Date Filed: 8/9/2017

Troy D. Greenfield, OSB #892534
Email: tgreenfield@schwabe.com
Joel A. Parker, OSB #001633
Email: jparker@schwabe.com
Jeffrey S. Eden, OSB #851903
Email: jeden@schwabe.com
Alex I. Poust, OSB #925155
Email: apoust@schwabe.com
Lawrence R. Ream (Admitted *Pro Hac Vice)*
Email: lream@schwabe.com
Schwabe, Williamson & Wyatt, P.C.
Pacwest Center
1211 SW 5th Ave., Suite 1900
Portland, OR 97204
Telephone: 503.222.9981
Facsimile: 503.796.2900

Ivan B. Knauer (Admitted *Pro Hac Vice)*
Email: knaueri@pepperlaw.com
Brian M. Nichilo (Admitted *Pro Hac Vice)*
Email: nichilob@pepperlaw.com
Pepper Hamilton, LLP
600 14th Street, NW, Suite 500
Washington, DC 20005
Telephone: 202. 220.1219
Facsimile: 202. 220.1665

Attorneys for the Receiver for Defendants
AEQUITAS MANAGEMENT, LLC; AEQUITAS HOLDINGS, LLC; AEQUITAS COMMERCIAL FINANCE, LLC; AEQUITAS 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 JULY 31, 2017

v.

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

Defendants.

Ronald F. Greenspan, the duly appointed Receiver of the entity defendants and 43 related entities, hereby files the attached Report of Ronald F. Greenspan, Receiver, dated July 31, 2017.

Dated this 9th day of August, 2017.

Respectfully submitted,

SCHWABE, WILLIAMSON & WYATT, P.C.

By: *s/ Alex I. Poust,* OSB #925155
Troy D. Greenfield, OSB #892534
tgreenfield@schwabe.com
Joel A. Parker, OSB #001633
jparker@schwabe.com
Jeffrey S. Eden, OSB #851903
jeden@schwabe.com
Alex I. Poust, OSB #925155
apoust@schwabe.com
Lawrence R. Ream (Admitted *Pro Hac Vice)*
lream@schwabe.com
Telephone: 503.222.9981
Facsimile: 503.796.2900

SCHWABE, WILLIAMSON & WYATT, P.C.
Attorneys at Law
Pacwest Center
1211 SW 5th Ave., Suite 1900
Portland, OR 97204
Telephone: 503.222.9981
Fax: 503.796.2900

Ivan B. Knauer (Admitted *Pro Hac Vice*)
knaueri@pepperlaw.com
Brian M. Nichilo (Admitted *Pro Hac Vice)*
nichilob@pepperlaw.com
PEPPER HAMILTON LLP
600 Fourteenth Street, N.W.
Washington, DC 2005
Tel: (202) 220-1665

Attorneys for the Receiver for Defendants
Aequitas Management, LLC, Aequitas
Holdings, LLC, Aequitas Commercial
Finance, LLC, Aequitas Capital
Management, Inc., and Aequitas Investment
Management, LLC

RONALD GREENSPAN

COURT-APPOINTED RECEIVER FOR

AEQUITAS MANAGEMENT, LLC, AEQUITAS HOLDINGS, LLC, AEQUITAS COMMERCIAL

FINANCE, INC., 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

July 31, 2017

Contents

I. Introduction 4
II. Limitations of Report 5
III. Case Background 6
A. Introduction 6
B. Focus of the Activities to Date 7
C. Recommendation regarding Continuance of the Receivership 8
D. Impact on the Receivership Estates of Ancillary Proceedings Brought Against Registered Investment Advisers in which the Receivership Entity Has an Ownership Interest 9
1. Private Advisory Group Membership 9
2. Aspen Grove Membership 10
3. Relevant Insurance Coverage 10
4. Indemnification Claims 11
E. Probable Impact of Discovery Directed to the Receiver and the Receivership Entity 14
F. Lifting of the Stay of Litigation 15
IV. Overview of the Receiver's Activities 15
A. Summary of Operations of the Receiver 15
B. Development of Claims Process 19
V. Assets/Interests Sold 20
1. EdPlus Holdings, LLC/Unigo Group sale 20
B. Prior Sales Efforts 25
C. Ongoing Sales Efforts 26
1. Campus Student Funding 26
2. ACC Holdings 5 (Luxembourg Bonds) 27
3. Marketing Services Platform (MSP) 27
4. Syncronex, LLC 28
5. MotoLease Financial (MLF) 28
6. Pipeline Health Holdings, LLC ("Pipeline") 29
7. ETC Founder Fund (ETCF) 29
VI. Communications to Interested Parties 38
A. Ongoing Communication with Investors/Counsel 38
B. SEC and Other Governmental Agencies 38
VII. Lender Relationships 39
A. The Direct Lending Income Fund, LP ("DLIF") Financing 39
VIII. Assets in the Possession, Custody and Control of the Receivership Estate 40

A. Cash and Cash Equivalents 40
IX. Asset Recovery – Anticipated Assets not yet in the Possession of the Receivership Entity 40
X. Accrued Professional Fees 40
XI. Receivership Claimants 41
XII. Receiver's Plan 41
A. Timetable 42
B. Actions to be Taken 43
C. Expected Recovery 43

I. Introduction

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

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

In accordance with the Final Receivership Order, the Receiver is required to file a report (the "Receiver's 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

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

entry date was April 16, 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 together with subsequent mandated quarterly reports.[2] This report (the "Report") represents the report and recommendations to the Court for the quarter ending June 30, 2017. In the accompanying discussion of Receivership matters, the Report provides an update regarding some matters previously reported and does not include all details contained in prior Receiver's Reports. For a complete and fulsome discussion and for such additional details please refer to prior Receiver's Reports.

As is the case for the prior Receiver's Reports, 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. Furthermore, a forensic review is currently underway and this Report is qualified in its entirety by the findings of such review. The Receiver may need to materially modify the findings and recommendations contained within this Report after further consideration and the results of the forensic review are known.

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

[2] The voluntary report and recommendations to the Court (the "Initial Report") for the first "stub quarter" ending June 30, 2016 was filed on September 14, 2016 [Dkt. 246], the first mandated quarterly report covering the period through September 30, 2016 on November 10, 2016 [Dkt. 298] and the second mandated quarterly report covering the period through December 31, 2016 on February 10, 2017 [Dkt. 365] and the third mandated quarterly report covering the period through March 31, 2017 on May 11, 2017 [Dkt. 444] are collectively referred to herein as the "Receiver's Reports".

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 June 30, 2017, the Receiver has sold assets and collected receivables totaling approximately $248 million. Further, the Receiver has entered into an option to sell approximately $75 million[3] in health care receivables owned by the Receivership[4].[5] Operationally, employee headcount decreased from the

[3] Balance as of March 7, 2016, prior to the CCM Transaction.
[4] The sale of the Receivership's interests in CCM was approved on January 25, 2017. [Dkt. 362]
[5] Subsequent to the end of the quarter, an affiliate of CarePayment Technologies, Inc. exercised the option and completed partial acquisition of the receivables. Certain receivables were also sold during 2Q 2017 to an affiliate of CPYT pursuant to the Origination and New Program Agreement. The balance of the receivables will be purchased prior to the end of 2017.

beginning of the quarter to the end at 10 (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. While much has been accomplished, there is still much more to do. 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. Sufficient progress has been made in these areas to permit the Receiver to have commenced a claims reconciliation process and his forensic investigation, both of which are now underway.

