to extend pursuant to the Lease and that no equitable relief was justified.<sup>[2]</sup> [Dkt. 79-6, D. NV Order Granting MTD]. Weingarten asserts that following the Nevada District Court's ruling, it informed Fresh that it intended to file an unlawful detainer or summary eviction proceeding against Fresh in Nevada state court. [Dkt. 79, M. to Lift Stay p. 4]. Weingarten asserts that Fresh then notified Weingarten for the first time of the existence of this receivership proceeding and of the stay pursuant to this Court's receivership order, and that Fresh threatened to file a notice staying any future action that Weingarten planned to take to recover the Premises. [*Id.*]. Fresh has appealed the Nevada District Court's ruling to the Ninth Circuit Court of Appeals. [Dkt. 81, Receiver's Opposition p. 1]. That appeal was pending when the subject motion was filed. In support of its opposition to the Movant's motion the Receiver filed a declaration of Charles Rink, the president and CEO of BFAH, in which Rink avers that he was informed by an unidentified party and, presumably on the basis of this undisclosed representation alone, that he believes that the Lease was extended by Fresh. [Dkt. 81-1, Rink Decl. ¶5]. The Rink declaration tacitly admits that its declarant has no personal knowledge of whether the Lease was extended and there is no other evidence on the record tending to undermine the validity of the Nevada decision. Fresh has not sought a stay of the Nevada District Court's decision pending the appeal.

Weingarten asserts that, as a result of Fresh's failure to timely exercise its option to extend the Lease and of the Lease's expiration on January 31, 2014, Weingarten located a replacement tenant for the Premises, Chipotle Mexican Grill, Inc., and entered into a ten year lease with Chipotle on December 16, 2013. [Dkt. 79, M. to Lift Stay p. 5; dkt. 79-7, Chipotle lease, p.1]. Weingarten asserts that the Chipotle lease provides for over \$1.44 million in value to Weingarten in the form of rent and triple-net payments over the initial ten year term of the lease. [Dkt. 79, M. to Lift Stay p. 5]. Further, Article 52 of the Chipotle lease provides that, if Weingarten fails to regain exclusive and legal possession of the Premises from Fresh and so notify Chipotle in writing by April 1, 2014, then Chipotle may terminate the Chipotle lease upon thirty days prior written notice to Weingarten between April 1 and April 15, 2014. [Dkt. 79-7, Chipotle lease, p.37, Article 52]. Because of Weingarten's inability to recapture legal possession of the Premises from Fresh prior to April 1, 2014, Weingarten requested and Chipotle assented to a thirty day delay of this April 1 deadline. Pursuant to an amendment to the Chipotle lease entered into on April 3, 2014, Chipotle may terminate the Chipotle lease upon thirty days written notice to Weingarten between May 1 and May 15, 2014. [Dkt. 79-8, Amendment to Chipotle lease].

Weingarten argues that if the stay order is not modified to permit it to proceed against Fresh and regain possession of the Premises, it will be substantially harmed in that it risks losing Chipotle as a new tenant, and may be exposed to damages for breaching the Chipotle lease. [Dkt. 79, M. to Lift Stay p. 5]. The Receiver counters that maintaining the stay is in the best interest of the receivership, at least until the Ninth Circuit resolves Fresh's appeal of the District of Nevada's ruling, and that Weingarten has failed to meet the standard for lifting the stay. [Dkt. 81, Receiver's Opposition p. 1].

For the reasons stated below the Court finds that lifting the judicial stay preserves the status quo, that Weingarten would suffer a substantial injury if not permitted to proceed, and that Weingarten's underlying claim is meritorious. Accordingly, the stay is lifted.

