

**Troy Greenfield**, OSB #892534  
Email: tgreenfield@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.  
1211 SW 5th Ave., Suite 1900  
Portland, OR 97204  
Telephone: 503.222.9981  
Facsimile: 503.796.2900

Attorneys for 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,

v.

AEQUITAS MANAGEMENT, LLC;  
AEQUITAS HOLDINGS, LLC;  
AEQUITAS COMMERCIAL FINANCE,

No. 3:16-cv-00438-JR

RECEIVER'S REQUEST FOR APPROVAL  
OF EIGHTEENTH INTERIM FEE  
APPLICATION

Page 1 - RECEIVER'S REQUEST FOR APPROVAL OF  
EIGHTEENTH INTERIM FEE APPLICATION

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



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

Defendants.

**Local Rule 7-1**

Owing to the complexity and volume of the Receiver’s Request for Approval of Eighteenth Interim Fee Application, the Receiver has not sought to confer with the other parties or counsel as would normally be required under Local Rule 7-1. In accordance with the direction set forth in the Order Appointing Receiver, the Receiver provided the Securities and Exchange Commission (the “Commission”) complete copies of the detailed invoices of all of the firms prior to the filing of this Application and received no objection from the Commission.

**I. RELIEF REQUESTED**

The Court-Appointed Receiver in this action, Ronald F. Greenspan, respectfully requests the Court’s approval to pay the interim fees and expenses of the Receiver and the professional service firms that have rendered services on behalf of the Receivership Entity for the period from July 1, 2020 through September 30, 2020 (the “Eighteenth Application Period”).

The efforts of the Receiver and the professionals on behalf of the Receivership Entity are set forth in detail in the September 30, 2020 Report of the Receiver (the “September 2020 Report”)<sup>1</sup> as well as in the summary invoice of each professional, which are attached to the Declaration of Ronald F. Greenspan (the “Greenspan Declaration”) filed contemporaneously with

---

<sup>1</sup> Dkt. 860.

this motion.<sup>2</sup> As the Court is aware, this is a very complex and otherwise difficult case. The information contained in the September 2020 Report and in the summary invoices demonstrates both the necessity of the services provided, as well as the reasonableness of the resulting fees and expenses.

The Court has previously approved the engagement of each of the professional service firms. In accordance with the request of the Commission, all of the firms have discounted their standard hourly rates. The fees and expenses submitted to the Court for approval are consistent with the Billing Instructions for Receivers in Civil Actions Commenced by the U.S. Securities and Exchange Commission (the “Billing Instructions”). In accordance with the direction set forth in the Order Appointing Receiver, the Receiver provided the Commission complete copies of the detailed invoices of all of the firms prior to the filing of this Application and the Commission does not object to the Application. Prior fees and expenses requested, allowed, and paid by the Receivership Entity are set forth in detail below.

## **II. BACKGROUND**

On March 10, 2016, the Commission filed a Complaint (the “Complaint”) against the Entity Defendants as well as Robert J. Jesenik, Brian A. Oliver and N. Scott Gillis (collectively the “Individual Defendants”), for alleged violation of Federal Securities Laws in what the Commission describes as a “Ponzi-like” scheme.<sup>3</sup> The Commission alleges that the Individual Defendants, all principals of one or more of the Entity Defendants, defrauded investors and also

---

<sup>2</sup> Greenspan Declaration, Exhibits B through E.

<sup>3</sup> Dkt. 1.

misused investor funds to pay operating expenses and to repay earlier investors.<sup>4</sup> The Commission further alleges that “[b]y the end of 2015 [Aequitas] owed investors \$312 million and had virtually no operating income to repay them.”<sup>5</sup> The investments identified by the Commission refer to the funds borrowed by ACF, one of the 48 entities composing the Receivership Entity. In total, there are over \$600 million of investor funds in the Receivership Entity.

On March 16, 2016, pursuant to the Stipulated Interim Order Appointing Receiver, Ronald F. Greenspan was appointed as Receiver for the Entity Defendants and 43 related entities on an interim basis (the “Interim Order”). 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”).<sup>6</sup> In very general terms, the Receiver is directed to marshal and preserve assets of the Receivership Entity.

The Receiver filed 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

---

<sup>4</sup> Dkt. 1, ¶¶ 1-7. Of note, one of the Individual Defendants, Brian Oliver, has pleaded guilty to conspiracy to commit mail and wire fraud in violation of 18 U.S.C. § 1349 and conspiracy to commit money laundering in violation of 18 U.S.C. § 1956(h). Additionally, the former CFO Olaf Janke has also pleaded guilty to the same charges. Four additional former directors and officers have also been indicted.