The Receiver has substantially completed the implementation of a consolidated database of the estimated 10 terabytes of documents in the possession of the Receivership Entity and controlled by receivership agents and vendors. The database is being utilized to fulfill current requests for production (RFP) from the SEC. There is currently an attorney-client privilege dispute among the Individual Defendants and the SEC[6] which Order is under appeal. Upon resolution of the dispute, the Receiver will facilitate access to the database for third-party litigants. Additionally, the Receiver has initiated his investigative efforts with the development of a forensic workplan and the dedication of resources to move the investigation forward.

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.

[6] See Individuals' Motion for Protective Order [Dkt 428] and Opinion and Order [Dkt 470].

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 very 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

As described below, the Receivership Entity owns a majority interest in Private Advisory Group, LLC, a registered investment advisor ("PAG"). Pursuant to the directive contained in paragraph 24 of the Order Appointing Receiver [Dkt. 156], the Receiver now recommends that the Court lift the stay of litigation against PAG. Assuming negotiations are concluded productively, the Receiver anticipates filing shortly a motion to effect the resolution described below.

1. Private Advisory Group Membership

PAG is a registered investment adviser ("RIA") in which the Receivership Entity currently holds an ownership interest.[7] Aspen Grove Equity Solutions, LLC ("Aspen Grove") is currently 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

[7] AIM was also filed as a registered investment advisor. The Receiver has withdrawn that registration. As addressed below, the Receiver has entered a contingent agreement for the transfer of the Receivership Entity's ownership interest in PAG.

Receiver). Its ownership interest in PAG constitutes Receivership Property, as that term is defined in the Order Appointing Receiver [Dkt. 156, 6.A.]. 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" 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. The policy limit is $5 million. It is a wasting policy, which means that the limit available to mitigate the losses sustained by those who invested in Aequitas through PAG is depleted by attorney fees and other defense costs incurred by the insureds.

The Receiver determined that it was in the best interests of the Receivership Entity to have its insurance counsel, Stan Shure, assume direction of the efforts to maximize available insurance proceeds. Counsel for Chris Bean, Doug Bean, Bean Holdings, LLC, Aaron Maurer, Jon Bishopp and others associated with PAG (collectively referred to as the "PAG Related Parties") continue to cooperate in the efforts of the Receiver's insurance counsel.

Prior to the March 1-2 mediation addressed below, the PAG Related Parties produced corporate and personal financial statements and other evidence of assets, potentially available to indemnify for losses sustained by Aequitas investors. Subsequent use of the documents is governed by a confidentiality and non-disclosure agreement.

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 — previously 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.

The Aspen Grove Operating Agreement contains an identical indemnification provision. The members of Aspen Grove, other than Aequitas Wealth Management, LLC, namely Gary Price, Ron Robertson and Tim Feehan, similarly claimed entitlement to

indemnification pursuant to the terms of the Aspen Grove Operating Agreement. However, given that Aspen Grove is part of the Receivership Entity, the claims are stayed at this time.

Additionally, Aequitas Capital Management, Inc. ("ACM") 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") - claimed entitlement to indemnification. Again, given ACM is part of the Receivership Entity, the claims are stayed at this time.

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. Settlement Process

At the urging of the Receiver, counsel for the those who invested in Aequitas through PAG and Strategic Capital Group, LLC ("SCG") worked diligently and cooperatively with the Receiver to develop and execute an orderly process to address claims against the two RIAs and related individuals that was designed to maximize recovery to investors and other creditors on an expedited basis. Other interested parties were invited and participated in the claims resolution process, including Enviso Group, LLC ("Enviso"), which brought claims against PAG and others in the Superior Court of San Diego County, California.

The various interested parties proceeded to mediation on March 1-2. The insurers attended and participated in the mediation. The entity and individual defendants produced financial statements and other evidence of potentially available assets prior to the mediation. Considerable progress was made during the mediation, however, further negotiation was necessary to reach a resolution.

On June 2, 2017, a number of individual investors filed a class action lawsuit (*Brown* - U.S. District Court for the District of Oregon - Case No. 3:17-cv-00869-HZ) against PAG, SCG and related parties on behalf of a putative class comprised of "all persons who purchased or renewed and continue to hold Aequitas promissory notes and funds while they were clients of [SCG or PAG] and upon the advice or recommendation of SCG or PAG or their investment advisor representatives." The alleged class "does not include Defendants, their officers, directors or employees [and] also does not include any of the Aequitas affiliated companies, and their officers, directors, board members, advisors, agents, employees, and affiliates, and the immediate family members of each of them." The lawsuit was filed for the sole purpose of procedurally facilitating anticipated settlements on behalf of the defined Aequitas investors.

Subsequent to the filing of the class action lawsuit, counsel for the alleged class of investors reached contingent settlements with the named defendants including PAG. The settlements include the insurance carriers paying the remaining policy limits as well as a number of the individual defendants making personal contributions. Counsel for the alleged class anticipates filing motions for class certification and preliminary approval of the settlements no later than August 18.

6. Sale/Transfer of the Receivership Entity's Interest in PAG

In conjunction with and to facilitate the contingent settlements referenced above, the Receiver and the members of PAG other than Aspen Grove reached agreement for

the sale/transfer of the Receivership Entity's interest in PAG. The agreement is contingent upon Court approval. Among other terms of the agreement, PAG and its other members agree to defend and indemnify the Receivership Entity from all claims by Enviso as well as to fully satisfy all professional fees incurred by PAG. Further, they release all claims against AGES.

7. Recommendation to Lift the Stay

The Receiver recommends that the Court lift the stay of claims against PAG, to allow the parties to proceed toward settlement in the *Brown* matter - U.S. District Court for the District of Oregon - Case No. 3:17-cv-00869-HZ.

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

As of the date of this report, the Receiver has consolidated all digital data within his control into a centralized, organized database. The database contains more than 13 million documents/emails and is currently being edited to remove non-Aequitas material (iTunes music libraries, personal pictures/videos, etc.). In addition to the Receivership's database, The Receiver has also integrated the multiple data repositories in DTI's[8] possession as well as the data repository hosted by Pepper Hamilton.[9] The Receiver is currently utilizing the centralized database to prepare his response to SEC requests for production.

In accordance with the directive contained in paragraph 24 of the Order Appointing Receiver [Dkt. 156], the Receiver is pleased to report that the centralized database will likely be available for access and use by litigants and other appropriately-authorized parties within the next thirty to sixty days. As the Court is aware, the individual

[8] DTI (aka Document Technologies, Inc.) was the previous eDiscovery solution employed by Aequitas and the database contains valuable work product related to prior productions in the ASFG litigation and to the SEC.
[9] The Pepper Hamilton repository contains valuable work product as to the files provided by Sidley Austin and the SEC, as well as the ongoing privilege dispute by the Individual Defendants.

Defendants lodged Objections to the July 7, 2017 Opinion and Order [Dkt. No. 479], continuing to contend certain communications are privileged. The Receiver is in the process of segregating the subject communications from the massive, centralized database. Once that process is complete, the Receivership will facilitate access to the documents in the database as to which the individual Defendants do not assert a privilege. The protocol governing access to the database will be available on the Receivership website - http://www.kccllc.net/aequitasreceivership/

F. Lifting of the Stay of Litigation

As addressed in Sec. D above, the Receiver recommends that the Court lift the stay of claims against PAG at this time. As to the stay of claims against the Receivership Entity, individual Defendants and others addressed in Sec. IX of the Order Appointing Receiver [Dkt. No. 156], the Receiver anticipates recommending at least a partial lifting of the stay in the next Receiver's report (90 days). By that time, the forensic accounting/investigation will likely be substantially complete and the majority of the Receivership Entity's assets will have been sold or otherwise monetized, thereby allowing some resources to be redirected to litigation-related matters without jeopardizing the Receivership's other vital activities.