### III. Analysis

#### a. The Stay is Inapplicable to the Movant's Proposed Action

First and foremost, the Lease in which Fresh claims it possesses an interest is no longer an asset of the Receivership estate, and thus the stay cannot apply to Weingarten's proposed action against Fresh. The Nevada District Court held that Fresh failed to timely exercise its option to extend the Lease for an additional five years and thus the right to renew was lost under Nevada law. [Dkt. 79-6, D. NV Order Granting MTD, p. 3]. By failing to timely exercise this option to



extend, Fresh effectively relinquished its interest in the Lease and in the Premises, and the Lease terminated on January 31, 2014. Thus, Fresh held no interest in the Premises after January 31, 2014 as it had failed to exercise its right to maintain an interest in the Premises. Therefore, as Fresh had no interest in the Premises after January 31, the Receiver likewise can have no interest in the Premises after this date. Absent an interest in the Premises this Court's litigation stay cannot apply to Weingarten's proposed action to force Fresh from the Premises, which Premises Fresh is currently unlawfully occupying. In sum, the expired Lease and the Premises on which Fresh is holding over are not assets over which this receivership extends and so the stay cannot and does not apply to the Movant's proposed action to regain physical possession of the Premises.

## b. Factors Favor Lifting the Stay

However, even if the Lease and/or the Premises are current assets of the receivership estate, Weingarten has met the standard for lifting the litigation stay.

A district court may impose a litigation stay on a non-party to a receivership as part of its inherent power as a court of equity to fashion effective relief. *S.E.C. v. Byers*, 609 F.3d 87, 91 (2d Cir. 2010) (citing *S.E.C. v. Wencke*, 622 F.2d 1363, 1369 (9th Cir. 1980) ("*Wencke I*").

The purposes of a receivership are varied, but the purpose of imposing a stay of litigation is clear. A receiver must be given a chance to do the important job of marshaling and untangling a company's assets without being forced into court by every investor or claimant.

*U.S. v. Acorn Tech. Fund, L.P.*, 429 F.3d 438, 443 (3d Cir. 2005). "Nevertheless, an appropriate escape valve, which allows potential litigants to petition the court for permission to sue, is necessary so that litigants are not denied a day in court during a lengthy stay." *Id.*

Courts have found litigation stays in the receivership context to be enforceable against non-parties. See, e.g., *Acorn Tech. Fund, L.P.*, 429 F.3d at 442 (affirming receivership litigation stay against non-parties); *S.E.C. v. Illarramendi*, 3:11CV78 JBA, 2012 WL 234016 (D. Conn. Jan. 25, 2012) (declining to lift anti-litigation stay to permit non-party to pursue claims in bankruptcy against receivership entities).

When analyzing a motion to lift a litigation stay imposed by a receivership court, courts utilize a three-part test articulated by the Ninth Circuit in *S.E.C. v. Wencke*, 622 F.2d 1363 (9th Cir. 1980) ("*Wencke I*") and *S.E.C. v. Wencke*, 742 F.2d 1230 (9th Cir. 1984) ("*Wencke II*"), which has been applied by courts in the Second Circuit.<sup>[3]</sup> See *S.E.C. v. Byers*, 592 F. Supp. 2d 532, 536 (S.D.N.Y. 2008) *aff'd*, 609 F.3d 87 (2d Cir. 2010); *S.E.C. v. Illarramendi*, 3:11CV78 JBA, 2012 WL 5832330 (D. Conn. Nov. 16, 2012); *S.E.C. v. Byers*, 08 CIV. 7104 DC, 2012 WL 954254 (S.D.N.Y. Feb. 28, 2012); *S.E.C. v. Illarramendi*, 3:11CV78 JBA, 2012 WL 234016 (D. Conn. Jan. 25, 2012). Pursuant to *Wencke II*, when determining whether to lift a litigation stay, a court should consider "(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." *Wencke II*, 742 F.2d at 1231; *Byers*, 592 F. Supp. 2d at 536, *aff'd*, 609 F.3d 87 (2d Cir. 2010) (citing *Wencke II*).

"The *Wencke* test simply requires the district court to balance the interests of the Receiver and the moving party." *S.E.C. v. Universal Fin.*, 760 F.2d 1034, 1038 (9th Cir. 1985); *Acorn Tech. Fund, L.P.*, 429 F.3d at 443 (citing same). The movant bears the burden of proving that the balance of the factors weighs in favor of lifting the stay. *Illarramendi*, 2012 WL 5832330, at \*2 (citing *U.S. v. Petters*, No. 08-5348 ADA/SJM, 2008 WL 5234527, at \*3 (D. Minn. Dec. 12, 2008)); *Acorn Tech. Fund, L.P.*, 429 F.3d at 450; *S.E.C. v. Stinson*, CIV.A. 10-3130, 2012 WL 1994770, at \*1 (E.D. Pa. June 4, 2012).