<sup>5</sup> Dkt. 1, ¶ 5.

<sup>6</sup> Dkt. 156.

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], September 30, 2019 [Dkt. 776], through December 31, 2019 [Dkt. 793], through March 31, 2020 [Dkt. 826] and through June 30, 2020 [Dkt. 843], which are collectively referred to herein as the “Receiver’s Reports.” The September 2020 Report [Dkt. 860] is the Receiver’s report and recommendations to the Court for the quarter ending September 30, 2020. The contents of the Eighteenth Interim Fee Application, like the focus of the September 2020 Report, provides the basis for the fees and expenses incurred by the professionals on behalf of the Receivership for the quarter ending September 30, 2020.

**A. The Receiver continues to successfully preserve and monetize Receivership assets, as well as expeditiously implement the claims process and the distribution of Receivership assets.**

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 Campus Student Funding, LLC, including modification or cancellation of each of the approximately 47,000 loans, and appropriate notification to each of the borrowers.

As previously reported, 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/sos/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 Final Receivership Order, the Receiver conducted his forensic investigation and the resulting forensic report (the “Forensic Report”) was filed with the Court on November 21, 2018.<sup>7</sup>

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”).

---

<sup>7</sup> Dkt. 663.

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 Notices of Receiver’s Initial Determination had been issued.<sup>8</sup>

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 filed claims as they were 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 his 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

---

<sup>8</sup> The Receivership team has reviewed the filed claims and some have already been adjudicated by this Court. 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.

hearing or otherwise remaining unresolved, the Court entered 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 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 the Court Order, 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.

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 covers 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 and authorizes the distribution of approximately \$74.1 million. The Motion was subsequently approved by the Court on November 10, 2020 [Dkt. 861].

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 \$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 releases are contingent upon those parties releasing claims to the proceeds of the insurance policies maintained by entities comprising the Receivership Entity, which will allow the Receivership to receive a majority of the remaining policy proceeds.

The efforts of the Receiver to facilitate resolution of investor claims against the Professional Firm Defendants have greatly accelerated anticipated 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 a 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. On November 10, 2020, Magistrate Judge Jolie A. Russo issued Findings, Recommendations and Order related to Motion to Approve Settlements [Dkt.862] and referred it to Judge Marco A. Hernandez for review. On December 11, 2020, the Court adopted Magistrate Judge Russo's Findings and Recommendation and granted the Receiver's Motion to Approve Settlements [Dkt.

866].

As a result of these settlements, the Receivership Entity will obtain \$8.0 million of incremental cash recoveries, will remove restrictions from approximately \$4.5 million deposit related to the settlement with the Terrell parties, and will benefit greatly from the releases of the numerous claims against the Estate (e.g. Deloitte's \$50M contribution claim, certain Lux claims, and several others). Completion of the above comprehensive settlements paves the way for allowing the release of hundreds of millions of dollars in payments made by the Professional Firm Defendants directly to the four investor litigation groups.

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 numerous Receivership Entity tax returns.

**B. The Receiver continues to manage the Receivership Entity and recommends that the Receivership continue for the benefit of investors and creditors.**

It remains the Receiver's recommendation that the Receivership continue. Many of the conditions under which the Receivership was imposed still exist. While much has been accomplished, several crucial steps remain before the Receivership 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 process, (ii) complete necessary litigation, (iii) resolve investor and 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 ongoing 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 Commission staff and Aequis 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 constituent's support and encouragement to continue his efforts, and that they also support the continuation of the Receivership.

**C. The following qualified professional service firms have been engaged by the Receiver to aid in the discharge of his duties and responsibilities to the Receivership Entity.**

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

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

On May 3, 2018, pursuant to the Order Granting Receiver's Application to Employ

Counsel, the Receiver employed Snell & Wilmer LLP (“Snell & Wilmer”) in order to retain attorney, Ivan B. Knauer, who relocated from Pepper Hamilton to Snell & Wilmer.

On June 10, 2019, pursuant to the Order Granting Receiver’s Application to Employ Counsel, the Receiver employed Parsons, Farnell & Grein, LLP (“Parsons Farnell”) as local insurance counsel for the Receiver.

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

The Receiver is employed as a Senior Managing Director of FTI, which bills and collects for the Receiver’s time and expenses. To support the Receivership, the Receiver has retained FTI and has access to FTI professionals. FTI is serving as financial advisor to the Receiver and providing on-site and remote (given the current restraints imposed by the Covid-19 pandemic) management supervision over the operations of the Receivership Entity. Additionally, FTI has been instrumental in preparing assets for market, running certain sale processes, data and information consolidation, investor account data verification, coordinating and overseeing the forensic accounting, implementation of the national Corinthian Colleges student note receivable settlement with the CFPB and fourteen state Attorneys General, planning and implementation of the claims process and distribution plan development and implementation.