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 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

The Receiver continues with planned, targeted staffing reductions based on the needs of the enterprise. As of June 30, 2017, the Receivership Entity had 9 full-time employees and 1 part-time employee – a reduction of 2 employees during the quarter. The Receiver's employee retention program 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 June 30, 2017, the Receivership employed five full-time equivalent accounting contractors and two 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 believed an audit would be helpful in connection with a sale or refinancing process. The Receiver will be facilitating the 2016 audit for COF/CCM but the cost of the audit will be borne by COF/CCM (in which the Receiver no longer owns an interest). The Receiver has delayed the kick-off of the 2016 audit of CP LLC pending the timing of CPYT's purchase of the medical receivables portfolio.

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.

c. Other Tax Matters

For the 2016 tax year, the Receivership has thus far filed 42 federal, state and local returns – including twenty-one filed since the last report (3 federal returns and 18 states). Many more returns are in process but there is still a significant amount of work to complete before the September and October deadlines. The 2016 general ledger was finalized during the previous quarter but accounting revisions and complex sale transactions have complicated the preparation of the returns. The Receiver continues to look for opportunities to file final tax returns as sale transactions occur and/or other circumstances allow for closure of entities.

The Receiver is currently waiting on tax information from the following entities not controlled by the Receiver, which has impaired the ability to prepare returns for Receivership Entities:

- 2016 Form K-1 from ETC Global Group LLC. This is needed for the Aequitas ETC Founders Fund LLC return and for the CCM Capital Opportunities Fund LP returns
- 2016 Form k-1 from Motolease LLC (for the CCM Capital Opportunities Fund LP return)
- 2016 Form k-1 from SCA Holdings LLC (for the CCM Capital Opportunities Fund LP return)
- 2016 Form k-1 from PAG LLC (for the Aspen Grove Equity Solutions LLC return)

5. Payments made on behalf of the defense of the Individual Defendants

Under the Court's May 23, 2016 order granting limited relief from the stay to permit limited payment of defense costs for the Individual Defendants under the Receivership's D&O policy, the Individual Defendants are required to submit to the Receiver on a quarterly basis, commencing within 90 days of the entry of the order, a report reflecting the aggregate amount of Defense Costs paid by the Insurer on behalf of the Executives during the prior quarter. The Receiver was informed by counsel for XL Catlin that the total of those payments to date as of July 7, 2017 was $5,000,000.[10] The Receiver's insurance counsel is evaluating this situation.

[10] Receiver's insurance counsel projects that, through the end of June 2017, the Defense Costs incurred by the three individual Defendants (including the costs of the discovery vendor) but not yet paid are approximately $1 million with about 60% of the incurred amount attributable to Jesenik's counsel. This would put total Defense Cost expenditures at approximately $6 million.

	Payment Date Per Catlin (now XL Group)					
Defendant/Law Firm	**Q3 2016**	**Q4 2016**	**Q1 2017**	**Q2 2017**	**Q3 2017**	**Grand Total**
E-discovery	**-**	**18,293**	**244,170**	**192,168**	**19,596**	**474,227**
Discovia (discovery vendor)	-	18,293	244,170	192,168	19,596	474,227
Gillis	**173,330**	**387,451**	**74,477**	**184,276**	**86,088**	**905,621**
Covington & Burling LLP	165,307	380,053	71,450	175,062	84,600	876,470
Whipple & Duyck, P.C.	8,024	7,398	3,028	9,214	1,488	29,151
Jenke	**-**	**-**	**-**	**-**	**92,087**	**92,087**
Dechert LLP	-	-	-	-	92,087	92,087
Jesenik	**326,668**	**212,556**	**277,482**	**937,497**	**959,481**	**2,713,683**
Gibson, Dunn & Crutcher LLP	325,435	174,429	-	515,809	-	1,015,673
Rose Law Firm	-	-	53,727	52,507	101,366	207,601
Schulte Roth & Zabel LLP	-	-	207,739	369,180	858,114	1,435,034
Stoel Rives LLP	1,233	38,128	16,015	-	-	55,375
Oliver	**71,101**	**145,624**	**89,691**	**251,251**	**256,714**	**814,382**
Black Helterline LLP	-	8,128	1,155	3,470	2,485	15,238
Shartsis Friese LLP	71,101	137,496	88,536	247,781	254,229	799,144
Grand Total	**571,099**	**763,924**	**685,820**	**1,565,191**	**1,413,966**	**5,000,000**

B. <u>Development of Claims Process</u>

The Receiver has begun the process of quantifying and validating the over $600 million of investor claims. This involves reconciling tens of thousands of investor investment/redemption activities documented by the books and records of the Receivership, which, because Aequitas did not utilize a consolidated accounting and investor reporting platform, requires reconciling investor account statements produced outside the accounting system with separate accounting and tax records. Additional validations will be necessary to the extent issues are discovered during the reconciliation process and to the extent the Receivership's records do not align with Investor and creditor records.

The Receiver is trying to ease the Investor and creditor claims process burdens. The Receiver is in the process of populating and distribution to all investors, and subsequently creditors, a summary of historical activity relating to such investor / creditor. If the investor (and creditor) concurs with such records, no further effort is anticipated with respect to submission of claim information by such investor (or

creditor). If any investor (or creditor) disagrees with the Receivership's books and records, it is anticipated that a streamlined resolution process will be implemented.

The Receiver has begun a phased roll out of a data confirmation process pursuant to which packets are being sent to each investor which had an active account balance in any fund of the Receivership Entity from January 1, 2012 to the date of the Complaint. As of June 30, 2017, 1,153 investor packets have been sent to ACF Private Note investors constituting about $280 million of the total invested capital in Private Notes ($315 million) as of the date of the Complaint. The Receiver anticipates that validations for the remaining investors in ACF Private Notes as well as those invested in other debt-based funds or investment vehicles will be complete by the end of August with validations for the investors in the equity-based funds completed shortly thereafter.

The confirmation process will allow the Receiver to gather/confirm information needed to begin the formulation of a distribution plan and will be levered into a formal claims process once the claims order has been issued and a bar date established. Nothing in the data confirmation process will be dispositive as to the form of the distribution plan.

V. Assets/Interests Sold

1. <u>EdPlus Holdings, LLC/Unigo Group sale</u>

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. As reflected in the motion and the Declaration of Ronald Greenspan filed in support of the motion [Dkt. 200] as well as Previous Reports, the consideration for the sale included 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 third reporting period for the quarterly statement of the Earnout closed March 30, 2017 and the statement for that quarter was received on June 16, 2017. The third quarterly statement did not indicate any positive EBITDA. 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.