## c. Maintenance of Status Quo Versus Injury to the Movant

The first *Wencke II* factor requires a court to consider "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." 742 F.2d at 1231. This factor



"essentially balances the interests in preserving the receivership estate with the interests" of the movant. S.E.C. v. Stanford Int'l Bank Ltd., 424 F. App'x 338, 341 (5th Cir. 2011); Illarramendi, 2012 WL 234016 (same); Schwartzman v. Rogue Int'l Talent Grp., Inc., CIV.A. 12-5255, 2013 WL 460218 (E.D. Pa. Feb. 7, 2013) (first factor requires court "to balance the Receiver's interest in maintaining the status quo with any injury the moving party may suffer if the stay remains in place"); U.S. v. ESIC Capital, Inc., 675 F. Supp. 1462, 1463 (D. Md. 1987) (court must assess "the competing interests of the injury to the moving party versus preserving the status quo"). When considering the preservation of the status quo, courts should give "appropriately substantial weight to the receiver's need to proceed unhindered by litigation, and the very real danger of litigation expenses diminishing the receivership estate." Acom Tech. Fund, L.P., 429 F.3d at 443.

Weingarten contends that this factor tips in its favor because maintaining the stay would cause it substantial harm while lifting the stay would not adversely affect the status quo. First, Movant argues, the Receiver's filing of its *Unopposed Motion for Entry of an Order Approving the Receiver's Recommended Disposition of Claims, Authorizing Payment of Approved Claims and Establishing Summary Disposition Proceedings* (dkt. no. 62) on January 8, 2014, demonstrates that, because the Receiver itself is ready to distribute assets and will itself disturb the status quo, maintaining the stay as to the Movant will not genuinely preserve the status quo, nor will the Receiver be harmed by a lifting of the stay. [Dkt. 79, M. to Lift Stay p. 8].

Second, Weingarten asserts that its inability to proceed against Fresh in Nevada state court to recover possession of the Premises exposes Weingarten to substantial harm. [Dkt. 79, M. to Lift Stay p. 8]. If the stay is not lifted, the Movant will be unable to pursue legal proceedings to evict Fresh from the Premises and thus will be unable to perform under the Chipotle lease, resulting in the loss of \$1.44 million of expected revenue over the ten year life of the lease, as well as potential liability for breach of the Chipotle lease. [*Id.*].

The Receiver, on the other hand, argues that should the stay be lifted, BFAH and its subsidiaries would be irreparably harmed; the franchisee would lose its profitable location to a competitor before the Ninth Circuit will be able to hear Fresh's appeal of the District of Nevada's decision, thus rendering the appeal moot. [Dkt. 81, Receiver's Opposition p. 6]. Further, imposition of the stay and its retention, the Receiver argues, has allowed BFAH and its subsidiaries to "rebuild the brands and slowly recover and settle its cases with its creditors, to the benefit of the JHW receivership estate." [*Id.*]. Moreover, the Receiver asserts (1) that Weingarten has brought on any alleged harm itself, (2) that BFAH "is current in its payments [on the Premises] and unilaterally has offered to pay more for the premises, per square footage, where [sic] they to remain on the premises for the same term as [Chipotle]," and (3) that there is nothing indicating that Weingarten cannot amend the terms of the Chipotle lease a second time. [*Id.* at 6-7]. These factors, the Receiver asserts, show that Weingarten will suffer no irrevocable injury should the stay remain in place.

The Court concludes that Weingarten has met its burden of demonstrating that its potential injury is sufficiently substantial to override the Receiver's interest in maintaining the status quo. First, the Court agrees that the Receiver's interest in maintaining the status quo at this juncture is low, given that the Receiver itself has moved to disturb the status quo by establishing summary disposition proceedings and authorizing payment of claims, and given that this Court is in the process of ruling on this motion and establishing summary disposition proceedings. Moreover, although the Receiver has asserted through the declaration of Charles Rink that "BF collects substantial royalties from the franchisee of this restaurant that are part of the revenue stream making up the assets of the company" and that "BF would be detrimentally affected by the loss of this revenue stream if this location were lost to a competitor," neither Mr. Rink nor the Receiver has quantified either the profits from this location as a percentage of profits from all locations or the magnitude of loss that BFAH would incur if the stay were lifted. Thus the Receiver has presented no facts from which the Court could determine the materiality of lifting the stay. [Dkt. 81-1, Rink Decl. ¶4].

