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11 Attorneys for Receiver  
12 WILLIAM J. HOFFMAN

13 UNITED STATES DISTRICT COURT  
14 CENTRAL DISTRICT OF CALIFORNIA  
15 WESTERN DIVISION

16 SECURITIES AND EXCHANGE  
COMMISSION,

17 Plaintiff,

18 v.

19 NATIONWIDE AUTOMATED  
20 SYSTEMS, INC.; JOEL GILLIS; and  
EDWARD WISHNER,

21 Defendants,

22 OASIS STUDIO RENTALS, LLC;  
23 OASIS STUDIO RENTALS #2, LLC;  
and OASIS STUDIO RENTALS #3, LLC

24 Relief Defendants.  
25

Case No. CV-14-07249-SJO (FFMx)

**NOTICE OF RENEWED MOTION  
AND RENEWED MOTION FOR  
APPROVAL OF PROCEDURES  
FOR THE ADMINISTRATION OF  
INVESTOR AND CREDITOR  
CLAIMS AGAINST THE  
RECEIVERSHIP ESTATE**

Date: February 12, 2018  
Time: 10:00 a.m.  
Ctrm: 10C  
Judge: Hon. S. James Otero

1 **TO ALL INTERESTED PARTIES:**

2 **PLEASE TAKE NOTICE** that on February 12, 2018, at 10:00 a.m. in  
3 Courtroom 10C of the above-captioned Court, located at 350 W. 1st Street,  
4 Los Angeles, California, 90012, William J. Hoffman of Trigild, Inc. ("Receiver"),  
5 the Court-appointed permanent receiver for Nationwide Automated Systems, Inc.  
6 ("NASI"), Oasis Studio Rentals, LLC, Oasis Studio Rentals #2, LLC, Oasis Studio  
7 Rentals #3, LLC, and their subsidiaries and affiliates ("Receivership Entities"), will  
8 and hereby does move the Court for an order approving procedures for the  
9 administration of investor and creditor claims against the receivership estate  
10 ("Renewed Motion").

11 This Renewed Motion is based on this Notice of Motion and Motion, the  
12 attached Memorandum of Points and Authorities, the documents and pleadings  
13 already on file in this action, and upon such further oral and documentary evidence  
14 as may be presented at the time of the hearing.

15 **Procedural Requirements:** If you oppose this Renewed Motion, you are  
16 required to file your written opposition with the Office of the Clerk, United States  
17 District Court, 312 North Spring Street, Los Angeles, California 90012 and serve  
18 the same on the undersigned no later than 21 calendar days prior to the hearing.

19 **IF YOU FAIL TO FILE AND SERVE A WRITTEN OPPOSITION** by the  
20 above date, the Court may grant the requested relief without further notice.

21  
22 Dated: January 9, 2018

ALLEN MATKINS LECK GAMBLE  
MALLORY & NATSIS LLP

By:           /s/ Edward Fates            
EDWARD G. FATES  
Attorneys for Receiver  
WILLIAM J. HOFFMAN

1                                   **MEMORANDUM OF POINTS AND AUTHORITIES**

2 **I.       MODIFICATIONS TO MOTION**

3           On October 31, 2017, the Receiver filed his Motion for Approval of  
4 Procedures for the Administration of Investor and Creditor Claims Against the  
5 Receivership Estate ("Motion"). Dkt. No. 239. The Securities and Exchange  
6 Commission did not oppose the Motion. Dkt. No. 240. The Court held a hearing  
7 on December 4, 2017, at which time it instructed the Receiver to revise the Motion  
8 in the following two ways:

9           1.       To explain the efforts the Receiver will make to locate current  
10 addresses for investors if their claim notices are returned in the mail as  
11 undeliverable.

12           2.       To provide a mechanism whereby the Court, in its discretion, can  
13 refer claim disputes to a retired federal judge for alternative dispute resolution.