2. CarePayment Medical Receivables

CCM Capital Opportunities Fund ("CCM") was a $102 million fund formed to make control and minority investments in small to middle-market financial services companies. As detailed in Previous Reports, on or about March 7, 2017, the Receiver closed on a transaction that involved not only the sale of the Receivership Entity's interest in CCM, but also (i) the sale of certain CarePayment healthcare receivables, (ii) the payoff of Wells Fargo Bank, N.A, (iii) grant of an option to purchase the Receivership Entity's and its affiliate's healthcare receivables to CarePayment Technologies, Inc. (together with its subsidiaries, "CPYT"), and (iv) detailed agreements related to the continued operation of the CarePayment program during the option period (collectively, the "CCM Transaction").

A crucial aspect of the separation of the CPYT from the Receivership Entity and a required transaction closing condition involved structuring and finalizing the New Program Agreements between the Receivership Entity and CPYT, with extensive input from the Buyers. The New Program Agreements consist of four separate documents:

- Option Agreement (the "**Option Agreement**") – The Option Agreement grants CPYT an exclusive option to purchase the CP LLC and CPFIT CarePayment receivables during

the six-month option period ending September 7, 2017 (the "Option Period"). The option may be exercised in stages based on a pre-determined purchase price formula, subject to certain adjustments as specified in the Option Agreement.

- Origination and New Program Agreement (the "**Origination Agreement**") - The Origination Agreement deals with the origination and operation of the CarePayment program during the Option Period. Under the Origination Agreement, CP LLC partially and conditionally assigned certain of its rights under the Client Agreements and WebBank Agreements to CPYT so that it could operate independently and fulfill its obligation under the Origination Agreement and the other New Program Agreements. Under the Origination Agreement, (i) CP LLC will continue to facilitate the origination of new receivables, however, CPYT or its affiliate are required to provide all the necessary funding for such originations, (ii) CPYT is required to purchase underlying receivables from CP LLC and CPFIT if the amount of sub-sales (additional charges by patients on existing CarePayment accounts) exceed a given hospital's recourse liability to CP LLC or CPFIT, and (iii) purchase recourse CarePayment receivables (receivables that are generally greater than 90 days past due) from CP LLC and CPFIT. As a result, after the CCM Transaction closing, the CP LLC and CPFIT are continuing to accept a limited amount of sub-sales in exchange for recourse accounts, however, such transactions do not require additional funding on the part of the Receivership Entity.

- Net Interest Margin Agreement (the "**NIM Agreement**") – Under the NIM Agreement, in consideration for CPYT's management of the CarePayment program and managing the hospital client relationships, the CarePayment-related Receivership Entities pay CPYT a fee calculated based on an amortized receivables purchase discount, net of all direct costs associated with the operation of the CarePayment platform, such as certain interest expense, servicing fees and origination fees,

professional fees, credit losses and impairment, taxes, etc. A similar arrangement existed between CPYT and Aequitas prior to the appointment of the Receiver.

- Servicing Agreement (the **"Servicing Agreement"**) – During the Option Period and for up to 3 months following the end or termination of the Option Period, CPYT will continue to service the CarePayment receivables owned by CP LLC and CPFIT pursuant to the new Servicing Agreement. The new Servicing Agreement is based on the prior agreements between CP LLC, CPFIT/Wells Fargo and CPYT and it replaced two agreements with one agreement following the Wells Fargo payoff. The Agreement includes updated terms and conditions.

In addition, following the close of the CCM Transaction, the Receivership Entity provided a $10.7 million senior secured loan to CPYT. The loan has a 12-month term. The loan shored up CPYT's liquidity allowing it fulfill its obligations to its capital partner, while providing a return to the Receivership on its funds. This funding to CPYT helped better protect the value of the millions of dollars of CarePayment receivables serviced by CPYT and still owned by the Receivership Entity and its affiliate and better positioned CPYT to acquire the Receivership Entity's remaining CarePayment receivables portfolio. Subsequent to the end of the 2Q 2017, CPYT has repaid this loan, including accrued interest, as discussed below.

Between April 1, 2017 and June 30, 2017, CPYT acquired $5.1 million in active CarePayment receivables under the Option Agreement. Of the $5.1 million, $3.7 million was received by CPLLC and the remainder was received by CPFIT. An additional $6.2 million was received for the purchase of hospital accounts receivable owed to CPLLC and CPFIT, for recoursed receivables or other monies due (net of accounts payable owed to the respective hospitals). The Receiver utilized the CPLLC proceeds to paydown senior secured debt with DLI.

As an event subsequent to quarter end, on or about July 15, 2017, CPYT notified the Receiver that it had secured financing that would facilitate repayment of the $10.7 million Receivership Entity loan to CPYT and CPYT intended to exercise its rights under the Option Agreement for the remaining medical receivables portfolio under a staged takedown. CPYT also requested an extension of the expiration date for the New Program Agreements from September 3, 2017 to December 31, 2017 to facilitate the takedown of the remaining receivables portfolio in return for CPYT's commitment to purchase all hospital client-related receivables (i.e. recourse and other such negative account adjustments) by October 15, 2017. On July 28, 2017, CPYT repaid the Receivership Entity loan of $10.7 million plus accrued interest of $464 thousand and purchased $19.2 million (face value) of medical receivables for a purchase price of $17.5 million (leaving the Receivership with a remaining portfolio balance of $17.5 million face value) in CPLLC and CPFIT. The Receivership used a portion of the proceeds to retire the outstanding DLI debt balance of $7.56 million. Pursuant to a stipulation with Weider/Forman litigants, the net proceeds of the account receivable sales in excess of institutional debt repayment have been placed in a segregated account pending determination of their appeal (or September 15th, whichever occurs first).

3. Innovator Holdings LLC (IH)

IH holds a 51% interest in Innovator Management, LLC ("IM") – a 1940-Act investment advisory platform that is owned equally with Clifton Larson Allen ("CLA"). IM has consistently lost money and, since the Receivership, has been funded solely by CLA. The Receiver is not aware of any business reason to continue ownership or advance the Receivership's share of losses.

The Receiver and CLA agreed to sell IM and requested court approval on April 19, 2017.[11] The Receiver does not believe its equity is worth more than the $50,000 and the contractual indemnities and releases it will be receiving (and understands that CLA is receiving no consideration on account of its equity investment).

The Court entered its order[12] on April 20, 2017 permitting the sale of the Receivership's interest and a closing of the transaction occurred on May 9, 2017. Due to restrictions related to an investment advisory business, the transaction closed but the sale proceeds are held in escrow until the shareholders approve the new advisory agreement and the purchaser receives an exemptive order from the SEC (completion expected September 2017)

4. Aequitas Senior Housing Operations, LLC ("ASH")

ASH, through its affiliates, holds a minority interest in an assisted living facility being constructed in Austin Texas. The project construction costs are over budget and it is behind schedule. Civitas, the general partner, agreed to be a stalking horse bidder to purchase the Aequitas interest for $1.9 million, equal to a 25% discount on expected cash flows. Aequitas had initially invested $2.8 million and failed to fund subsequent capital calls.

The Order Granting Receiver's Motion to Sell Assets Free and Clear of All Liens, Claims, Encumbrances and Interests (Civitas) was entered May 25, 2017 [Dkt. 456]. No overbid was received. The sale transaction closed on June 9, 2017.