Second, Weingarten has clearly demonstrated that it stands to lose the benefits of the Chipotle lease if it is not permitted to regain physical possession of the Premises from Fresh, which may result in a ten year loss of \$1.44 million in expected revenue, plus any monetary liability that may occur for breach of the Chipotle lease. Fresh's argument that it has, at some point prior to the filing of its opposition motion, offered to pay more to remain on the Premises than Weingarten could collect from Chipotle is irrelevant, as is its argument that the Movant has brought upon itself any harm that may occur. The District of Nevada decision held that Fresh failed to timely exercise its option to extend the Lease and the Lease

expired on January 31, 2014. Weingarten thus had the right to expect Fresh to relinquish the premises by that date and had every right to enter into a lease with a tenant to occupy and possess the Premises upon Fresh's election not to extend.

Fresh's unilateral offer to pay more for the Premises than will Chipotle does not negate the harm to Weingarten if it loses the Chipotle lease, especially given that the Receiver has made no attempt to clarify *when* it made the offer of increased payment to Weingarten, whether that offer still stands, the terms of that offer, or what monetary damages Weingarten would still incur for breaching the Chipotle lease and maintaining the Lease with Fresh. Finally, the amount of the lease payments is not the only factor in valuing a lease. The creditworthiness of the lessee is a significant factor as well. The fact that the Fresh Lease subjects Weingarten to a stay makes the Chipotle lease inherently more valuable even at a lower rent.

The argument that Weingarten could amend the Chipotle lease because it has done so in the past is unsupported and undermined by the facts, as the Receiver has offered no evidence whatsoever that amendment would be possible or that Chipotle would consent to wait an indefinite period of time — until the Ninth Circuit rules on Fresh's appeal — to take possession of the Premises. Indeed, Chipotle's negotiation of a one month extension of the termination provision is indicative of its unwillingness to wait indefinitely.

Lastly, the injury to the Movant if the stay is not lifted is imminent. Article 52 and the amendment to the Chipotle lease provide that if Weingarten fails to regain exclusive and legal possession of the Premises from Fresh and so notify Chipotle in writing by May 1, 2014, then Chipotle may terminate the Chipotle lease upon thirty days prior written notice to Weingarten between May 1 and May 15, 2014. Thus, maintaining the litigation stay as to Weingarten will trigger (and has already triggered) this clause of the Chipotle lease and is likely to cause imminent injury, as May 1, the date by which Weingarten must regain the Premises from Fresh, has passed.

For the foregoing reasons, the Court concludes that Weingarten has met its burden of demonstrating substantial harm. This harm outweighs the Receiver's interest in maintaining the status quo, which it has requested and this Court intends to imminently alter. Therefore, the first *Wencke II* factor favors the Movant.

#### d. Timing

The second *Wencke II* factor requires courts to analyze the time in a receivership in which a motion to lift a litigation stay is made. There is no "clear cut-off date after which a stay should be presumptively lifted." *Acom Tech. Fund, L.P.*, 429 F.3d at 450. The timing factor is fact-specific and "based on the number of entities, the complexity of the scheme, and any number of other factors." *Stanford Int'l Bank Ltd.*, 424 F. App'x at 341; see also *S.E.C. v. Vescor Capital Corp.*, 599 F.3d 1189, 1197 (10th Cir. 2010) ("the timing factor is case-specific").

The Ninth Circuit explained in *Wencke I* that,

[w]here the motion for relief from the stay is made soon after the receiver has assumed control over the estate, the receiver's need to organize and understand the entities under his control may weigh more heavily than the merits of the party's claim. As the receivership progresses, however, it may become less plausible for the receiver to contend that he needs more time to explore the affairs of the entities. The merits of the moving party's claim may then loom larger in the balance.

*Wencke I*, 622 F.2d at 1373-74. Drawing from the Ninth Circuit's precedent, the Third Circuit has similarly concluded that

[f]ar into a receivership, if a litigant demonstrates that harm will result from not being able to pursue a colorably meritorious claim, we do not see why a receiver should continue to be protected from suit. On the other hand, very early in a receivership even the most meritorious claims might fail to justify lifting a stay given the possible disruption of the receiver's duties.

