

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

**SECURITIES AND EXCHANGE  
COMMISSION,**

Plaintiff,

vs.

**AEQUITAS MANAGEMENT, LLC, ET  
AL,**

Defendants.

**No. 3:16-cv-00438-JR**

**NOTICE OF 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**

**You are receiving this Notice because the Receiver will file a motion that will establish the classification of claims and for certain Specified Claimants, will establish the amount of their Allowed Claim, the treatment of their Allowed Claim and the distribution they will receive on their Allowed Claim, if any.**

On or about October 21, 2020, the Receiver will file a 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 of those Claims (the “Receiver’s Second Distribution Motion”). The Receiver’s Second Distribution Motion is being filed in furtherance of the Receiver’s Court-approved distribution plan (the “Court-approved Distribution Plan”).

The Receiver’s Second Distribution Motion proposes (i) Classification, (ii) Allowance, and (iii) Distribution in relation to certain Claims, which class and treatment are addressed in the Court-approved Distribution Plan:

- Allowed Administrative Class Claims. Each such claim shall be paid the full amount of the Allowed Claim from the QSF.<sup>1</sup>
- Allowed Non-Officer Former Employee Claims. Each such claim shall be paid the full amount of the Allowed Claim (which shall not exceed \$12,850) from the QSF.<sup>2</sup>

<sup>1</sup> Distribution Plan [Dkt. 787], definition at 65. *See also* FF&CL [Dkt. 813] (approving same).

<sup>2</sup> Distribution Plan [Dkt. 787], definition at 65. *See also* FF&CL [Dkt. 813] (approving same).

- Allowed Convenience Class Claims. Each such claim shall be paid an amount equal to twenty percent (20%) of the Allowed Convenience Class Claim from the QSF.<sup>3</sup>
- Allowed Claims of Defrauded Investors. Defrauded Investors' Claims are calculated on the basis of their Total Investment, and each such Claim shall be paid under the rising tide methodology without interest, costs, or fees from the QSF.<sup>4</sup>

The Receiver's Second Distribution Motion also proposes Classification (but does not purport to litigate Allowance or Distribution) in relation to Creditors.

The Receiver's Second Distribution Motion also proposes Classification in relation to certain Claims, which class and treatment pursuant to the Court-approved Distribution Plan will result in no allowed claim and no distribution:

- Individual Defendant Class: No amount will be allowed or distributed on such a claim because such a claim is subordinated to and junior in priority to all other Allowed Claims and funds will not be sufficient to pay all other claims in full.
- Pass-through Investors Class: Pass-through Investors shall retain their respective ownership interests in the Pass-through Entities (and/or any equity interest resulting therefrom) but will receive no distribution.

As set forth in the Court-approved Distribution Plan, a Final Order of the Court shall approve (i) the Classification, (ii) amount, and (iii) treatment of claims.<sup>5</sup>

A copy of the Receiver's Second Distribution Motion will be available for review at the Aequitas Receiver's website ([www.kccllc.net/aequitasreceivership](http://www.kccllc.net/aequitasreceivership)) and the Receiver's Claims Agent website ([www.AequitasClaims.com](http://www.AequitasClaims.com)) or can be obtained by email upon request to Receiver's counsel, Larry Ream, at [lream@schwabe.com](mailto:lream@schwabe.com). The Receiver's Second Distribution Motion sets forth how your claim is to be Classified and, for certain Specified Claimants, will establish the

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<sup>3</sup> Distribution Plan [Dkt. 787] at 65-66. *See also* FF&CL [Dkt. 813] (approving same). The amount of an Allowed Convenience Class Claim cannot exceed \$20,000.

<sup>4</sup> Distribution Plan [Dkt. 787] at 4, 66. *See also* FF&CL [Dkt. 813] (approving same). Exhibit 4 to Receiver's Declaration, including footnotes, further details the basis and payments to Defrauded Investors, as if it were distributed under the rising tide methodology of the Court-approved Distribution Plan.

<sup>5</sup> Distribution Plan [Dkt. 787].

amount of their Allowed Claim, the treatment of their Allowed Claim, and the distribution they will receive on their Allowed Claim, if any. Additionally, you are highly encouraged to monitor the Receivership related websites for announcements and additional distribution or related information.

**FURTHER ACTION?**

You need not take any further action if you agree with the information contained in the Exhibits attached to the Declaration of Ronald F. Greenspan filed contemporaneously with the Receiver's Second Distribution Motion. Should you have inquiries regarding the Receiver's Second Distribution Motion you may submit your inquiry by email through the Aequitas Receiver's website ([www.kcellc.net/aequitasreceivership](http://www.kcellc.net/aequitasreceivership) or [www.AequitasClaims.com](http://www.AequitasClaims.com)) or by email to Receiver's counsel, Larry Ream, at [lream@schwabe.com](mailto:lream@schwabe.com).

If you wish to support, oppose, or otherwise respond to the Receiver's Second Distribution Motion, you must do so by no later than November 4, 2020. To comply with that deadline, you must both:

- (a) Serve a copy of your written support, opposition or other response, if any, on counsel for the Receiver at:

Troy Greenfield  
Lawrence R. Ream  
SCHWABE WILLIAMSON & WYATT  
1211 SW 5th Ave., Suite 1900  
Portland, OR 97204

- (b) File the original of your written support, opposition or other response, if any, with the United States District Court, District of Oregon, Portland Division, located at 1000 SW Third Ave., Portland, OR 97204.

The Receiver will thereafter file and serve his reply to written support, objections, or other responses. If there are no objections, the Court may enter an order approving the motion without further notice to you. If there are objections that are unresolved, the Court may schedule a hearing to consider those unresolved objections before the Honorable Judge Jolie A. Russo, Room I 027 at the United States District Court, District of Oregon, Portland Division, 1000 SW Third Ave., Portland, OR 97204.