B. 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

[11] Receiver's Motion Authorizing Certain Receivership Entities to Execute and Deliver Such Documents and to Take Actions as Necessary to Effectuate the Innovator Management, LLC Sale [Dkt. 412].
[12] Order Granting Receiver's Motion Authorizing Certain Receivership Entities to Execute and Deliver Such Documents and To take Actions as Necessary to Effectuate the Innovator Management, LLC Sale [Dkt 415].

conducted numerous competitive sale processes and sold its interests in CCM Capital Opportunities Fund realizing approximately $48.1 million in gross proceed and monetizing its $4.9 million loan to CPYT. Additionally, the Receivership conducted a competitive sale process and sold two large Consumer Loan Portfolios realizing approximately $64.2 million in gross proceeds and $10.1 million in proceeds, net of the payment to the Comvest Lenders in satisfaction of the Comvest Loans, plus an additional $9.2 million of collections that had been previously retained by Comvest Lenders that were released to the Receivership. The Receivership Entity has also sold, through competitive bidding, certain office equipment and furniture located at the Entity Defendants' business premises at 5300 SW Meadows Road, Suite 400, Lake Oswego, Oregon, realizing over $50,000 in net proceeds.

C. Ongoing Sales Efforts

The Receiver continues to prepare assets for sale and actively market other assets.

1. **Campus Student Funding**

One of the gating monetization issues in determining the extent of investor recovery is a settlement of the Consumer Finance Protection Bureau (CFPB) and state attorneys general claims against certain Receivership Entities. The Receiver has been working diligently to advance a settlement that preserves some value in the portfolio of $188 million[13] in student loans. The Receiver has made very significant progress with the CFPB and a steering committee of state attorneys general and is optimistic that a settlement is achievable; yet until such a settlement is finalized, the CFPB prohibition on selling the portfolio and the uncertain value of the remaining portfolio after settlement creates significant uncertainty regarding recovery for investors.

[13] Balance as of June 30, 2017. $51.5 million is the unpaid principal balance (UPB) of active loans and an additional $136.4 million UPB of loans are more than 270 days past due.

2. ACC Holdings 5 (Luxembourg Bonds)

As detailed in Previous Reports, the Receivership Entity is involved in a complex trust structure (the "Lux Investment") related to several series of bonds offered on the Luxembourg Stock Exchange (the "Bonds") 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. Issuer is an independent company that is owned by a Dutch Stichting (foundation) and managed by an independent Board of Directors (the "Lux Board").[14] The Receiver continues to have active discussions with the Lux Board as to the monetization of the Lux Investment.

3. Marketing Services Platform (MSP)[15]

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 $12.5 million subordinated debt which is predominately held by 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 – agreed to provide bridge financing of up to $940 thousand while MSP repositioned its business and prepared to sell itself as a going concern. The Receiver and MSP retained the services of an investment banker. As of June 30, 2017, marketing efforts to 40-50 targeted parties had produced

[14] Consisting of Mr. Andrew MacRitchie, Mr. Elvin Montes and Ms. Laetitia Antoine. Mr. MacRitchie was formerly an officer of the Receivership Entity and owns a minority membership interest in Aequitas Management LLC ("AM"). The other directors do not have any past relationships with the Receivership Entity.
[15] http://ivey.com/

2 indications of interest and the investment banker was shepherding those parties to submit letters of intent. As an event subsequent to quarter end, one of the interested parties submitted a Letter of Intent to purchase MSP. While the initial offer is below the anticipated market value, the Receiver is evaluating the economics of the offer along with other alternatives.

4. Syncronex, LLC[16]

Syncronex 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.

Due to the loss of a significant customer in Q4 2016, the CEO of Syncronex approached the Receiver for a loan to bridge the short term liquidity gap and prevent the closure of the company. The Receiver agreed to a maximum loan up to $100,000 of which $75,400 is outstanding. The Receiver extended an exclusivity period to a potential stalking horse bidder – which period expired on July 7, 2017. The Receiver anticipates working towards a definitive agreement with the potential stalking horse bidder over the next several weeks.

5. MotoLease Financial (MLF)

MLF holds subprime consumer leases for motorcycle and other recreational vehicles. As of June 30, 2017, the portfolio had a face value of approximately $6.3 million, of which $5.0 million is less than 60 days past due. Additionally, MLF had repossessed 174 vehicles with cumulative outstanding lease balances of $1.1 million that are in various stages of reconditioning and/or resale. The Receiver is also reviewing potential claims with the servicing of the portfolio and refurbishment of the repossessed assets. Several interested parties are reviewing the economics of the portfolio and the

[16] http://www.syncronex.com/en/

Receiver is working to bring a purchase agreement forward in the next 90 days. Depending upon the amount of the offers, the Receiver will determine whether a sale or natural run-off of the portfolio is optimal.

6. Pipeline Health Holdings, LLC ("Pipeline")[17]

PCF owns 12.6% of Pipeline, 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 in the process of completing its latest financing round with a strategic investor. There are a handful of early investors that have indicated an interest in exiting the company as part of this transaction, including Aequitas. Pipeline has engaged an investment banker to conduct a secondary offering to assist investors in the monetization their interests. The investment banker has contacted approximately 60 prospective buyers and believes 10-15 parties may have an interest. Pricing for the secondary offering has not been determined, but it appears that the timing for a transaction would not occur before the end of September.

7. ETC Founder Fund (ETCF)[18]

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. ("ETCGH") which was purchased in September 2011. As the holder of the Series A Units, ETCF is entitled to certain preferential rights, including a right to approve certain significant transactions and a right to appoint one member of ETCGH's five-person Board of Directors. ETCF also has a liquidation preference that requires ETCGH to first return ETCF's capital investment in ETCGH, plus a 5% per annum preferred return, before making distributions to the other members of ETCGH. ETCF has the right to put the

[17] http://www.pipelinerx.com/
[18] https://www.etc-clearing.com/

Series A Units back to ETCGH at a value equal to its full liquidation preference. However, this put right is subject to the restrictions imposed on distributions set forth in the Delaware Limited Liability Company Act (the "Act"), including restrictions on any distributions if ETCGH were insolvent either immediately prior or after the distribution.

According to its financial statements, ETCGH has and continues to incur significant operating losses. The liabilities reflected on its balance sheet exceed its assets. ETCGH's management team has consistently represented to the Receiver that ETCGH's business will fail without a significant and immediate capital contribution. They have also communicated that ETCGH's regulators have expressed concerns about the viability of its business and are demanding that ETCGH raise additional capital to support its operations. Based on the information provided by ETCGH thus far, the Receiver and his staff believe that ETCGH's portrayal of its dire financial condition is accurate and that there is a significant risk that ETCF's investment in ETCGH will be lost without an immediate and significant capital contribution.

The Receiver examined the possibility of exercising ETCF's right to put its Series A Units back to ETCGH, which, in theory would require ETCGH to return ETCF's investment. However, the Act prohibits ETCGH from making this payment if, after giving effect to the payment, the liabilities exceed the fair value of the assets of ETCGH. Based on the financial statements provided by ETCGH and on the discussions with ETCGH's management, the Receiver concluded that the restrictions set forth in the Act would prohibit the exercise of ETCF's right to put its Series A Units back to ETCGH.

On May 1, 2017, ETCGH notified the Receiver that ETCGH intended to enter into a "Financing Transaction" with two lenders that will provide ETCGH with critical capital, but will also drastically change the ownership and control of ETCGH. ETCF, through its ownership of the Series A Units, has the ability to block the Financing Transaction.