*Acom Tech. Fund, L.P.*, 429 F.3d at 443-44.



Generally, courts are reluctant to lift litigation stays early in a receivership where lifting a stay would disrupt the receiver's duty to organize and understand its assets. See *S.E.C. v. Byers*, 592 F. Supp. 2d 532, 537 (S.D.N.Y. 2008) *aff'd*, 609 F.3d 87 (2d Cir. 2010) (in SEC receivership action, where receiver had "only just begun to investigate the full extent of the fraudulent scheme," timing factor weighed in favor of receiver as "permitting some investors to file involuntary bankruptcy petitions would hinder the Receiver's investigation"); *S.E.C. v. Illarramendi*, 3:11CV78 JBA, 2012 WL 234016 (D. Conn. Jan. 25, 2012) (timing factor weighed in favor of receiver where receivership was six months old at time of movant's motion, receiver had just begun its voluminous investigation, and the bar date for claims against the receivership entities had just passed); *Stanford Int'l Bank Ltd.*, 424 F. App'x at 341-42 (affirming district court's conclusion that timing factor weighed in favor of receiver and its interest in marshaling and conserving the estate where receivership had been in place for one year, underlying Ponzi scheme was complex and intricate, involving many entities and billions of dollars, satellite litigation instigated by receiver on behalf of estate was just beginning); *Belsome v. Rex Venture Grp., LLC*, 3:12CV800, 2013 WL 6860303 (W.D.N.C. Dec. 30, 2013) (finding that timing factor weighed in favor of receiver in Securities Exchange Commission receivership where receiver was "engaged in intensive investigation and analysis, reconstructing the financials of [the entity], analyzing large volumes of documents, liquidating the company's assets, and preparing for the filing of clawback actions"); *F.T.C. v. 3R Bancorp.*, 04 C 7177, 2005 WL 497784 (N.D. Ill. Feb. 23, 2005) (timing factor favored receiver where receiver had "had little more than three months to begin to unravel the[] labyrinthine entanglements" involved in a far-reaching telemarketing scam); *ESIC Capital, Inc.*, 675 F. Supp. at 1464 (timing factor favored receiver where receivership was two years old, receiver needed more time to analyze matters, and where lifting stay would vitiate orderly administration of estate).

Conversely, a lift of the stay is more palatable later in a receivership's lifetime, after the receiver has had sufficient time to conduct its duties. See *Wencke II*, 742 F.2d at 1232 (district court abused its discretion in refusing to lift stay preventing commencement of suits against receivership where receiver was ready to distribute assets of the estate, receivership had been in existence for over seven years with no new material facts having been discovered for at least six years, and disgorgement order had been entered requiring transfer of shares to receiver for benefit of public shareholders); *S.E.C. v. Provident Royalties, L.L.C.*, 3:09-CV-1238-L, 2011 WL 2678840 (N.D. Tex. July 7, 2011) (timing factor weighed heavily in favor of lifting stay where receivership was almost two years old, receiver had marshaled almost all receivership assets and had proposed a plan of distribution); *SEC v. Private Equity Mgmt. Grp., LLC*, CV 09-2901 PSG EX, 2010 WL 4794701 (C.D. Cal. Nov. 18, 2010) (second factor cut against receiver where receivership was well over one year old and receiver had progressed sufficiently in the effort to organize and understand the entities under his control, as evidenced by regular status reports to the court).

Weingarten argues that the stay should be lifted because the receivership has been in place for more than twenty-six months, and the Receiver has filed both a status report (extolling the successes of the receivership) and its disposition motion. [Dkt. 79, M. to Lift Stay p. 9]. The Receiver counters that the stay should not be lifted because the Receiver, by way of its disposition motion, has "merely informed the Court by its Motion ... that the Receiver has compiled the creditor pool and has determined their priority of payments as funds permit," but "has not stated that it is in the position of distributing all of the assets of the estate as not all have been liquidated." [Dkt. 81, Receiver's Opposition pp.6-7].