**2. Pepper Hamilton - Securities and Exchange Commission Counsel**

Pepper was retained by the Receiver in connection with SEC-related matters, including the SEC Complaint and discovery promulgated thereunder. Pepper has also acted as a point of contact for the Receiver with the Consumer Financial Protection Bureau (the “CFPB”) and certain other governmental agencies. Pepper has also assisted the Receiver with certain transactional work.

**3. Snell & Wilmer - Securities and Exchange Commission Counsel**

Following the move of attorney Ivan Knauer from Pepper to Snell & Wilmer around May 1, 2018, Snell & Wilmer represents the Receiver in connection with SEC-related matters, including the SEC Complaint and discovery promulgated thereunder. Snell & Wilmer also represents the Receiver regarding other ongoing regulatory inquiries and acts as a point of contact for the Receiver with the state Attorneys General, Consumer Financial Protection Bureau (the “CFPB”) and certain other governmental agencies. Counsel was diligently ensuring there was no duplication in work performed by Pepper and Snell & Wilmer.

**4. Schwabe, Williamson & Wyatt – General Counsel**

As general counsel to the Receiver, Schwabe provides general outside counsel advice, as well as the majority of transactional and litigation support for all matters other than the SEC action. As periodically requested by the Receiver and as required of local counsel, Schwabe assists in the SEC enforcement action. Schwabe also communicates with the Commission Staff regarding operations, asset sales and other issues related to the administration of the Receivership.

**5. Pachulski Stang Ziehl & Jones – Bankruptcy Counsel**

Pachulski has been retained to provide advice involving bankruptcy related matters, if needed. Pachulski also advised the Receiver at outset of the case on various receivership set up and administration matters and performed lien perfection analyses.

**6. Stanley H. Shure – Insurance Counsel**

The Law Offices of Stanley H. Shure was retained to provide counsel on all insurance coverage issues pertaining to the Receivership Entity, including but not limited to: (a) reviewing

and analyzing the Receivership Entity's liability insurance policies with respect to the claims made against it, (b) providing counsel in the event of insurance coverage disputes with the Receivership Entity's insurers, (c) evaluating the "Bankers Bond" policy for scope of coverage and whether the Receivership Entity holds any claims under the policy, and (d) analyzing and providing counsel with respect to claims, if any, that the Receivership Entity may have against former directors and officers of the Receivership Entity.

**7. Morrison & Foerster – Consumer Financial Protection Bureau**

Before the Commission filed suit, MoFo was counsel for three entities within the Receivership Entity: Aequis Capital Management, Inc., Aequis Commercial Finance, LLC, and Campus Student Funding, LLC on two matters. Specifically, MoFo represented those three entities with respect to (a) the Corinthian Colleges' bankruptcy case, and (b) an investigation initiated by the CFPB and certain state attorneys general relating to Corinthian-related student loans owned by Campus Student Funding (the "CFPB Matter"). The Receiver has retained MoFo with respect to ongoing representation in the CFPB Matter only and assistance with various consumer finance matters.

**8. Akin Gump Strauss Hauer & Feld – American Student Financial Group, Inc.**

Prior to entry of the Interim Order, Akin was counsel to certain entities within the Receivership Entity in two matters. First, Akin represented Aequis Capital Management, Inc. in the matter of American Student Financial Group, Inc., et al. v. Aequis Capital Management, Inc., Case No. 12-cv-02445-CAB-JMA (S.D. Cal.). Akin also represented Robert Jesenik and Andrew MacRitchie in that action but claims against those individuals were dismissed on summary judgment. Second, Akin has represented the following companies in the Receivership



Entity, in the matter of American Student Financial Group, Inc. v. Campus Student Funding, LLC, et al., Case No. 37-2013-00028562-CU-IP-CTL (San Diego Superior Court): Aequitas Commercial Finance, LLC; Aequitas Investment Management, LLC; Aequitas Income Protection Fund, LLC; Aequitas Income Opportunity Fund, LLC; and Aequitas Capital Management, Inc. Akin has also represented Campus Student Funding, LLC, f/k/a ASFG, LLC, Thomas Szabo, and Thomas Reiter in the same matter.

**9. Parsons Farnell & Grein, LLP-Local Counsel for Insurance matters**

Parsons Farnell is special co-counsel serving as local insurance recovery counsel for the Receiver in connection with claims implicating directors and officers insurance coverage issued to one or more of the entities comprising the Receivership Entity.