ETCGH contends it has no alternative financing opportunities and the Receiver is not aware of any other viable options to address ETCGH's immediate need for additional capital. The initial proposal by ETCGH was for the Receiver to consent to the ETCGH Loan Transaction in exchange for conversion to common stock and loss of the liquidation preference. The Receiver rejected that proposal and has negotiated the terms of the Financing Transaction taking into consideration the Receivership investors, the interests of non-AIM/ACF investors, the investment and execution risks, and the investment timeline. If consummated, the Financing Transaction would involve the following:

- Cerberus will loan up to $63 million to ETCGH at a rate of 10% per annum. ETCGH will grant warrants entitling Cerberus to acquire Class A-1 Units representing 53.04% of the total equity of ETCGH (fully diluted). Cerberus will be entitled to nominate 3 of the 6 members of the ETCGH Board.
- Quantlab has previously loaned ETCGH approximately $23.45 million. It has or will make additional loans increasing this amount to $31.54 million. ETCGH will grant warrants entitling Quantlab to acquire Class A-1 Units representing 38.15% of the total equity of ETCGH (fully diluted). Quantlab will be entitled to nominate 2 of the 6 members of the ETCGH Board.
- ETCF will consent to the Financing Transaction and in doing so would convert its Series A Units in exchange for (i) new Series A-2 Units (the "Series A-2 Units") representing approximately 27% of the equity of ETCGH (pre dilution) and (ii) a $200,000 promissory note (the "Promissory Note"). If Cerberus and Quantlab exercise their warrants, ETCF's equity position in ETCGH would be diluted to approximately 2.3%. Further, ETCGH may issue additional equity interests after this transaction that could further dilute ETCF's equity position in ETCGH. The

Promissory Note is payable in six monthly payments. The first five payments would be $16,666.67 and the final payment would be $116,666.65. There is no interest on the amount owed unless ETCGH fails to make a payment when due. If ETCGH fails to make a payment, interest would start to accrue at 9% per annum.

- As the holder of the Series A-2 Units, ETCF has certain liquidations preferences. If ETCGH makes a distribution, the distributions would first be paid to ETCF up to approximately $1.8 million (plus a 5% per annum return) (the "Class A-2 Exit Preference Amount"). After paying the Class A-2 Exit Preference Amount, ETCGH would then make distributions to the holders of its Class A-1 Units until such holders receive their percentage share of ETCGH's profits. After making that distribution to the Class A-1 Unit holders, ETCGH would then make distributions to ETCF up to approximately $11 million (plus a 5% per annum return) less the amounts previously paid on the Class A-2 Exit Preference Amount (the "Class A-2 Preference"). ETCGH is required to pay the Class A-2 Preference before making distributions to ETCGH's other members. In this way, ETCF is preserving its existing liquidation preference with respect to ETCGH's existing members. However, the Class A-2 Preference would not have priority over the distributions payable to the holders of the Class A-1 Units. Only the right to the Class A-2 Exit Preference Amount would have priority over the distributions payable to the holders of the Class A-1 Units.
- If a liquidity event causing the payment of the Class A-1 Exit Preference Amount does not occur within the two years of the closing of the Financing Transaction, ETCF would have the right to require ETCGH to pay a reduced amount of the Class A-1 Exit Preference (the "Exit Preference Buyout"). Upon receipt of the payment, ETCGH would no longer be required to pay the Class A-1 Exit Preference Amount.

ACF has the sole right to require ETCF to exercise the Exit Preference Buyout. If ACF causes ETCF to exercise the Exit Preference Buyout, the proceeds received from ETCGH will be used to redeem ACF's entire interest in ETCF.

- ETCF will have no representation on the ETCGH Board and effectively no control over its operations.

The Financing Transaction will significantly increase ETCGH's debt. If the warrants issued to Quantlab and Cerberus are exercised, the existing ETCGH members, including ETCF, will be radically diluted. While ETCGH needs the additional capital to survive as a going concern, ETCF's investment in ETCGH remains subject to significant risks. ETCGH will need to reverse its operating losses and start to generate profits and cash flow sufficient to meet its regulatory obligations and its debt obligations. Given its history of operating losses and negative cash flow, this appears to be a material risk. If ETCGH cannot meet its regulatory obligations and debt obligations, its business may fail and its lenders may foreclose on its assets. Even if ETCGH can meet its debt obligations, proceeds from operations or liquidation may not be sufficient to repay ETCF. Overall, the Receiver believes there is a very high risk that ETCGH will either fail or will be unable to repay the historic amounts invested by ETCF. At the same time, the Receiver does not see any other viable alternative transaction beside the Financing Transaction that would allow ETCGH to continue as a going concern.

Cerberus and Quantlab are requiring that ETCF agree to release ETCGH, Quantlab and their affiliates from any and all claims that ETCF may have related to the management and operations of ETCGH prior to the closing of the Financing Transaction. The Receiver has conducted a limited investigation into the past conduct of ETCGH and its managers. The Receiver has determined that ETCGH failed to obtain certain

consents from ETCF when it initially borrowed funds from Quantlab. However, the Receiver concluded that the failure to obtain these consents did not give rise to material claims with likely positive net recovery. The Receiver also considered conducting a more comprehensive investigation of ETCGH, but concluded that the likelihood of uncovering any material claims against a solvent counterparty did not justify the expense of such investigation. Further, it seems clear that ETCGH requires additional capital immediately and that there was not time for a comprehensive investigation. Cerberus and Quantlab will not make their loans unless ETCF and the other ETCGH members agree to the proposed release. Agreeing to such a release could prevent ETCF and its members from bringing legitimate claims against ETCGH for past misconduct in the event evidence of such misconduct arises in the future.

One of the Receiver's primary duties is to promptly and efficiently monetize the assets under his control. In the case of ETCF and the Financing Transaction, the Receiver was forced to consider the conflicting interest of three separate parties: (i) AIM and its creditors and investors, through AIM's role as investment advisor, manager and special member of ETCF; (ii) ACF and its creditors and investors, through ACF's membership interest in ETCF; and (iii) the non-receivership, third-party members of ETCF (the "Third-Party Members"). The Receiver and his staff spoke with some of the Third-Party Members to discuss ETCGH's current financial situation and the proposed financing transaction and, subsequent to the close of the quarter, has received written consent for the transaction from almost all of the Third-Party Members.

Given ETCGH's dire financial condition, the Receiver understands that the Financing Transaction is critical to preserving any chance of receiving value from ETCF's investment in ETC. Nevertheless, the Receiver has serious concerns about ETCGH's ability to return any capital to ETCF following the Financing Transaction. Some of the

Third-Party Members, including Aaron D. Maurer ("Mr. Maurer"), have presented a more optimistic view of ETCGH's prospects following the Financing Transaction and expressed a desire to "ride out" their investment in ETCF (and thus ETCGH). The Receiver has attempted to balance these competing interests and sought approval from ETCF's members to confirm that the below proposed transactions are fair to ETCF and its members.

AIM serves as the investment advisor to ETCF pursuant to the IA Agreement. AIM also serves as manager to ETCF under the Prior LLC Agreement. The IA Agreement and the Prior LLC Agreement call for ETCF to pay a management fee to AIM for its dual role as investment advisor and manger in the amount of 2% annually of the initial capital account balances of ETCF's members (the "Management Fee"). As of June 30, 2017, ETCF owes AIM accrued and unpaid Management Fees of $1,252,176.15. ETCF is required to pay Management Fees before making any distributions to the members of ETCF.

