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MANAGEMENT, LLC

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON
PORTLAND DIVISION

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

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.

No. 3:16-cv-00438-JR

NOTICE OF FILING RECEIVER'S
REPORT DATED SEPTEMBER 30, 2020



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 30, 2020.

Dated this 4th day of November, 2020.

Respectfully submitted,

SCHWABE, WILLIAMSON & WYATT, P.C.

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COURT-APPOINTED RECEIVER FOR
AEQUITAS MANAGEMENT, LLC, AEQUITAS HOLDINGS, LLC, AEQUITAS COMMERCIAL
FINANCE, 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-JR

United States District Court

District of Oregon

Portland Division

Report

of

Ronald F. Greenspan, Receiver

September 30, 2020

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Aequitas Receiver Report

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” or “Aequitas”), 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 each calendar quarter. This report (the “Report”) represents the report and

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

recommendations to the Court for the quarter ending March 31, 2020. A voluntary report and recommendations to the Court (the “Initial Report”) for the first “stub quarter” ending June 30, 2016 [Dkt. 246], the first mandated quarterly report covering the period through September 30, 2016 [Dkt. 298] and subsequent reports covering the period through December 31, 2016 [Dkt. 365], through March 31, 2017 [Dkt. 444], through June 30, 2017 [Dkt. 491], through September 30, 2017 [Dkt. 559], through December 31, 2017 [Dkt. 587], through March 31, 2018 [Dkt. 610] through June 30, 2018 [Dkt. 644], through September 30, 2018 [Dkt. 662], through December 31, 2018 [Dkt. 674], through March 31, 2019 [Dkt. 700], through June 30, 2019 [Dkt. 749], through September 30, 2019 [Dkt. 776], through December 31, 2019 [Dkt. 793], through March 31, 2020 [Dkt. 826], and through June 30, 2020 [Dkt. 843] are collectively referred to herein as the “Receiver’s Reports”. 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 complexity of matters analyzed and the need for additional information, verification and analyses.

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”). 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

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 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 has successfully stabilized the Receivership Entity, preserved value when possible and facilitated the monetization of a majority of the Receivership assets. Through the quarter ended September 30, 2020, the Receiver has sold Receivership Entity gross assets and collected receivables totaling approximately \$323.4 million plus an additional \$32 million of gross assets owned by CPFIT, an affiliate of the Receivership Entity but excluded from the Receivership itself. The Receiver has also entered into and substantially completed the implementation of a settlement with the Consumer Financial Protection Bureau (“CFPB”) and fourteen state Attorneys General in connection with the Corinthian Colleges student loan portfolio held by CSF - including modification or cancellation of each of the approximately 47 thousand loans, and appropriate notification to each of the borrowers.

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. A final judgment in this case as to Aequitas Management, LLC; Aequitas Holdings, LLC; Aequitas Commercial Finance, LLC; Aequitas Capital Management, Inc.; and Aequitas Investment Management, LLC was entered by the Court on April 13, 2020 [Dkt. 822]. Summary information related to this

judgment and final judgments on consent against the three top executives can be found at <https://www.sec.gov/litigation/litreleases/2020/lr24805.htm>.

Having made substantial progress on the asset dispositions and resolution of the numerous governmental investigations, the Receiver proceeded with a preliminary investor data validation process involving the compilation and dissemination of 2,561 individually tailored investment data verification packets.

As mandated by the Order, the Receiver conducted his forensic investigation, and the resulting report (the “Forensic Report”) was filed with the Court and posted to the Receiver’s website² on November 21, 2018 [Dkt. 663].

Throughout 2019 and the first half of 2020, the Receiver continued to expend significant effort in data analysis and preparations necessary for efficient claims and distribution processes. On April 25, 2019, the Court entered the Order (1) Establishing Claims Bar Date, (2) Approving The Form And Manner Of Notice, And (3) Approving The Proof Of Claim Form, Procedures And Other Related Relief (the “Claims Procedures Order”).

The Receiver then proceeded expeditiously to implement the claims process as mandated in the Claims Procedures Order. As of September 30, 2020, 339 claims had been received and 4,830 initial Notices of Receiver’s Initial Determination had been issued.³

During the second half of 2019 and throughout 2020, the Receiver and his team continued to refine the tools and systems necessary for the implementation of the claims process, perform review and assessment of the filed claims as they were

² <http://www.kccllc.net/aequitasreceivership/document/16004381811210000000000001>

³ Certain claims appear to agree with the Notice of Receiver’s Initial Determination, and a number of filed claims are duplicative. Therefore, the number of actual claims is less than the sum of the filed claims and NODs issued.

received, as well as conduct additional research and verification of the claimant data that is needed for execution of the now Court-approved distribution plan.

On December 23, 2019, with the goal of mitigating certain potential tax consequences and maximizing the future distributions on the Allowed Claims, the Receiver filed his Motion and the Court entered the Order To Authorize, Approve, And Take Continuing Jurisdiction Over A Qualified Settlement Fund (“QSF”), And For Related Relief [Dkt 781]. Subsequently, on December 31, 2019, the Receiver filed his Motion For Order (1) Approving Form And Manner Of Notice Regarding Approval Of Proposed Distribution Plan And Ponzi Determination, (2) Approving Procedures And Deadlines, (3) Setting A Hearing, And For Related Relief [Dkt 785] which was approved by the Court on January 14, 2020 [Dkt 790].