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

Ater was retained to represent the Receiver with respect to matters adverse to Wells Fargo Bank and other matters where the Receiver's retained counsel had a conflict of interest. The Wells Fargo liability has been retired. Ater withdrew as counsel to the Receiver effective April 4, 2017.<sup>9</sup>

**D. The Receiver and the professional firms have already returned millions of dollars to the Receivership Entity.**

The Receiver had cash balances of approximately \$122.5 million as of September 30, 2020 for the entities included in the Receivership Entity. The Standardized Fund Accounting Report, which is included in the Receiver's September 2020 Report, provides a detailed

---

<sup>9</sup> Dkt. 396.

statement of cash receipts and disbursements through September 30, 2020. The following are brief summaries of some of the ongoing asset monetization and sales efforts undertaken or impacted during the Eighteenth Application Period.

**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 47,000 loans, 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 1,755 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 closely with the loan servicer and help address borrower inquiries. The Receiver is also evaluating the next steps in connection with the monetization of the remaining portfolio.

## **2. MotoLease Financial (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 \$67,000, of which \$2,000 is less than 60 days past due. Additionally, MLF had in its possession 47 vehicles with cumulative outstanding lease balances of \$336,000 that were 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 likely around the end of the first quarter of 2021.

## **3. Other Assets**

The Receiver is monitoring the situation and seeking opportunities to monetize the

Receivership's remaining holdings as well as various third-party notes receivable held by the Receivership Entity.

**E. Ongoing Litigation**

As addressed in prior reports and reflected in the Motion to Approve Settlements, 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.

**1. 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.

**2. 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 the September 2020 Report, recoveries comprised of both repayments and offsets from future distributions on net loss accounts total approximately \$1.35 million and

additional recoveries have been obtained since then. Those net winner settlement agreements executed prior to October 22, 2020 are addressed in the Motion to Approve Settlements.

### 3. 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.

#### F. Development and Implementation of the Claims Process

During 2019, the Receiver, his professional 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.<sup>10</sup> The Receiver undertook an extensive claim noticing process that included notices by publication in 15 major newspaper, 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

---

<sup>10</sup> Dkt. 683.

Administrative Claimant with NOD	646
Non-NOD notices (not counted above)	2,152
<b>Total Notices</b>	<b>6,982</b>

### **1. Additional Information Sharing**

Consistent with the requirement 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 email 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.

### **2. 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.

### **3. 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 the 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 initial 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 entities. Additionally, 68 of the non-duplicative claims were filed against multiple Aequitas Receivership entities. As detailed in the Report of Cash Receipts and Disbursements,

attached as Exhibit B to the September 2020 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 by the Receivership staff, the following is a summary of non-investor claims filed (or allowed NODs if no claim filed). The Receivership staff is continuing to analyze 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)
<b>Total Non-Investor Claims</b>	<b>2,837</b>

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
<b>Total</b>	<b>2,837</b>	<b>\$ 91,531,184</b>



## Top Ten Non-Investor Claims

Claimant Name	Amount
Deloitte & Touche LLP <sup>11</sup>	\$ 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
<b>Total Top Ten Trade Claims</b>	<b>\$ 88,533,050</b>

**G. The Receiver and the professional service firms have consistently strived to minimize costs.**

As addressed above, in accordance with the request of the Commission, the Receiver and all of the professional firms have discounted their standard hourly rates. The Receiver is consistently mindful of the professional expenses and manages the work in the most cost-effective manner possible. He strives to avoid duplication of effort by the engaged professionals.

**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 marshaling, preserving and monetizing all assets for the benefit of the investors, and addressing claims and distribution plan design and implementation.

---

<sup>11</sup> On January 24, 2020, the Receiver executed a settlement agreement with Deloitte regarding their contribution claim.

## 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 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 accounts. 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 Receivership 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 to the September 2020 Report.

**3. Staffing**

**a. Employee 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 a six-week 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 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 Matters**

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. Tax Preparer**

Since the inception of the Receivership, 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.

**b. 2019 Returns and Other Tax matters**

Sixteen federal and seventy-six state 2019 Receivership Entity tax returns were filed in September and October 2020. As further described in the September 2020 Report, on motion and by order of the Court, substantial assets of the Receivership Entities were transferred to the Qualified Settlement Fund (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.

2019 form K-1s have been distributed to equity fund members. 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.

**5. Leveraging the professional firms' resources**

FTI continues to leverage its access to various resources and services to provide information at no additional charge to the Receivership. As a result, the Receivership Entity has been able to eliminate contracts with a number of corresponding providers. Additionally, FTI provides as-needed tele-conferencing and web-conferencing capabilities to the Receivership Entity at no charge.