Here, the receivership has been in place since February 9, 2012, more than twenty-eight months. On January 8, 2014, the Receiver filed a *Motion for Entry of an Order Approving the Receiver's Recommended Disposition of Claims, Authorizing Payment of Approved Claims and Establishing Summary Disposition Proceedings* (dkt. no. 62), which requests that the Court grant Greentree "authority to make immediate payment" to two claimants, and this Court will enter an order establishing summary disposition proceedings shortly. However, the Receiver will, at some undefined point in the future, liquidate Greentree's assets and wind down the Receivership estate. This receivership is thus at a midpoint; the Receiver has progressed in the effort to organize, understand, and marshal the entities under its control but has not yet liquidated the assets. Weingarten, however, has demonstrated that harm will result from not being able to pursue its claim against Fresh, and the Receiver has progressed far enough in its duties that this Court is comfortable that the timing factor weighs in favor of the Movant. See, e.g., *S.E.C. v. Provident Royalties, L.L.C.*, 3:09-CV-1238-L, 2011 WL 2678840 (N.D. Tex. July 7, 2011) (timing factor weighed heavily in favor of lifting stay where receivership was almost two years old, receiver had marshaled almost all receivership assets and had proposed a plan of distribution).



## e. Merit of the Movant's Underlying Claim

The third consideration the Court must make is the merit of the Movant's underlying claim. "A district court need only determine whether the party has colorable claims to assert which justify lifting the receivership stay." Acorn Tech., 429 F.3d at 449. The more meritorious a movant's underlying claim, the more heavily this factor will weigh in the movant's favor. See, e.g., Wencke I, 622 F.2d at 1373 ("Where the claim is unlikely to succeed (and the receiver therefore likely to prevail), there may be less reason to require the receiver to defend the action now rather than defer its resolution").

However, even meritorious claims may not tip the scales in favor of lifting a litigation stay where the first and second prongs of the Wencke II inquiry favor the receiver. See, e.g., Acorn Tech. Fund, L.P., 429 F.3d at 449 (upholding denial of stay where, although movants' proposed claims against receiver had merit and thus third prong of Wencke II test was satisfied, but movants failed on the timing factor, and did not meet first prong because litigation could have resulted in movants' ability "to withdraw funds from the receivership estate before the receiver [was] ready to distribute funds to all creditors," and substantial injury could not derive from movants' desire to have "the first bite at the apple."); Universal Fin., 760 F.2d at 1039 (upholding denial of lift of stay where movants had meritorious claim but where "havoc ... would ensue if the stay were lifted at this time"); Med Resorts Int'l, Inc., 199 F.R.D. at 609 (stay not lifted where, although movants' claim was meritorious, timing factor did not favor movants and movants had not articulated injury other than general delay in enforcing their rights).

Here, the Nevada District Court has granted Weingarten's motion to dismiss Fresh's claims and the action against it and has ruled that Fresh failed to timely exercise its option to extend the Lease under Nevada law, thus abandoning the lease effective January 31, 2014. Fresh's appeal of the District Court's decision does not alter the current law of the case and thus does not establish that the merits of Weingarten's claims are unsettled. On the contrary, the District Court of Nevada decision, which dismissed the action in full, is a final decision and is reviewable by an appellate court only. See 28 U.S.C. § 1291 ("The courts of appeals ... shall have jurisdiction of appeals from all final decisions of the district courts of the United States..."); Chasser v. Achille Lauro Lines, 844 F.2d 50 (2d Cir. 1988) *aff'd sub nom. Lauro Lines s.r.l. v. Chasser*, 490 U.S. 495 (1989) (a district court's denial of a motion to dismiss, which leaves a controversy pending, is not a final decision and is not appealable). Thus this Court has no authority to alter the final judgment of another district court. The decision of the Nevada court is *res judicata* as it is a final judgment of the issues sought to be raised here, namely whether Fresh timely extended the Lease, and issues which could have been raised in the Nevada litigation, namely the pendency of the stay. See Burgos v. Hopkins, 14 F.3d 787, 789 (2d Cir. 1994) ("the doctrine of *res judicata*, or claim preclusion, provides that a final judgment on the merits of an action precludes the parties or their privies from relitigating issues that were or could have been raised in that action."). Further, the Receiver could have sought transfer of the Nevada case to this Court, but again chose not to act. A party cannot rest on its laurels, wait to see how one court rules, and then raise the same issue in a second court when the ruling is not to its liking.