Also, on December 31, 2019, the Receiver filed the Motion To Approve The Receiver’s Distribution Plan And Determination Of A Ponzi Scheme [Dkt 787]. The Court held a telephonic hearing on this Motion on March 31, 2020 and, following no objections raised at the hearing or otherwise remaining unresolved, the Court entered the Findings of Fact and Conclusions of Law, approving the Receiver’s Distribution/Ponzi Determination Motion, as expressly modified by the Receiver [Dkt. 813].

In the first quarter of 2020, the Receivership staff and the retained professionals expeditiously managed a distribution plan noticing campaign based on the form and manner of notice that had been approved by the Court. At least 4,796 notices were sent to the parties that were required to be noticed by the Court. The Receivership professionals worked closely with Epiq, the noticing agent, to update relevant information provided to the public on the noticing agent’s website.

In the second quarter of 2020, the Receiver focused on preparing the motion for approval of the proposed first round of distributions and implementing the related

conferral and noticing to the affected interested parties. On May 15, 2020, the Receiver's Motion to Approve Classification, Allowance of the Amount of Claims for Certain Claimants (Administrative Claims, Convenience Class Claims, and Former-Employment Claims), and Approving Distributions to Those Claimants [Dkt. 835] and the related pleadings were filed with the Court. The Motion was unopposed and was approved by the Court on June 1, 2020 [Dkt. 838]. Following Court approval in June of 2020 and during this reporting period, the Receivership staff and retained professionals completed the first distribution.

Also during this reporting period, the Receivership staff and retained professionals focused on the necessary analyses, preparation of materials, and logistics planning for the second interim distribution that will cover several classes of claimants including the Defrauded Investors. On October 21, 2020, the Receiver's (Second) Motion to Approve Classification of Certain Claims (Administrative, Former-Employees, Convenience Class, Defrauded Investors, Creditors, Individual Defendants, and Pass-Through Investors), and Allow and Approve Distributions on Account of Certain Claims ("Second Distribution Motion") and related pleadings were filed with the Court. [Dkt. Nos. 848-850]. This Motion addresses 2,056 claims across seven different claim classes.

From the outset of the Receivership and through this reporting period, the Receiver and his team have expended considerable time and effort to orchestrate successful resolution of investors' claims against the professional firms that served the various Aequitas entities, including but not limited to Tonkon Torp, Integrity Bank & Trust, Deloitte & Touche, EisnerAmper, Sidley Austin, Duff & Phelps, and TD Ameritrade ("Professional Firm Defendants").

In particular, development of the Receivership Entity's consolidated database, preparation of the Forensic Report and facilitation of multiple large-scale, multi-day mediation sessions paved the way for the following:

- Payments from the Professional Firm Defendants to the class totaling \$234,613,000, as well as multiple additional seven- and eight-figure payments to other plaintiff groups presently subject to confidentiality agreements;
- Releases of contribution and other claims of the Professional Firm Defendants against the Receivership Entity, including the release of a \$50 million contribution claim presented by Deloitte; and
- Contingent releases of contribution and other claims of the Professional Firm Defendants against the Individual Defendants, Advisory Board members and other former officers and directors. The original releases were contingent upon those parties releasing claims to the proceeds of the insurance policies maintained by entities comprising the Receivership Entity.

The efforts of the Receiver to facilitate resolution of investor claims against the Professional Firm Defendants have greatly accelerated distributions to the investors, both direct distributions of the settlement proceeds and ultimately distributions from the Receivership Estate and will meaningfully reduce the cost of administering the Receivership.

In 2019, the Receiver filed an insurance coverage action against the Receivership Entity's insurers. Concurrently, the insurers filed an action for declaratory relief. The Receiver sought and secured the agreement of all interested parties to consolidate the two insurance coverage actions and immediately address the priority

issues (relative rights of insureds to the insurance proceeds). Related motions were heard on November 20, 2019, and the Court issued its Findings and Recommendations on December 2, 2019 [Dkt. 139]. By Order dated January 6, 2020, Judge Hernandez struck the deadlines for objections to the Court's Findings and Recommendations noting that they would be reset at a later date. Mediation amongst all parties to the insurance coverage litigation was scheduled on March 20, 2020. However, travel restrictions resulting from the COVID-19 pandemic forced the rescheduling of the mediation to June 5, 2020. Following a lengthy mediation session, with parties remotely located but connected by Zoom conference, the mediator issued a mediator's proposal, addressing all claims other than those of the Receivership Entity against Catlin Specialty Insurance Company ("Catlin"), that was ultimately accepted by all affected parties roughly two weeks later. During this reporting period, the Receiver and his counsel completed the necessary and difficult process of securing amended and restated settlement agreements with the Professional Firm Defendants as well the three named plaintiff-investor groups. Those agreements contain revised contingent releases of claims against the Individual Defendants, Advisory Board members and other former officers and directors. The parties to the consolidated insurance coverage action, again with the exception of Catlin, executed a comprehensive settlement agreement.

On October 22, 2020, the Receiver filed a Motion for Order (1) Approving Compromises of Claims, (2) Approving and Authorizing Performance of Settlement Agreements, (3) Entering Claims Bars, and (4) Removing a Receivership Entity and an Extended Entity ("Motion to Approve Settlements") and related pleadings [Dkt. Nos. 852 – 855]. Amongst other requested relief, the Receiver sought approval of the settlement agreement resolving all claims presented in the consolidated insurance coverage action other than those of the Receiver against Catlin.