Schwabe has provided meeting space and infrastructure at no charge to the Receivership Entity, which allowed the Receiver to minimize costs associated with in-person meetings.

**6. Discounted Travel Time**

The Receiver, FTI and the majority of legal counsel only charge 50 percent of actual non-working travel time. Schwabe does not charge for travel time or travel expenses related to travel to Portland, Oregon. As a result of the Receivership staff and all professionals working remotely during the COVID-19 pandemic, no travel time was incurred during the third quarter of 2020.

**7. Out-of-Town Meals and Expenses**

The Receiver carefully monitors the expenses incurred by his professionals. In furtherance of this effort, the Receiver has imposed a per diem limit on meal expenses and no costs incurred in excess thereof are charged to the Receivership. No out-of-town meals and expenses were incurred during the third quarter of 2020.

**III. AUTHORITY SUPPORTING REQUEST FOR APPROVAL OF FEES AND EXPENSES INCURRED FROM JULY 1, 2020 THROUGH SEPTEMBER 30, 2020**

The Order Appointing Receiver provides that “[t]he Receiver and Retained Personnel are entitled to reasonable compensation and expense Reimbursement from the Receivership Estates....”<sup>12</sup> Applications for compensation and expense reimbursement are on an interim basis, subject to final review at the close of the Receivership.<sup>13</sup> Allowed fees are subject to a twenty percent (20%) holdback pending final review and closing of the Receivership. Allowed expenses are not subject to a holdback.

The Receiver requests that the Court approve the fees and expenses incurred by the Receiver and his retained professionals for the period from July 1, 2020 through September 30, 2020.

**A. This is the Eighteenth Interim Fee Application and the Court has previously approved the prior Seventeen Interim Fee Applications**

This is the Eighteenth Interim Fee Application of the Receiver and his retained professionals. The initial Interim Fee Application was filed on September 22, 2016.<sup>14</sup> The Court

---

<sup>12</sup> Dkt. 156, ¶ 45.

<sup>13</sup> Dkt. 156, ¶ 47.

<sup>14</sup> Dkt. 251.

approved the fees and expenses requested in the Interim Fee Application on October 21, 2016.<sup>15</sup> The Second Interim Fee Application was filed on December 12, 2016.<sup>16</sup> The Court approved the fees and expenses requested in the Second Fee Application on February 22, 2017.<sup>17</sup> The Third Interim Fee Application was filed on April 4, 2017.<sup>18</sup> The Court approved the fees and expenses requested in the Third Fee Application on April 20, 2017.<sup>19</sup> The Fourth Interim Fee Application was filed on July 14, 2017.<sup>20</sup> The Court approved the fees and expenses requested in the Fourth Fee Application on July 17, 2017.<sup>21</sup> The Fifth Interim Fee Application was filed on October 11, 2017.<sup>22</sup> The Court approved the fees and expenses requested in the Fifth Fee Application on October 12, 2017.<sup>23</sup> The Sixth Interim Fee Application was filed on December 12, 2017.<sup>24</sup> The Court approved the fees and expenses requested in the Sixth Fee Application on December 12, 2017.<sup>25</sup> The Seventh Interim Fee Application was filed on March 16, 2018.<sup>26</sup> The Court approved the fees and expenses requested in the Seventh Fee Application on March 20, 2018.<sup>27</sup>

---

<sup>15</sup> Dkt. 273.

<sup>16</sup> Dkt. 315.

<sup>17</sup> Dkt. 370.

<sup>18</sup> Dkt. 393.

<sup>19</sup> Dkt. 416.

<sup>20</sup> Dkt. 475.

<sup>21</sup> Dkt. 478.

<sup>22</sup> Dkt. 544.

<sup>23</sup> Dkt. 548.

<sup>24</sup> Dkt. 567.

<sup>25</sup> Dkt. 570.

<sup>26</sup> Dkt. 596.

<sup>27</sup> Dkt. 599.

The Eighth Interim Fee Application was filed on June 26, 2018.<sup>28</sup> The Court approved the fees and expenses requested in the Eighth Fee Application on June 26, 2018.<sup>29</sup> The Ninth Interim Fee Application was filed on September 17, 2018.<sup>30</sup> The Court approved the fees and expenses requested in the Ninth Fee Application on September 18, 2018.<sup>31</sup> The Tenth Interim Fee Application was filed on December 7, 2018.<sup>32</sup> The Court approved the fees and expenses requested in the Tenth Fee Application on December 10, 2018.<sup>33</sup> The Eleventh Interim Fee Application was filed on March 21, 2019.<sup>34</sup> The Court approved the fees and expenses requested in the Eleventh Fee Application on March 21, 2019.<sup>35</sup> The Twelfth Interim Fee Application was filed on June 27, 2019.<sup>36</sup> The Court approved the fees and expenses requested in the Twelfth Fee Application on July 1, 2019.<sup>37</sup> The Thirteenth Interim Fee Application was filed on June 27, 2019.<sup>38</sup> The Court approved the fees and expenses requested in the Thirteenth Fee Application on July 1, 2019.<sup>39</sup> The Fourteenth Interim Fee Application was filed on December 27, 2019.<sup>40</sup>

---

<sup>28</sup> Dkt. 630.