14           Accordingly, the Court denied the Motion without prejudice and invited the  
15 Receiver to file a new motion that addresses these concerns. Dkt. No. 243. The  
16 Receiver, therefore, renews his motion for approval of procedures for the  
17 administration of investor and creditor claims, with the following additional  
18 provisions:

19           **1.       Undeliverable Claim Notices.** If a claim notice sent to an investor is  
20 returned to the Receiver as undeliverable, the Receiver will conduct a diligent  
21 search using online databases of public records to locate a current address for the  
22 investor and will resend the claims notice to any and all addresses identified that  
23 are likely to be the current address for the investor. The estimated cost of these  
24 online searches is \$10 per search. If the online search does not provide a current  
25 address, the Receiver will use an outside private investigation firm to conduct an  
26 address search and will resend the claims notice to any and all addresses identified  
27 that are likely to be the current address for the investor. The estimated cost of  
28 these private investigator searches is \$50 per search.

1           **2. Abbreviated Arbitration of Disputed Claims.** The Receiver's  
 2 counsel has contacted several retired bankruptcy judges experienced in resolving  
 3 disputed claims in bankruptcy cases, including in Ponzi schemes and other  
 4 financial fraud cases. The Receiver asked these retired judges if they would be  
 5 willing to conduct abbreviated arbitrations of claim disputes in this case, wherein  
 6 the Receiver would submit statements with supporting documents (one statement  
 7 per disputed claim, not to exceed 5 pages in length, and no more than 100 single-  
 8 sided pages of supporting documents), the claimants would do the same (with the  
 9 same page limitations), and the retired judge would review the statements and  
 10 supporting documents, schedule a conference call with both sides if he or she  
 11 deems it necessary, and issue a brief written recommendation as to the allowed  
 12 amount of each claim. The Receiver will then present these recommendations to  
 13 the Court for approval. The Receiver also asked if these retired judges would  
 14 agree to handle these abbreviated arbitrations for a flat fee per disputed claim.

15           Although one retired judge declined, the following two retired judges agreed  
 16 to conduct the abbreviated arbitrations at the following rates:

Retired Federal Judge	Rate
Hon. Mitchell Goldberg (Ret.), Judicate West	\$1,500 flat fee per disputed claim; \$600 per hour for complex claim disputes per exception provision below.
Hon. Randall Newsome (Ret.), JAMS	\$2,500 flat fee per disputed claim; \$500 per hour for complex claim disputes per exception provision below.

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24           In order to induce these retired federal judges to commit to a flat fee per  
 25 disputed claim, the Receiver agreed there should be an exception provision  
 26 wherein if the retired federal judge has accepted claim disputes on a flat fee basis,  
 27 but he or she determines that a particular disputed claim is significantly complex  
 28 and will take substantially more time to decipher and resolve, he or she can advise

1 the Court and the Court can either resolve the disputed claim itself or refer the  
2 disputed claim back to the retired federal judge to be arbitrated on an hourly fee  
3 basis. The Receiver believes this exception provision is a material term to the  
4 retired federal judges listed above and that they would increase their flat fees if it  
5 is not included in the approved procedures.

## 6 **II. INTRODUCTION**

7 As the Court-appointed permanent Receiver, the Receiver's primary charge  
8 is to secure, preserve, and protect the assets of the Receivership Entities for the  
9 benefit of investors and creditors. The Receiver is currently holding over  
10 \$34 million in cash and that amount continues to increase as additional recoveries  
11 are made, primarily through clawback settlements and judgments. The Receiver's  
12 forensic accounting of transfers to and from investors is sufficiently complete for  
13 him to identify the approximately 1,350 investors (or investor groups) with losses  
14 from their investments and the amounts of their losses.

15 Therefore, procedures for the administration of investor and creditor claims  
16 against the receivership estate should be established. By way of this Renewed  
17 Motion, the Receiver seeks approval of procedures for the efficient receipt, review,  
18 and determination of claims against the receivership estate. Once all claims have  
19 been received and reviewed, and reasonable efforts have been made to resolve any  
20 and all claim disputes, the Receiver will file a further motion seeking approval of  
21 all claim amounts (including determination of disputed claims), approval of a plan  
22 of distribution, and authorization to make interim distributions to investors and  
23 creditors with allowed claims.

24 The claim procedures proposed herein are designed to strike an appropriate  
25 balance between providing investors and creditors with a reasonable and fair  
26 opportunity to assert their claims and have their claims determined by the Court  
27 (including through an abbreviated arbitration process, if deemed appropriate by the  
28 Court), on the one hand, and conserving judicial and receivership estate resources

1 on the other hand. Accordingly, the Receiver asks that the Court approve the  
2 proposed procedures in its broad discretion regarding the administration of the  
3 receivership estate.