The Receivership continued to facilitate discovery, with 288 people accessing the database, which contains 17.5 million documents, through September 30, 2020, and provide financial and tax administration including preparing Receivership Entity tax returns.

C. Recommendation regarding Continuance of the Receivership

It remains the Receiver's recommendation that the Receivership be continued. Many of the conditions under which the Receivership was imposed still exist. While much has been accomplished, several crucial steps remain before the Receiver can wind up operations and seek an order terminating the Receivership. The Receiver must finish monetizing the remaining assets in a manner and timeline consistent with reasonably maximizing the value to stakeholders. The Receiver also must (i) complete the claims processes, (ii) complete necessary litigation, (iii) resolve investor and other remaining creditor claim amounts, and (iv) continue to manage the distribution process.

Although the consumer loan portfolios have been immensely reduced, the thousands of remaining loans owned by the Receivership require 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 (more than 90% of pre-Receivership employees are no longer with the Receivership Entities). Absent that day-to-day, hands-on management, the Receivership Entity's and, ultimately, the investors' value would languish.

Feedback from SEC Staff and Aequitas investors regarding our progress thus far has been positive. The Receiver is very mindful of the priorities to proceed both expeditiously and economically, to make interim distributions whenever possible, and conclude this Receivership in an equitable fashion as soon as practicable. The Receiver

believes he has the constituents' support and encouragement to continue his efforts, and that they also support the continuation of the Receivership.

D. Criminal Actions and SEC Investigations

On July 24, 2019, the Securities and Exchange Commission announced that recidivist Gary Price, a principal of formerly registered investment adviser Genesis Capital LLC, agreed to settle claims that he failed to disclose to clients significant conflicts of interest relating to recommendations to invest in securities issued by Aequitas Commercial Finance, LLC.

The SEC's order found that Price violated Section 206(2) of the Investment Advisers Act of 1940. Without admitting or denying the SEC's findings, Price consented to a cease-and-desist order and agreed to pay disgorgement and prejudgment interest of \$67,033 and a civil penalty of \$75,000. The order also bars Price from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization, with the right to apply for reentry after one year.

Former officers of Aequitas entities, Brian Oliver and Olaf Janke, were indicted, pled guilty and await sentencing. On or about August 11, 2020, Robert Jesenik, former CEO of Aequitas Management, LLC and several other of the entities comprising the Receivership Entity, was charged in a 32-count indictment with conspiracy to commit mail and wire fraud, wire fraud, bank fraud, and money laundering. Also charged were N. Scott Gillis, Brian K. Rice and Andrew N. MacRitchie.

E. Lifting the Stay of Litigation

With the completion of the principal forensic investigation, the monetization of the majority of the Receivership Entity's assets, conclusion of the governmental litigation against the Receivership Entity and Court approval of the distribution plan, some

resources are being redirected to litigation-related matters, where the stay has been lifted, without jeopardizing the Receivership's other vital activities.

Presently, considerable Receivership resources, including but not limited to the time of legal counsel and other professionals, are being devoted to (1) the tasks necessary to complete an exceedingly complicated second round of distributions to certain claimants including many of the Defrauded Investors and (2) prosecution of the claims of the Receivership Entity against third parties, as authorized by the Court on May 13, 2020 [Dkt. 834]. The Receiver recommends that the Court refrain from lifting the stay of litigation against the Receivership Entity and related parties, at least until completion of the next round of distributions and resolution of the claims authorized by order of this Court on May 13, 2020.

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, preserving and monetizing of 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, processing of future distributions, and cash reporting for receivership cases. As assets are being monetized, the Receiver has been closing bank accounts that are no longer necessary. Following the approval of the QSF

by the Court at the end of 2019, the Receiver has initially established four separate QSF bank accounts and has consolidated the majority of the funds controlled by the Receiver in such account(s). In the first quarter of 2020, the Receiver closed 35 of the legacy Receivership bank accounts that were no longer needed for the ongoing operations of the Receivership and the QSF. This is helping streamline the Receivership cash management operations and facilitate the wind down. As of September 30, 2020, the Receiver maintained 21 bank accounts, consisting of 17 that belong to the Receivership Entity, including six attributed to QSF, and four accounts controlled by the Receiver that are owned by related entities.

During the third quarter of 2020, the Receiver and his professionals have expended significant time and effort setting up the processes and procedures with East West Bank and Stretto in order to implement the first interim distribution. The Receiver intends to leverage this existing relationship and systems for the implementation of future distributions to the extent feasible.

Cash basis reports including information for the current reporting period and case to date are attached as Exhibit B.

3. Staffing

a. Headcount

The Receiver continues to maintain the minimum staff necessary for the Receivership and enterprise to operate efficiently and effectively. As of September 30, 2020, the Receivership Entity had 7 full-time employees and 1 part-time employee (representing a reduction of one full-time staff from the prior quarter). The Receiver's employee retention program provides for at least six-weeks' notice to employees whose services are anticipated to no longer be required by the Receivership.

b. Contractors

In response to 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, 2020, the Receivership employed two full-time equivalent accounting contractors and two on-call IT contractors (unchanged from the prior quarter).