The Receiver, through AIM and ETCF, intends to terminate the IA Agreement and resign as manager of ETCF in exchange for ETCF's agreement to assign the Promissory Note received from ETCGH to AIM (the "Termination Payment") pursuant to the Termination and Resignation Agreement. Upon receipt of the Termination Payment, AIM will forgive all remaining accrued and unpaid Management Fees and other expenses that it may be owed under the IA Agreement or the Prior LLC Agreement. By making the Termination Payment, ETCF will remove the liability owed to AIM for the Management Fees and will cease accruing any additional Management Fees. In turn, AIM will be relieved from its obligations to serve as manager and investment advisor to ETCF.

The Receiver, through AIM, will appoint Mr. Maurer as successor manager of ETCF and will transfer AIM's special member interest in ETCF to Mr. Maurer for $1.00.

That special member interest will entitle Mr. Maurer to approximately 0.01% of any distributions made by ETCF. Mr. Maurer has agreed to serve as manager of ETCF with no compensation (i.e., no Management Fees) other than reimbursement for reasonable out-of-pocket expenses incurred. Further, the current requirement that ETCF pay 20% of its profits to its special member will be eliminated. Mr. Maurer is a financial advisor at Concert Wealth Management and has over 19 years of experience in the finance industry. He introduced many of the Third-Party Members to the investment in ETCF and has become familiar with ETCF's investment in ETCGH.

ACF will remain a member of ETCF following the Financing Transaction and the resignation of AIM, owning approximately 16% of the interests of ETCF. To address the considerations of ACF and its creditors and investors, the Receiver negotiated the Exit Preference Buyout. As noted earlier, only ACF can cause ETCF to exercise the Exit Preference Buyout. If the Exit Preference Buyout is exercised, all of the proceeds received by ETCF from ETCGH will be used to redeem ACF's interest in ETCF. However, it is expected that the proceeds from the Exit Preference Buyout, if received, will represent approximately a 50% discount to ACF's capital investment in ETCF.

The net effect of the Exit Preference Buyout is that ACF has the ability to require ETCGH (through ETCF) to redeem ACF's interest in ETCF at approximately a 50% discount if ETCGH does not complete a liquidity event within two years of the closing of the Financing Transaction that results in the distribution of the Class A-2 Exit Preference Amount. This gives the Receiver the option to allow ACF to exit its investment in ETCGH early, at a discount, while the Third-Party Members would remain invested in ETCGH. The Receiver has negotiated that any accrued return on its investment in ETCF that is forfeited as part of the Exit Preference Buyout would be credited pro rata to the remaining Third-Party Members' capital accounts. However, it should be noted that the

redemption is only enforceable if statutorily allowed at the time of exercise and would have value only if ETC has the financial capacity to honor the obligation, both of which are highly uncertain.

The Exit Preference Buyout presents a conflict of interest between ACF and the Third-Party Members. The Third-Party Members must remain invested in ETCF (and thus ETC) regardless of any changes in circumstances or in the business of ETCGH that may occur following the Financing Transaction. As discussed above, there is significant risk that ETCGH will not be able to return ETCF's investment. If that occurred, ETCF would lack the funds necessary to return the capital contributions made by ACF and the Third-Party Members. In this circumstance, ACF could use the Exit Preference Buyout to obtain a larger return of its investment compared to the Third-Party Members.

The Receiver solicited the consent of ETCF investors formally documenting the approval of and consent to the Subject Transactions, and a determination that the Subject Transaction is fair to ETCF and its members. The Receiver has received consent from 88% of ETCF investors with no dissent noted. After conferral with interested parties, the Receiver filed on July 24, 2017 the Receiver's Motions for an Order (1) Authorizing Aequitas ETCGH Founders Fund to Consent to Loan to ETCGH Global Group, (2) Authorizing Receivership Entities to (A) Sell Special Member Interests in Aequitas ETCGH Founders Fund, (B) Release Claims, (C) Convert Aequitas ETCGH Founders Fund's Equity Interests in ETCGH Global Group, and (D) Execute Instruments to Effectuate Loan to ETCGH Global Group (3) Approving Compromise of Management Fees Owned by Aequitas ETCGH Founders Fund to Aequitas Investment Management, and (4) Granting Related Relief [Dkt 482]. The Court approved the Receiver's Motion [Dkt 485].

VI. Communications to Interested Parties

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 meetings of the IAC were held telephonically on June 6, 2017 (regular meeting) and July 10, 2017 (related to the ETCGH transaction).

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. 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, and State Attorneys General

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 previously agreed to in concept. The Receiver has also taken an active role in bringing state attorneys general into direct contact with the CFPB, and engaging in discussions with state attorneys general themselves, in an effort to ensure the final resolution satisfies a broad group of constituents and limits future claims against the Receivership Entity. The Receiver believes that negotiations with a lead group of states attorneys general are likely to lead to a settlement to resolve the situation.

VII. Lender Relationships

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

As of the end of the quarter, CP LLC still had outstanding financing from the Direct Lending Income Fund, LP (DLIF), the entity which purchased Bank of America's credit facility on March 16th, 2016. Prior to the CCM Transaction, the DLIF facility was the main financing facility for health care receivables originated and serviced by the CarePayment platform, with all new account originations flowing through this facility. After the closing of the CCM Transaction, CP LLC continued to facilitate the origination of the receivables on behalf of an affiliate of CPYT; however, all funds are provided by and all risk is borne by CPYT.

During the second quarter, CP LLC has reduced the outstanding principal balance of its senior credit facility by $21 million, bringing the balance down to approximately $11.9 million as of June 30, 2017. As a subsequent event and in conjunction with the previously discussed exercise by CPYT of its receivables purchase Option, the Receivership retired the senior debt facility on July 28, 2017. The Receivership Entities now have no institutional debt.

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

A. Cash and Cash Equivalents

The Receiver had cash balances of approximately $84.2 million as of June 30, 2017. Over the period from March 16, 2016 to June 30, 2017, the overall cash balance of the Receivership Entity increased by approximately $68.2 million.

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 June 30, 2017.

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 46 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 $100,000 in gross proceeds.

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.

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 March 31 through June 30, 2017)

Entity	Fees ($)	Percentage	Expenses ($)	Percentage	Total ($)	Percentage
Receiver	131,422.00	5.9%	1,565.89	1.3%	132,987.89	5.7%
FTI Consulting	1,192,007.00	53.6%	50,202.50	42.4%	1,242,209.50	53.0%
Pepper Hamilton	167,532.36	7.5%	62,865.22	53.1%	230,397.58	9.8%
Schwabe, Williamson & Wyatt	587,348.50	26.4%	3,766.36	3.2%	591,114.86	25.2%
Morrison Foerster	77,715.83	3.5%	97.50	0.1%	77,813.33	3.3%
Law Office of Stanley H. Shure	67,946.88	3.1%	-	0.0%	67,946.88	2.9%
Akin Gump [1]	-	0.0%	-	0.0%	-	0.0%
Ater Wynne [1]	-	0.0%	-	0.0%	-	0.0%
Total:	2,223,972.57	100%	118,497.47	100%	2,342,470.04	100%

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

XI. Receivership Claimants

In the Initial Report, the Receiver provided a summary compilation of claimants. The summary reflected the Aequitas entities where claimants invested/loaned funds. It does not reflect any subsequent inter-company investments/loans by the Aequitas entities. There have been no changes in the claimants since the last report.