<sup>29</sup> Dkt. 633.

<sup>30</sup> Dkt. 654.

<sup>31</sup> Dkt. 657.

<sup>32</sup> Dkt. 665.

<sup>33</sup> Dkt. 668.

<sup>34</sup> Dkt. 677.

<sup>35</sup> Dkt. 680.

<sup>36</sup> Dkt. 716.

<sup>37</sup> Dkt. 719.

<sup>38</sup> Dkt. 771.

<sup>39</sup> Dkt. 774.

<sup>40</sup> Dkt. 782.

The Court approved the fees and expenses requested in the Fourteenth Fee Application on January 1, 2020.<sup>41</sup> The Fifteenth Interim Fee Application was filed on March 31, 2020.<sup>42</sup> The Court approved the fees and expenses requested in the Fifteenth Fee Application on April 1, 2020.<sup>43</sup> The Sixteenth Interim Fee Application was filed on June 19, 2020.<sup>44</sup> The Court approved the fees and expenses requested in the Sixteenth Fee Application on June 19, 2020.<sup>45</sup> The Seventeenth Interim Fee Application was filed on September 11, 2020.<sup>46</sup> The Court approved the fees and expenses requested in the Seventeenth Fee Application on September 11, 2020.<sup>47</sup> The following is a summary of the fees and expenses requested and approved from the prior Interim Fee Applications, the amounts allowed, the amounts paid, and identification of the twenty percent (20%) holdback for fees (which remain unpaid as required by the Billing Instructions):

---

<sup>41</sup> Dkt. 788.

<sup>42</sup> Dkt. 814.

<sup>43</sup> Dkt. 817.

<sup>44</sup> Dkt. 839.

<sup>45</sup> Dkt. 842.

<sup>46</sup> Dkt. 844.

<sup>47</sup> Dkt. 847.



**Aequitas Receivership**

Professional Fees &amp; Expenses by Entity (through June 30, 2020)

Entity	Previous Fees	Previous Expenses	Total Previous Fees & Expenses	Holdback Amounts	Total Paid Amounts
Receiver	2,331,568	45,172	2,376,740	466,314	1,910,426
FTI Consulting	16,933,998	494,849	17,428,847	3,386,800	14,042,048
Pepper Hamilton	2,472,630	282,614	2,755,244	494,526	2,260,718
Schwabe, Williamson & Wyatt	8,576,439	49,090	8,625,529	1,715,288	6,910,241
Morrison Foerster	1,010,847	5,843	1,016,690	202,169	814,521
Law Office of Stanley H. Shure	1,514,882	9,588	1,524,470	302,976	1,221,493
Snell & Wilmer	535,745	10,645	546,390	107,149	439,241
Parsons Farnell & Grein	487,910	17,430	505,339	97,582	407,757
Pachulski Stang Ziehl & Jones	39,984	471	40,455	7,997	32,458
Akin Gump	60,259	133	60,392	12,052	48,340
Ater Wynne	10,356	-	10,356	2,071	8,285
<b>Total:</b>	<b>33,974,616</b>	<b>915,835</b>	<b>34,890,451</b>	<b>6,794,923</b>	<b>28,095,528</b>

**B. The Court should approve as reasonable and necessary all of the fees and expenses requested in this Eighteenth Interim Fee Application.**

In the Ninth Circuit, in a common fund case such as this Receivership proceeding, the Court has the “discretion to apply either the lodestar method or the percentage-of-the-fund method when calculating fees.”<sup>48</sup> “Under either method, the Court must exercise its discretion to achieve a ‘reasonable’ result.”<sup>49</sup>

Because there is a strong presumption that the lodestar amount represents a reasonable fee, adjustments to the lodestar are the “exception rather than the rule.”<sup>50</sup> Under the lodestar method, the Court multiplies a reasonable number of hours by a reasonable hourly rate.<sup>51</sup> In the

<sup>48</sup> *Fischel v. Equitable Life Assurance Soc’y*, 307 F.3d 997, 1006 (9th Cir 2002) (class action case creating a common fund).