4. Tax Preparation

a. Taxes

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.

b. Tax Preparer

Since the inception of the Receivership, the Receiver has 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. 2019 Returns and Other Tax Matters

Sixteen federal and seventy-six state 2019 Receivership Entity tax returns were filed in September and October of 2020. As further described in section XI of this Report, on motion and by order of the Court, substantial assets of the Receivership Entities were transferred to the Aequitas Qualified Settlement Fund Irrevocable Trust ("QSF") along with the obligation to make distributions under the Court-approved distribution plan. The 2019 returns are particularly complex as they included the impact of the formation of the QSF and the transfer to it.

d. Investor Fund Form K-1s

2019 form K-1s have been distributed to equity fund members. Equity funds Aequitas Income Protection Fund LLC, Aequitas Enhanced Income Fund LLC, and Aequitas Hybrid Fund LLC have filed final tax returns. Therefore, the 2019 K-1's are the final ones for members in those funds. Members can confirm the form K-1 they received is the final one by locating the check in the "Final K-1" box at the top of the form. Members should not expect to receive a form K-1 for any later tax year.

Members of Aequitas Holdings LLC and other entities in the multi-tier structure received 2019 form K-1s in August and September of this year. The 2019 information included the impact of the formation of the QSF. Final returns were filed for several but not all the entities in the multi-tier structure. Members can confirm if the 2019 form is the final by checking to see if the "Final K-1" box is checked or not.

e. QSF Taxation

The initial tax return for the Aequitas Qualified Settlement Fund Irrevocable Trust ("QSF") was filed for the 2019 tax year. For years following 2019, the QSF is subject to tax on its modified gross income. To the extent that assets transferred to the QSF produce includable income, less certain expenses, the QSF will be required to pay tax at the maximum tax rate in effect for that tax year under section 1(e) of the Internal Revenue Code.

The QSF is required to pay tax by submitting quarterly estimates. State tax filing requirements for the QSF will be determined by the source of the activity of the assets transferred to the QSF.

f. Tax Reform Impact and Other Tax Law Changes and Events

The impact of tax reform in the past several years has been incorporated as required into the Receivership Entities tax reporting.

The Receiver cannot provide tax advice to Investors. Investors are urged to consult their own tax advisors for guidance and counsel about the applicability and impact of significant tax law changes, in particular the ones that were enacted in late 2017 by the Tax Cuts and Jobs Act (TCJA, P.L. 115-97, 12/22/2017).

Prior quarterly Receiver Reports have included information about the impact of tax reform that may be applicable to the Receivership or to Investors. It is not intended to replace advice from Investors' own advisors. In addition, Investors are urged to consult with their tax advisors regarding the consequences of the guilty pleas entered by certain Individual Defendants and their effect on the Investors' ability to recognize losses. Finally, Investors should also consult their tax advisors about the impact of the Distribution Plan described in section XI.

5. Ongoing Litigation

As addressed in prior reports and reflected in the previously disclosed settlements with the Terrell Parties, Weider/Forman, the Fieldstone Parties, Lux and Malloy, the Receiver has continued his frequent engagement in negotiations with a number of parties to recover Receivership Assets and/or to resolve substantial, disputed claims. Consistent with the Court's prior and any subsequent orders, to the extent negotiated resolutions are not reached with any of the parties, the Receiver will file additional actions.

A. Newman

The Court granted summary judgment in favor of the Receiver on claims for breach of a promissory note. Together with attorney fees, the judgment against the defendants, Robert Jesenik's relatives, totals \$462,754.68 plus interest that continues to accrue. The Receiver anticipates initiating judgment debtor proceedings shortly.

B. Net Winners

With the benefit of the Court's determination that the consolidated Aequitas enterprise was operated as a Ponzi scheme at least as early as July 1, 2014 [Dkt. 813], the Receiver and his team gathered and analyzed data to identify "net winners" (investors who received funds in excess of their initial investments prior to initiation of the Receivership) and determine the amount of their net winnings. The Receiver then provided individual net winners a summary of their account activity as well as a pre-litigation offer of settlement. Many of the net winners have already accepted the Receiver's offer and made the corresponding repayment to the Receivership Estate. As of the date of this Report, recoveries comprised of both repayments and offsets from future distributions on net loss accounts total approximately \$1.35 million. Those net winner settlement agreements executed prior to October 22, 2020 are addressed in the Motion to Approve Settlements.

C. Other

The Receiver is in the midst of settlement negotiations with other parties, the majority of which are subject to claims for breach of contract and fraudulent conveyance. As indicated above, in the event the claims cannot be resolved in the best interests of the Receivership Estate, the Receiver will commence litigation in accordance with the prior orders of this Court.

6. Claims Process

During 2019, the Receiver, his professionals and staff expended a very significant effort on the development and implementation of the claims process to meet the requirements of the Claims Procedures Order. The Receiver undertook an extensive claim noticing process that included notices by publication in 15 major newspapers, issuance and dissemination of a press release, and mail and email noticing of over

6,982 parties, including at least 4,830 parties who received a Notice of Receiver's Initial Determination.

In total, the following number of Notices were sent out:

Investor with NOD	2,060
Other Pre-Receivership Creditor / Vendor with NOD	2,040
Employee with NOD	84
Administrative Claimant with NOD	646
Non-NOD notices (not counted above)	2,152
Total Notices	6,982

7. Additional Information Sharing

Consistent with the requirements of the Claims Procedures Order, the Receiver set up a dedicated data sharing site that allowed him to provide copies of notices to the legal counsel representing various potential claimants. In some instances, copies of the notices were emailed to legal counsel directly.