### 4 **III. FACTUAL BACKGROUND**

5 On September 14, 2014, the Securities and Exchange Commission  
6 ("Commission") filed its Complaint against Nationwide Automated Systems, Inc.  
7 ("NASI"); Joel Gillis ("Gillis"); and Edward Wishner ("Wishner," collectively  
8 with NASI and Gillis, "Defendants") and Oasis Studio Rentals, LLC; Oasis Studio  
9 Rentals #2, LLC; and Oasis Studio Rentals #3, LLC, and their subsidiaries and  
10 affiliates (collectively, "Receivership Entities"). The Commission simultaneously  
11 filed, *inter alia*, an Ex Parte Application for a Temporary Restraining Order and  
12 Orders (1) Freezing Assets; (2) Prohibiting the Destruction of Documents;  
13 (3) Granting Expedited Discovery; (4) Requiring Accountings; and (5) Appointing  
14 a Temporary Receiver, and Order to Show Cause Re Preliminary Injunction and  
15 Appointment of a Permanent Receiver. On September 30, 2014, the Court issued  
16 the Temporary Restraining Order and Orders (1) Freezing Assets; (2) Prohibiting  
17 the Destruction of Documents; (3) Granting Expedited Discovery; (4) Requiring  
18 Accountings; and (5) Appointing a Temporary Receiver, and Order to Show Cause  
19 Re Preliminary Injunction and Appointment of a Permanent Receiver ("TRO") and  
20 appointed Mr. Hoffman as temporary receiver. (Dkt. No. 17.) Mr. Hoffman's  
21 appointment was made permanent pursuant to the Preliminary Injunction and  
22 Orders (1) Freezing Assets; (2) Prohibiting the Destruction of Documents;  
23 (3) Requiring Accountings; and (4) Appointing a Receiver ("PI Order") stipulated  
24 to by the Commission, Gillis, and Wishner.

25 While the Ponzi scheme operated for more than 15 years, the funds raised  
26 from investors through ATM sale and leaseback transactions between  
27 January 2008 and August 2014 total more than \$350 million. The Commission's  
28 Complaint alleges NASI investors were informed they could purchase ATMs from

1 NASI and then lease these machines back to NASI in return for "rent" of 50 cents  
 2 per ATM transaction, with a guaranteed investment return of at least 20% per year.  
 3 However, during the period from January 2008 through August 2014, the vast  
 4 majority of NASI's revenue came from new investor funds; revenues generated  
 5 from actual ATM transactions represented less than 3% of NASI's revenue. Thus,  
 6 investor funds were not being used to acquire, place, operate and maintain the  
 7 purported ATMs sold to investors, but were instead being used to pay returns  
 8 guaranteed by NASI and already owed to earlier investors.

9 The Receiver has been very successful in recovering funds for the benefit of  
 10 investors and creditors. Specifically, the receivership estate started with a balance  
 11 of approximately \$481,000 and now has more than \$34 million cash on hand. As a  
 12 result, the Receiver is in a position to distribute a large sum of money to investors  
 13 and creditors with allowed claims.

#### 14 **IV. PROPOSED CLAIM PROCEDURES**

##### 15 **A. Investor Claims**

16 Through his ongoing forensic accounting, the Receiver has identified  
 17 investors with net losses from the NASI Ponzi scheme. There are approximately  
 18 1,350 such investors and their collective losses are approximately \$124 million.  
 19 To maximize efficiency with respect to the administration of investor claims, the  
 20 Receiver proposes to send each investor a notice together with a schedule showing  
 21 their individual transactions with the Receivership Entities (deposits and  
 22 disbursements) and their proposed net claim amount.<sup>1</sup> The claim notice package  
 23 will also include an IRS Form W-9 to be completed and mailed back to the  
 24 Receiver for tax reporting purposes. In order to send the notices to most current  
 25

26 <sup>1</sup> The Receiver will not send claim notices to profiting investors (a) who have  
 27 acknowledged receiving a profit from the NASI Ponzi scheme by virtue of  
 28 returning a portion of such profits to the Receiver pursuant to a settlement  
 agreement, (b) against whom a judgment on a clawback claim has been entered,  
 or (c) have filed a personal bankruptcy case in which the Receiver has an  
 allowed claim for return of their profits from the NASI Ponzi scheme.