<sup>49</sup> *In re Galena Biopharma, Inc., Sec. Litig.*, No. 3:14-cv-00367-SI, 2016 U.S. Dist. LEXIS 82693, at \*15-16 (D. Or. June 24, 2016) (citing *In re Bluetooth Headset Prods. Liab. Litig.*, 654 F.3d 935, 942 (9th Cir. 2011)).

<sup>50</sup> *Stanger v. China Elec. Motor, Inc.* 812 F.3d 734, 738 (9th Cir 2016) (internal citations omitted) (class action with common fund settlement).

<sup>51</sup> *Id.*

current Receivership, where neither the amount of the common fund nor the aggregate amount of allowed claims has been determined, the lodestar method rather than the percentage-of-fund method should be applied to this interim fee application.

The amount of compensation to be awarded a court-appointed receiver is within the Court's reasonable discretion.<sup>52</sup> The Commission's approval of an application should be given great weight.<sup>53</sup>

Factors for consideration include the "time, labor and skill required, but not necessarily that actually expended, in the proper performance of the duties imposed by the court upon the receiver, the fair value of such time, labor and skill measured by conservative business standards, the degree of activity, integrity and dispatch with which the work is conducted and the result obtained."<sup>54</sup> The complexity and difficulty associated with the receivership are highly relevant factors in determining the reasonableness of professional fees.<sup>55</sup> The benefits bestowed on the estate are a relevant consideration.<sup>56</sup>

---

<sup>52</sup> *SEC v. Byers*, 590 F. Supp. 2d 637, 644 (S.D.N.Y. 2008), *aff'd*, 609 F.3d 87 (2d Cir. 2010).

<sup>53</sup> *Id.* (quoting *SEC v. Fifth Ave. Coach Lines, Inc.*, 364 F. Supp. 1220, 1222 (S.D.N.Y. 1973) (securities receivership)).

<sup>54</sup> *United States v. Code Prod. Corp.*, 362 F.2d 669, 673 (3d Cir. 1966) (internal citation omitted).

<sup>55</sup> *See Fifth Ave. Coach Lines*, 364 F. Supp. at 1220 (awarding interim fees and expenses to law firm for role in receivership and noting that it involved wide variety of complex legal matters requiring the time, competence, and diverse resources of a law firm of high caliber); *SEC v. Mobley*, No. 00 CV 1316 RCC, 2000 WL 1702024, at \*2 (S.D.N.Y. Nov. 13, 2000) (finding that fees requested in early stages of receivership were not excessive where receiver was faced with deconstructing an "enormous" fraud of seven years in which defendant utilized over forty entities to funnel investors' money throughout the world and there were few, if any, verifiable financial records).

<sup>56</sup> *See Fifth Ave. Coach Lines.*, 364 F. Supp. at 1222; *Mobley*, 2000 WL 1702024, at \*2 (receiver marshaled assets quickly and efficiently).

The degree of success achieved in solving legal and practical problems should be considered when calculating the fees awarded.<sup>57</sup> Courts examine the credentials, experience, reputation, and other professional qualities required to carry out the court's orders when assessing the reasonableness of the rates charged for services to a receivership.<sup>58</sup>

The Court should consider the usual and customary fees charged and the evidence presented to support the application for fees.<sup>59</sup> All of the factors considered in these cases weigh heavily in favor of approving the fees and expenses requested in the Eighteenth Interim Fee Application.

**C. The fees and expenses during this Eighteenth Application Period are reasonable and necessary in light of the complexity and difficulties of this case.**

The Receiver requests approval of fees and expenses for the firms identified herein, which have provided the services summarized throughout this Motion, in the September 2020 Report and in each firm's summary invoice.<sup>60</sup> As noted, these firms agreed to substantial

---

<sup>57</sup> See *SEC v. W.L. Moody & Co., Bankers*, 374 F. Supp. 465, 484-85 (S.D. Tex. 1974), *aff'd*, 519 F.2d 1087 (5th Cir 1975) (attorney's timely action prevented delay in payment to bank depositors); *Fifth Ave. Coach Lines*, 364 F. Supp. at 1222 (law firm's services resulted in successful reorganization of company); *SEC v. Tanner*, No. 05-4057-RDR, 2007 WL 2013606, at \*2 (D. Kan. May 22, 2007) (actions of receiver resulted in return of more money to investors than if defendant had continued in business).

<sup>58</sup> See *W.L. Moody & Co.*, 374 F. Supp. at 481 (holding that a court should give "considerable weight" to "a receiver's abilities, as required by the tasks of the receivership"); *SEC v. Aquacell Batteries Inc.*, No. 6:07-cv-608-Orl-22 DAB, 2008 WL 276026, at \*4 (M.D. Fla. Jan. 31, 2008) ("The Receiver retained well qualified, experienced counsel and such representation does not come cheap.").