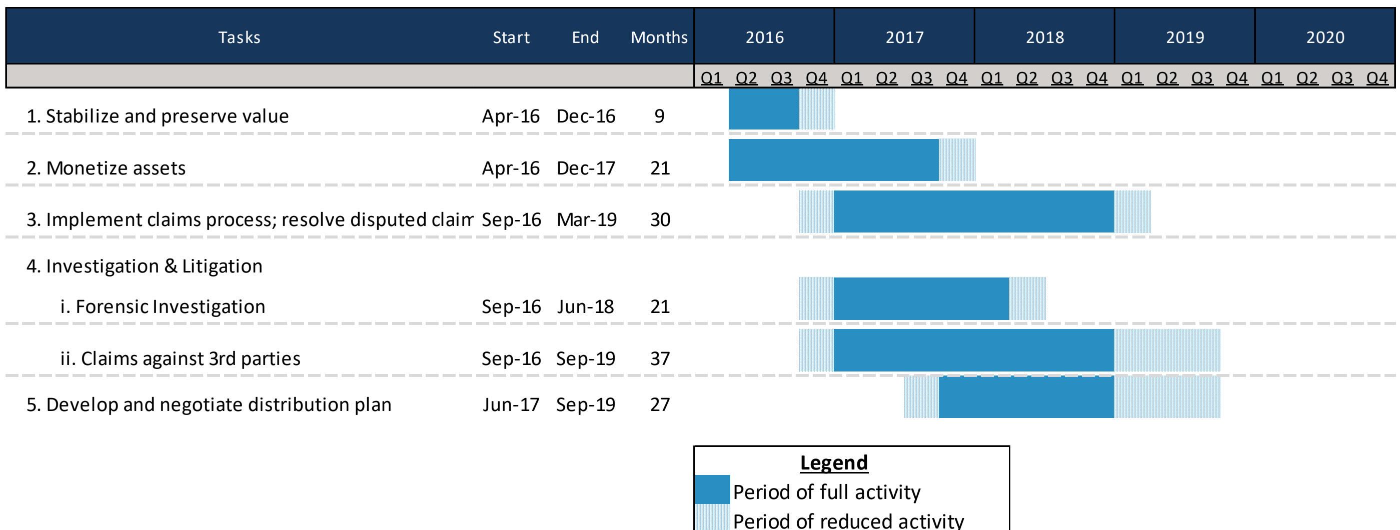
XII. Receiver's Plan

As discussed more fully in the Report, the Receiver has made very substantial progress in actively recovering, stabilizing and monetizing assets and has begun the second phase---consolidating and rationalizing the terabytes of electronic data and commencing the forensic investigation and claims process. At this stage it is impossible to provide a definitive timeline for the completion of this and subsequent phases of the Receivership – culminating in a comprehensive, court-approved distribution plan to investors and creditors. This Receivership, comprised directly of 48 entities and almost a

dozen more affiliated entities, and involving many operating business (as opposed to owning passive financial assets) is extraordinarily complex and it will 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. 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, more than a dozen key states' attorneys general and other key stakeholders regarding Campus Student Funding and its almost $200 million of Corinthian Colleges student loan receivables, the orderly marketing and monetization of the Receivership Property (including interests in numerous non-public operating business), the findings of the forensic investigation, and the duration of litigation. The chart below provides an updated estimate of the potential timing of the various Receivership work threads— the Receiver continues to believe it is a reasonable forecast given the inherent uncertainties.



B. 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.

C. Expected Recovery

1. Proceeds from Asset Sales

As of June 30, 2017, the Receiver had monetized assets and collected receivables totaling approximately $248 million. These represent a significant majority of expected asset recoveries (excluding insurance and litigation proceeds).

As discussed earlier, one of the gating monetization issues in determining the extent of investor recovery is a settlement of the Consumer Finance Protection Bureau (CFPB) and state attorneys general claims against certain Receivership Entities. In addition to the student loan portfolio, there remain significant assets that need to be brought to market and the estimated value tested against potential purchasers. Efforts are currently underway to monetize each of these. Also, the Receivership has commenced collection efforts on $2.3 million in unsecured promissory notes.

Based on progress to date and a preliminary review of the assets remaining, the Receiver has estimated the gross recovery from asset sales to be $250 million to $320 million, leaving a net amount of $130 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. Additionally, these estimates do not consider the operating costs of the Receivership Entity.

2. Claims Process

As discussed in section IV, the Receiver has begun the process of quantifying and validating the over $600 million of investor claims. The confirmation process will allow the Receiver to gather/confirm information needed to quantify claims and begin the formulation of a distribution plan. It will be levered into a formal claims process once the claims order has been issued by this Court and a bar date established.

3. Proceeds from Litigation

The Receiver has recently commenced a fulsome forensic investigation to (i) develop a historical factual understanding which will assist the Receiver to develop a proposed distribution plan and assist investors and creditors to evaluate such plan, and (ii) ferret out claims and causes of actions for the benefit of the investors and creditors. Additionally, the Receiver recently consolidated all data within his control into a centralized, organized database. The Receiver's forensic workplan has been discussed with the SEC and investor/plaintiffs' counsel in an effort to ensure that it will seek information helpful to all parties, not just the Receiver, thereby avoiding duplicative investigations which would further dissipate investor and creditor recoveries,

As is the case with Weider/Foreman, in just the early stages of the investigation, the Receiver has identified other potential claimants whose claims may be impaired by the Defendants' apparent practice of shuffling on its books liabilities for notes among Receivership Entities where the ostensible ultimate obligor received little or no benefit from purportedly incurring such liability. The Receiver is seeking to coordinate the potential multiple investigations to maximize proceeds from all sources and restrain necessary professional costs.

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. As the litigation phase is in its very early stages and the Receiver has not yet completed its forensic investigation, the Receiver cannot make an estimate of the magnitude of likely litigation recoveries.

4. Proceeds from SEC Litigation

Docket number 487 reflects the revised timing for the SEC litigation against the Individual Defendants.[19] As the trial against the Individual Defendants will not commence until October 2018 or later, 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.

5. Distribution Plan

The Receiver does not predispose a distribution plan and no distribution plan is being contemplated or proposed at this time---the Receiver believes any such discussion would be entirely speculative until the forensic investigation and report has been substantially completed and made available to the various constituencies. As described above, the development of a distribution plan necessarily requires the quantification of expected recoveries from assets whose value is very uncertain until certain settlements are achieved and the market is tested, the outcome of litigation against third parties, the outcome of litigation brought by the SEC and the recoveries from wasting insurance policies, together with factual and legal analyses of respective rights and priorities of

[19] The revised timing includes Fact Discovery to be completed by 3/30/2018. Joint ADR Report deadline (re)set to 3/30/2018. Expert witness disclosures to be completed by 5/4/2018. Rebuttal expert witness disclosures to be completed by 6/29/2018. Expert Discovery to be completed by 8/3/2018. Dispositive motions deadline (re)set to 8/31/2018. Pretrial Order deadline (re)set to 9/28/2018 or until 30 days after this Court's final ruling on dispositive motions, whichever date is later.

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. Several investor groups have already organized and have asserted very divergent opinions about how the foregoing issues should be resolved; the Receiver is seeking to understand all of the various positions and will evaluate them in light of the forensic findings and his counsels' views of the law (and will make all forensic reports and findings available to the various parties).

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. The Receiver has committed to attempt to negotiate a consensual plan acceptable to as many of the various constituencies as possible. Of course, the Distribution Plan will ultimately require the Court's approval and despite the Receiver's efforts to resolve objections, every party whose objection is not resolved will have the opportunity to be heard by the Court.