While not required by the Claims Procedures Order, in the spirit of cooperation, the Receiver elected to also share copies of the notices received by investors with their Registered Investment Advisors ("RIA") upon receipt of a confirmation of investor's consent to the Receiver's sharing of such information. Through September 30, 2020, 176 investor notice packets have been shared with the RIAs.

8. Responding to Claims Process Inquiries

Following the mailing of the claims process notices, the Receiver and his staff received numerous follow up inquiries from various parties, including potential claimants and their representatives. Through September 30, 2020, over 1,076 inquiries were addressed directly by the Receivership staff and professionals. The Receivership team is continuing to field and respond to inquiries as they are received.

9. Claims Processing and Analysis

During the second half of 2019 and the first half of 2020, the Receivership team continued to make upgrades to the transactional database that was previously developed in connection with the investor data validation process and used to generate claims process and bar date noticing communications and the NOD forms. Following the intake of the initial received claims, the Receivership team worked to refine its claims management tools used to store and analyze the relevant filed claims data and compare it with the Receivership records. The Receiver's professionals and staff have performed the review of the filed claims and have submitted 4,778 claims to the Court for full or partial adjudication. The Receiver anticipates that the remaining claims will be presented to the Court for resolution in the following few months.

Through September 30, 2020:

- 4,857 Notices of Receiver's Initial Determination ("NOD") were mailed or emailed out by the Receivership (including 4,830 original NODs and 27 replacement NODs that were finalized and sent out during the reporting period)
- 336 individual claim submissions were received by Epiq (the claims agent) including:
 - 33 duplicates
 - 3 claims representing amendments of previously filed claims
 - 41 late-filed claims
- 3 claims that were submitted prior to the Bar Date Order and the establishment of the claims process.

Of the 300 non-duplicative individual claims submissions received above, at least 15 non-duplicative claims did not list any appropriate Aequitas Receivership entity.

Additionally, 68 of the non-duplicative claims were filed against multiple Aequitas Receivership entities. As detailed in the attached Report of Cash Receipts and Disbursements (Exhibit B to this Report), for the purpose of consolidated reporting, these claims are counted only once. On the individual entity reports, each entity determined on a preliminary basis as being named in the claim form has the claim included in its count.

Based on the initial review of the Receivership staff, the following is a summary on non-investor claims filed (or allowed NODs if no claim filed). The Receivership staff is continuing to review all submissions to determine the validity of claims. Nothing in the summaries should be considered an acceptance or allowance of any claim.

Non-Investor Claims	Count
NODs Mailed	2,770
Unique claims filed	87
Less: Claims filed and NOD sent	(20)
Total Non-Investor Claims	2,837

Non-Investor Claim Type	Count	Amount as Filed or Allowed
Non-Officer Former Employees >\$12,850	41	1,438,316
Non-Officer Former Employees <=\$12,850	46	384,668
CarePayment Refund Checks	2,430	183,156
Campus Student Funding Refund Checks	189	61,614
Taxes	43	510,261
Other Claims >\$20,000	15	\$ 88,704,271
Other Claims <=\$20,000	73	248,897
Total	2,837	\$ 91,531,184

Top Ten Non-Investor Claims

Claimant Name	Amount
Deloitte & Touche LLP ⁴	\$ 50,000,000
ASFG Inc & TRD Consulting LLC	27,381,257
Norman Gary Price/Strategic Capital Group	5,638,129
CBL Insurance Ltd	1,994,000
DELL Financial Services LLC	1,124,865
Olaf Janke	897,360
Akin Gump Strauss Hauer & Feld LLP	646,127
Brian K Rice	438,837
Salesforce.com Inc.	346,478
JCPR Inc D/B/A J Connelly	65,998
Total Top Ten Trade Claims	\$ 88,533,050

V. Disposition of Assets/Interests

A. Assets/Interests Sold

Synchronex, LLC⁵

Synchronex LLC 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.

The Receiver, on behalf of each of AH, ACL, ACF, APF, and Aequitas Management, LLC (“AM”), (AH, AM, ACL and APF each a “Seller Entity,” and collectively the “Seller Entities”), entered into a Purchase Agreement dated as of April 9, 2018, subject to approval of this Court, with Silvermine Media Holdings, LLC (“Purchaser”), which provides the terms for sale of the Seller Entities’ (a) membership interests in company, and (b) their lenders’ interests in certain loans to company (together, the “Assigned Interests”, as defined in the Purchase Agreement). The Court issued its Order Granting Receiver's Motion To Sell Personal Property To Silvermine

⁴ On June 30, 2020, the Receiver executed an amended and restated settlement agreement with Deloitte, by which Deloitte agreed to release its contribution claim effective upon Court approval of the settlement.

⁵ <http://www.synchronex.com/en/>

Media Holdings, LLC, Free And Clear Of Liens, Interests, Claims And Encumbrances relative to the Assigned Interests on May 17, 2018 [Dkt. 614] and the sale closed on June 15, 2018 repaying the AH Loan in full. Pursuant to the Purchase Agreement, the Purchaser had until September 15, 2018 to calculate a purchase price adjustment for operating capital which could result in the receipt of additional consideration of up to \$75 thousand. On September 14, 2018, the Purchaser advised the Receivership that the review of the Closing Balance Sheet had concluded and the Losses (as defined in the Purchase Agreement) exceed \$75 thousand by a substantial margin and, accordingly, the Purchase Price will be reduced by \$75 thousand pursuant to the terms of the Purchase Agreement. Accordingly, the Receiver will seek compensation in the amount of \$75 thousand plus reasonable costs from Synchronex's CEO based on representations and warranties made by him in conjunction with the Purchase agreement.