<sup>59</sup> See *Fifth Ave. Coach Lines, Inc.*, 364 F. Supp. at 1222 (fees awarded in full based on law firm's usual hourly rate and supported by meticulous records).

<sup>60</sup> Greenspan Declaration, Exhibits A through E.

discounts of their customary fees, and the amounts requested reflect those discounts. The time spent, services performed, hourly rates charged, and expenses incurred were in the best interests of the Receivership Entity and were indeed essential for the Receiver to perform his Court-ordered duties.<sup>61</sup> Each of these professional firms was selected because it possesses special expertise required to fulfill the Court's orders. The following chart is a summary of the fees and expenses reasonably incurred in the service of the Receivership Entity from July 1, 2020 through September 30, 2020:

**Aequitas Receivership**

Professional Fees & Expenses by Entity (from July 1 to September 30, 2020)

Entity	Fees (\$)	Percentage	Expenses (\$)	Percentage	Total (\$)	Percentage
Receiver	33,247.50	3.6%	-	0.0%	33,247.50	3.6%
FTI Consulting	505,900.00	54.6%	-	0.0%	505,900.00	54.5%
Pepper Hamilton <sup>[1]</sup>	-	0.0%	-	0.0%	-	0.0%
Schwabe, Williamson & Wyatt	355,445.50	38.4%	312.12	16.7%	355,757.62	38.4%
Morrison Foerster <sup>[1]</sup>	-	0.0%	-	0.0%	-	0.0%
Law Office of Stanley H. Shure <sup>[1]</sup>	-	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 <sup>[1]</sup>	-	0.0%	-	0.0%	-	0.0%
Akin Gump <sup>[1]</sup>	-	0.0%	-	0.0%	-	0.0%
Ater Wynne <sup>[1]</sup>	-	0.0%	-	0.0%	-	0.0%
<b>Total:</b>	<b>925,761.50</b>	<b>100%</b>	<b>1,866.00</b>	<b>100%</b>	<b>927,627.50</b>	<b>100%</b>

[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.

**D. The fees and expenses requested are in line with those approved in other cases.**

The fees associated with complex receivership cases are often substantial percentages of the total assets recovered.<sup>62</sup> The size and scope of this equitable receivership are much greater

<sup>61</sup> Greenspan Declaration, p. 3.

<sup>62</sup> *SEC v. Megafund Corp.*, No. 3:05-CV-1328-L, 2008 WL 2839998, at \*2 (N.D. Tex. June 24, 2008) (approving final request for fees and expenses comprising 22.4% of total recovery by Receiver in light of complexities of case, difficulties in tracing proceeds, and results obtained);

than the size and scope of many of the receiverships in the reported cases cited in this Application. Courts have noted that compensation to equitable receivers is analogous to compensation to trustees in bankruptcy.<sup>63</sup> The United States Department of Justice reported that from 1994 to 2000, in Chapter 7 asset cases, 30% to 40% of total estate receipts were disbursed as fees and expenses to trustees and other professionals.<sup>64</sup> This was true regardless of the size of the case.<sup>65</sup> The fees incurred in this case are a significantly smaller percentage of the total recoveries through the end of the Eighteenth Application Period than any of these cases and the Receivership Entity has benefitted by avoiding additional fees that would have been incurred if investment bankers were retained.

#### IV. CONCLUSION

The relief requested herein is appropriate and in furtherance of the provisions of the Final Receivership Order appointing the Receiver. Accordingly, the Receiver respectfully requests that the Court enter an order approving the fees and expenses requested in the Eighteenth Interim Fee Application, for the period from July 1, 2020 through September 30, 2020.

---

*SEC v. Funding Res. Group*, No. Civ.A.3:98–CV–2689–M, 2003 WL 145411, at \*1 (N.D. Tex. Jan. 15, 2003) (costs of administration totaled 21% of cash and assets finally recovered by receiver).

<sup>63</sup> *W.L. Moody & Co.*, 374 F. Supp. at 481.

<sup>64</sup> U.S. DOJ, U.S. Trustee Program Prelim. Rep. on Ch. 7 Asset Cases 1994 to 2000, attached as Exhibit P, App'x 187, 192.

<sup>65</sup> *Id.*

Dated this 17<sup>th</sup> day of December, 2020.

Respectfully submitted,

SCHWABE, WILLIAMSON & WYATT, P.C.

By: /s/ Alex Poust

Troy Greenfield, OSB #892534

tgreenfield@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

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