This factor clearly tips in the Movant's favor. Fresh elected to institute an action against Weingarten in Nevada,<sup>[4]</sup> and by so doing took the risk of receiving an unfavorable determination from the court. It is patently unfair to allow the Receiver to withhold the existence of the stay and, only after it has lost, use the receivership stay in this case to prevent Weingarten from enforcing its rights pursuant to the Nevada District Court's valid and legally binding determination that Fresh had failed to timely extend and thus possessed *no interest in the Premises*.

## IV. Conclusion

The Court concludes that the Lease and the Premises to which the Nevada District Court found that Fresh was not entitled are not assets of the Receivership estate, and thus the stay cannot apply to Weingarten's proposed action against Fresh. The Court further concludes that even if the Lease and the Premises are receivership assets, Weingarten has met its burden of establishing that the harm it would suffer, the advanced stage of the receivership, and the superior merit of its position weigh in favor of lifting the stay to allow Weingarten to pursue an action to recover its property. For the foregoing reasons, the Movant's Emergency Motion to Modify the Stay Order is GRANTED.

IT IS SO ORDERED.

[1] Fresh was required to notify Weingarten of its decision to exercise the option to extend at least 180 days prior to the Lease's expiration. [Dkt. 79-6, D. NV Order Granting MTD, p. 1].

[2] The Nevada District Court's Order specifically notes that "Plaintiff [Fresh] admits that it gave notice of intent to exercise the option to extend two weeks late," and that as a result Fresh had requested equitable relief from the court. [Dkt. 79-6, D. NV Order Granting MTD, p. 3, lines 6-7].

[3] This test has also been adopted by the Third, Fifth, and Tenth Circuits, as well as by courts in the Fourth, Sixth, Seventh, and Eighth Circuits. See *U.S. v. Acorn Tech. Fund, L.P.*, 429 F.3d 438 (3d Cir. 2005); *S.E.C. v. Stanford Int'l Bank Ltd.*, 424 F. App'x 338, 341 (5th Cir. 2011); *S.E.C. v. Vescor Capital Corp.*, 599 F.3d 1189, 1196 (10th Cir. 2010); *U.S. v. ESIC Capital, Inc.*, 685 F. Supp. 483 (D. Md. 1988); *S.E.C. v. One Equity Corp.*, 2:08-CV-667, 2010 WL 4878993 (S.D. Ohio Nov. 23, 2010); *F.T.C. v. 3R Bancorp.*, 04 C 7177, 2005 WL 497784 (N.D. Ill. Feb. 23, 2005); *U.S. v. Petters*, CIV. 08-5348 ADM/JSM, 2012 WL 836866 (D. Minn. Mar. 12, 2012).

[4] The Court must note that the Receiver's assertion that it was explicitly allowed to bring the action against Weingarten by order of this Court is false. The Receiver has asserted that "[t]his Court's stay was lifted so that BF could initiate any affirmative actions without further Order of this Court by Order entered September 20, 2012 (Docket No. 22)." [Dkt. 81, Receiver's Opposition, p. 3 n. 1]. However, as Weingarten astutely points out, this Court's September 20, 2012 Order provided for a lifting of the stay without further Court Order for "Claims and causes of action against current and former lessees, sub-lessees, their guarantors and related parties arising out of, resulting from or relating to breach of leases and/or sub-leases." [Dkt. 22, September 20, 2012 Order Lifting Stay for a Limited Purpose, pp. 1-2]. Weingarten is not a lessee or sub-lessee of Fresh or BFAH, and thus this litigation stay was not lifted as to Fresh's action against Weingarten.

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**ATTACHMENT "A"**

**U.S. District Court  
District of Oregon (Portland (3))  
CIVIL DOCKET FOR CASE # 3:16-cv-00438-PK**

Securities and Exchange Commission v. Aequitas Management,  
LLC et al  
Assigned to: Magistrate Judge Paul Papak  
Cause: 15:77 Securities Fraud

Date Filed: 03/10/2016  
Jury Demand: Defendant  
Nature of Suit: 850 Securities/Commodities  
Jurisdiction: U.S. Government Plaintiff

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