B. Ongoing Asset Monetization and Sales Efforts

1. Campus Student Funding

On August 17, 2017, the Court approved Receiver entering into the nationwide settlement with Consumer Financial Protection Bureau (CFPB) and thirteen state Attorneys General in connection with the Corinthian Colleges private student loan portfolio owned by the Receivership (the "Settlement") [Dkt. 495]. Subsequently, on June 12, 2018, the Court approved the Receiver's Motion for Approval of Proposed Settlement with Massachusetts Attorney General. [Dkt. 620]. The Massachusetts Settlement, implemented in the form of an Assurance of Discontinuance, became effective on June 21, 2018.

Following the very significant effort expended by the Receivership on the implementation of the Settlement at the end of 2017 and in the beginning of 2018, which resulted in processing relief in connection with approximately 47 thousand loans,

the Receiver continued to implement the remaining obligations under the Settlement in 2018. Subsequently, the Receivership staff and retained professionals continued to work with the regulators to address any questions that came up in the course of the operations of the portfolio.

Additionally, we have continued to maintain a detailed informational website for the borrowers in connection with the Settlement. Most of the borrower inquiries are being addressed by the servicer but the Receivership also addressed 1,793 borrower inquiries directly (through September 30, 2020). In addition to addressing direct borrower inquiries, the Receivership staff and retained professionals monitor, review, and respond to borrower complaints that are submitted through the CFPB on-line consumer complaint portal or through other venues. All these activities are instrumental in mitigating the Settlement implementation risk to the Receivership, reducing the number of potential borrower complaints, and stabilizing the portfolio.

To handle potential borrower inquiries related to the 1099 tax forms, the Receivership has set up an outsourced call center that handled 2,326 calls, including 1,045 calls answered by agents, through September 30, 2020 (the rest of the callers chose to only listen to a detailed recorded message). The Receivership staff and retained professionals worked closely with the call center vendor to review call logs and monitor the performance to make sure that the borrowers receive appropriate information.

In the reporting period, the Receivership team continued to work with the loan servicer and help address borrower inquiries. The Receiver is continuing to evaluate the next steps in connection with the monetization of the remaining portfolio.

2. MotoLease Financial, LLC (“MLF”)

MLF holds subprime consumer leases for motorcycle and other recreational vehicles. Through September 30, 2020, the Receiver has collected approximately \$16.1 million on account of the leases owned at the beginning of the Receivership. As of September 30, 2020, the remaining portfolio (excluding repossessed motorcycles) had a face value of approximately \$67 thousand, of which \$2 thousand is less than 60 days past due. Additionally, MLF had in its possession 47 vehicles with cumulative outstanding lease balances of \$336 thousand that are in various stages of reconditioning and/or resale. The portfolio is expected to continue to amortize on its own accord with the final payment receivable around Q1 2021.

3. Pipeline Health Holdings, LLC (“Pipeline”)⁶

PCF owned equity interest in Pipeline, which is a telepharmacy platform offering both a full service telepharmacy and software as a service (SaaS) technology. Pipeline offers telepharmacy to hospitals and hospital networks. Based on the information currently available to the Receiver, on August 18, 2020, Pipeline merged with a subsidiary of ProHealth Parent, LLC. As a result of this transaction, the equity interests held by PCF were cancelled without consideration. The Receiver did not have an opportunity to participate in the transaction process and is evaluating the available options.

4. Portland Seed Fund (PSF)⁷

Portland Seed Fund is an investment in a local venture capital fund providing early stage capital to Oregon based start-ups. The Receiver continues to seek opportunities to monetize the remaining PSF interest and the Receivership continues to receive distributions from PSF as the underlying investments experience liquidity events.

⁶ <http://www.pipelinerx.com/>

⁷ <http://portlandseedfund.com/>

5. WorkAmerica

WorkAmerica offers a web-based platform to source qualified job candidates from community colleges, technical colleges, and vocational training centers nationwide. ACF made a \$250 thousand loan to WorkAmerica in April 2014 via a Convertible Promissory Note (“Note”). WorkAmerica was in default under the terms of the Note due to its failure to make timely payments when due. The Note matured on October 18, 2015, at which time the outstanding principal balance and all accrued and unpaid interest was due and payable.

The Receiver was advised that WorkAmerica was insolvent (total outstanding note holders were estimated at \$2 million) and was ultimately acquired by a competitor. The acquirer distributed directly to WorkAmerica noteholders a convertible note issued upfront and an additional convertible note tied to a potential earn-out which would indicate a recovery of 5-15% of outstanding debt.

VI. Communications to Interested Parties

A. Ongoing Communication with Investors/Counsel

At the outset of the Receivership, to facilitate regular communication regarding significant opportunities, challenges and actions, the Receiver formed the Investor Advisory Committee (the “IAC”). Particularly with the Court’s approval of the distribution plan and resolution of the investors’ actions against the Professional Firm Defendants, there is no need for regular meetings with the IAC nor investors’ counsel. However, as the Court is aware, the Receiver, his legal counsel, and staff continue to stay in regular contact with many IAC members and investors’ counsel, while also responding to significant numbers of direct investor inquiries. Moreover, there has been no request to have a formal IAC meeting at this stage of the Receivership.

B. SEC and Other Governmental Agencies

1. SEC

We continue to interact and cooperate with the SEC Staff, as required by the consent judgement, but there is nothing new to report (other than the developments referenced in sections III.B and III.D above).

2. CSF and CFPB, and State Attorneys General

Please see section V.B.1 above for the discussion of the Settlement with CFPB and fourteen state Attorneys General.

3. Additional Governmental Agencies

The Receiver has previously expended significant efforts to comply with various discovery requests from state and federal agencies in conjunction with their investigations.

VII. Lender Relationships

A. Retirement of Institutional Debt

The Receivership Entities and affiliates have retired, generally on discounted terms, the entirety of the approximately \$104 million of institutional secured 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 \$122.5 million as of September 30, 2020 for the entities included in the Receivership Entity.

Attached as Exhibit B to this Report is the Report of Cash Receipts and Disbursements in the form of the SFAR 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, 2020.

IX. 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 July 1 to September 30, 2020)

Entity	Fees (\$)	Percentage	Expenses (\$)	Percentage	Total (\$)	Percentage
Receiver	33,577.50	3.6%	-	0.0%	33,577.50	3.6%
FTI Consulting	506,176.00	54.6%	-	0.0%	506,176.00	54.5%
Pepper Hamilton ^[1]	-	0.0%	-	0.0%	-	0.0%
Schwabe, Williamson & Wyatt	355,445.50	38.4%	312.12	16.7%	355,757.62	38.3%
Morrison Foerster ⁽¹⁾	-	0.0%	-	0.0%	-	0.0%
Law Office of Stanley H. Shure ⁽¹⁾	-	0.0%	-	0.0%	-	0.0%
Snell & Wilmer	877.50	0.1%	-	0.0%	877.50	0.1%
Parsons Farnell & Grein	30,291.00	3.3%	1,553.88	83.3%	31,844.88	3.4%
Pachulski Stang Ziehl & Jones ^[1]	-	0.0%	-	0.0%	-	0.0%
Akin Gump ^[1]	-	0.0%	-	0.0%	-	0.0%
Ater Wynne ^[1]	-	0.0%	-	0.0%	-	0.0%
Total:	926,367.50	100%	1,866.00	100%	928,233.50	100%

[1] Pepper Hamilton, Morrison Foerster, Law Office of Stanley H. Shure, Pachulski Stang Ziehl & Jones, Akin Gump, and Ater Wynne did not incur fees or expenses during the billing period.

X. 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. On May 15, 2020, the Receiver's Motion to Approve Classification, Allowance of the Amount of Claims for Certain Claimants (Administrative Claims, Convenience Class Claims, and Former-Employment Claims), and Approving Distributions to Those Claimants ("the First Distribution Motion") [Dkt. 835] was filed together with the supporting Declaration of Ronald F. Greenspan ("Greenspan First Distribution Declaration") [Dkt. 836]. The Court subsequently issued its Order Granting Receiver's Motion to Approve Classification, Allowance of the Amount of Claims for Certain Claimants (Administrative Claims, Convenience Class Claims, and Former-Employment Claims), and Approving Distributions to Those Claimants on June 1, 2020 ("the First Distribution Order") [Dkt. 838]. Please refer to the exhibits included in the Greenspan First Distribution Declaration for the details of the claims that have been adjudicated as part of the First Distribution Order.

On October 21, 2020, the Receiver's Second Distribution Motion was filed together with the supporting Declaration of Ronald F. Greenspan ("Greenspan Second Distribution Declaration") [Dkt. 849]. These filings are being considered by the Court. Please refer to the exhibits included in the Greenspan Second Distribution Declaration for the details of the claims that are proposed to be adjudicated as part of the Second Distribution Motion.

XI. Summary of the Distribution Plan

The Receiver, among other duties, was authorized, empowered, and directed to develop a plan for the fair, reasonable, and efficient recovery and distribution of

Receivership Property for the benefit of investors and creditors (the “Distribution Plan”).⁸ The following describes the significant effort undertaken by the Receiver and his staff and retained professionals to advance the Distribution Plan. This Report is not intended to establish any presumption(s) regarding distribution of the Receivership Property.

A. Qualified Settlement Fund

On December 23, 2019, the Receiver filed his Motion For Order To Authorize, Approve, And Take Continuing Jurisdiction Over A Qualified Settlement Fund (“QSF”), And For Related Relief [Dkt 779]. In relation to effectuating the Distribution Plan, the Receiver and his professionals determined that, for tax purposes, a QSF is the best vehicle for making distributions to holders of Allowed Claims, including Investors and other Claimants found to have Allowed Claims. Further, to mitigate certain potential tax consequences to the Receivership Estate under Oregon law, the Receiver requested the creation and transfer of assets to the QSF to be approved by the Court before January 1, 2020. The Receiver and his professionals estimate the potential tax savings to the Receivership Estate from implementing the QSF at upwards of \$2 million.⁹

The requested QSF motion was so ordered on December 23, 2019 [Dkt 781].

B. Procedures Motion

On December 31, 2019, the Receiver filed his Motion For Order (1) Approving Form And Manner Of Notice Regarding Approval Of Proposed Distribution Plan And Ponzi Determination, (2) Approving Procedures And Deadlines, (3) Setting A Hearing, And For Related Relief [Dkt 785]. On January 14, 2020, the Court approved the form and manner of notice regarding approval of the proposed distribution plan and Ponzi

⁸ Receivership Order [Dkt. 156], ¶ 38.

⁹ Following additional tax planning work related to the possible tax treatment on cancellation of debt income under the “Corporate Activity Tax” (the “CAT”), newly created under Oregon House Bill (“HB”) 3427 and HB 2164, the estimated tax impact was increased to approximately \$2 million from the initial estimate of in excess of \$1 million.

determination and set deadlines and the date of the hearing to consider the distribution plan [Dkt 790].

C. Distribution Plan

On December 31, 2019, the Receiver filed the Motion To Approve The Receiver's Distribution Plan And Determination Of A Ponzi Scheme [Dkt 787]. In conjunction with his request for the finding of a Ponzi scheme, the Receiver moved the Court to approve a Distribution Plan that contains interrelated components and compromises that he believes provides the most equitable treatment of Allowed Claims and the equitable distribution of funds. Impacted parties are urged to read the Distribution Plan in its entirety and is available for review at the Aequitas Receiver's website (www.kccllc.net/aequitasreceivership) and the Receiver's Claims Agent website (<http://www.AequitasClaims.com>).

For tax and other distribution purposes, the Receiver will endeavor to allocate the distribution between the Defrauded Investors' multiple accounts based on each account's relative Net Investment Loss. For further information regarding the aggregation of accounts, please see Article VI.E of the Distribution Plan Motion.

D. Findings of Fact and Conclusions of Law

Following the resolution of a limited objection of Brett Brown involving his classification as a former "Officer", the proposed Distribution Plan was considered a consensual proposal. No other objections were filed in connection with the proposed Distribution Plan, and three statements in support of the Plan were filed with the Court. As directed by the Court, on March 30, 2020, the Receiver filed proposed Findings of Fact and Conclusions of Law [Dkt. 810] and corrected proposed Findings of Fact and Conclusions of Law [Dkt. 812] were filed on March 31, 2020. The Court entered its

Findings of Fact and Conclusions of Law on March 31, 2020 [Dkt. 813]. In its Order, among other things, the Court:

- Approved the Distribution Plan as expressly modified by the Receiver;
- Overruled any objections to the Receiver's Distribution/Ponzi Determination Motion that had not been withdrawn, waived, settled, or expressly reserved pursuant to the terms of the Order;
- Permitted the Receiver to commence with distributions consistent with the terms of the Distribution Plan without further order by the Court, noting that all distributions shall be free and clear of any and all liens, claims, interests, and encumbrances;
- Directed each Defrauded Investor and other Claimant to cooperate and supply such information and documentation as is requested by the Receiver and his professionals to effectuate the Distribution Plan; and
- Made the Order binding in all respects on all creditors and interest holders of the Receivership Entity and their successors and assigns.

E. Distribution Plan Noticing

In the first quarter of 2020, the Receivership staff and the retained professionals expeditiously managed a Distribution Plan noticing campaign based on the form and matter of notice that had been approved by the Court. At least 4,796 notices were sent to the parties that were required to be noticed by the Court. The Receivership professionals worked closely with KCC, the host of the main Receivership website, and with Epiq, the noticing agent, to update relevant information provided to the public on the Receivership websites.

F. The First Distribution

In connection with the First Distribution Motion, on May 8, 2020, the Receiver provided conferral notices to counsel and mailed notices to 2,674 parties whose claims were resolved as part of the First Distribution.

As discussed earlier in the Report, the First Distribution Order was entered by the Court on June 1, 2020. Following the entry of the Order, the Receivership staff and retained professionals proceeded expeditiously with the implementation of the first distribution as approved by the Court. Around June 12, distribution checks totaling \$837,297 (gross amount) were mailed to 78 non-officer former employee parties on account of their allowed claims. Around July 16, 2020, distributions totaling approximately \$136,500 (consisting of 731 checks) were mailed to claimants on account of their Allowed Administrative Claims and Allowed Convenience Class Claims, as allowed in the First Distribution Order.

XII. Timeline and Future Interim Distributions

As discussed more fully in the Report, the Receiver has made very substantial progress in actively recovering, stabilizing and monetizing assets, consolidated and rationalized the terabytes of electronic data and facilitated access by litigating parties, effected settlements with multiple governmental agencies and major claimants, completed the principal forensic investigation, organized and facilitated an exhaustive and exceedingly successful mediation process that resulted in recovery of a significant portion of Investor losses, implemented the claims process and obtained Court approval for the Distribution Plan. The Receiver has also obtained Court approval for the First Distribution and has implemented it. The Receiver has submitted the Second Distribution Motion addressing the claims of the majority of remaining claimants including Defrauded Investors.

While it is difficult to provide a definitive timeline for the completion of the concluding phases of the Receivership, culminating in the final round of distributions on Allowed Claims and Court-ordered termination of the receivership, the Receiver

reasonably anticipates the vast majority of the remaining tasks will be completed in the remaining months of 2020 and 2021. The precise timing of those distributions will depend on the progress of the claims resolution process and the approval of the proposed second interim distribution. There will be multiple rounds of distributions. As mentioned above, the litigation settlements with the professional firm defendants already resulted in direct payments to the plaintiff investor groups.