1 addresses, investors are encouraged to provide their updated contact information  
2 by visiting the Receiver's website ([www.nasi-receivership.com](http://www.nasi-receivership.com)) and clicking on  
3 the "Investor Questionnaire" link on the right hand side of the home page and enter  
4 the requested information.

5 As discussed above, if a claims notice sent to an investor is returned to the  
6 Receiver as undeliverable, the Receiver will conduct a diligent search using online  
7 databases of public records to locate a current address for the investor and will  
8 resend the claims notice (dated as of the day it is resent) to any and all addresses  
9 identified that are likely to be the current address for the investor. The estimated  
10 cost of these online searches is \$10 per search. If the online database search does  
11 not provide a current address, the Receiver will use an outside private investigation  
12 firm to conduct an address search and will resend the claims notice (again, dated as  
13 of the day it is resent) to any and all addresses identified that are likely to be the  
14 current address for the investor. The estimated cost of these private investigator  
15 searches is \$50 per search.

16 Investors will then have 60 days from the date of the notice to dispute their  
17 proposed claim amount in writing and provide documentation supporting their  
18 calculation as to their claim amount. If investors agree with their proposed claim  
19 amount, they will not need to take any action and their proposed allowed claim  
20 amount will be recommended to the Court for approval. All investors, however,  
21 must complete and return the IRS Form W-9 in order to have an allowed claim and  
22 receive distributions.

23 *It is important to understand that proposed claim amounts are not the same*  
24 *as distribution amounts. A claim is simply the basis on which distributions from*  
25 *the receivership estate will be calculated. Actual distribution amounts will be a*  
26 *percentage of each investor's allowed claim.*

27 The Receiver will review all investor claim disputes and attempt to resolve  
28 them with the applicable investors. If, however, any claim disputes cannot be

1 resolved, the Receiver will file a motion seeking approval of all allowed claim  
2 amounts and will ask the Court to resolve such claim disputes ("Claims Approval  
3 Motion"). The applicable investors can state their positions in opposition to the  
4 motion, the Receiver can respond, and the Court can determine the allowed claim  
5 amounts or, in its discretion, refer them to the abbreviated arbitration process with  
6 a retired federal judge pursuant to the procedures described above.

7 **B. Creditor Claims**

8 Over the course of the last three years since his appointment, the Receiver  
9 has had contact with vendors and creditors that did business with or provided  
10 services to the Receivership Entities prior to the Receiver's appointment. The  
11 Receiver will solicit claims from these known vendors and creditors and verify the  
12 amounts asserted against the records of the Receivership Entities. Like investors,  
13 all creditors will be instructed to complete and return an IRS Form W-9 in order to  
14 have an allowed claim and receive distributions.

15 As with investor claims, if disputes arise regarding creditor claims, the  
16 Receiver will attempt to resolve those disputes with the applicable creditors. If  
17 any claim disputes cannot be resolved, the Receiver will file the Claims Approval  
18 Motion seeking approval of all allowed claim amounts and will ask the Court to  
19 resolve such disputes. The applicable creditors can state their positions in  
20 opposition to the motion, the Receiver can respond, and the Court can determine  
21 the allowed claim amounts or, in its discretion, refer them to the abbreviated  
22 arbitration process with a retired federal judge pursuant to the procedures  
23 described above.

24 **C. Claims Bar Date**

25 In order to make interim distributions, the Receiver must have certainty  
26 about the aggregate amount of allowed claims. As noted above, the Receiver  
27 proposes to send notices to investors (other than those described in footnote 1) and  
28 that such investors be given 60 days from the date of the notice to return their

1 completed IRS Form W-9 and respond with any disputes concerning their  
2 proposed claim amounts. All investor claim notices will be mailed out within  
3 30 days of entry of an order on this Renewed Motion. Therefore, all investor IRS  
4 Form W-9s and disputes regarding their claims must be received, at the latest,  
5 within 90 days of entry of the order on this Renewed Motion.

6 With respect to creditors, there also must be a deadline, or bar date, for  
7 submitting claims, after which the Receiver can be confident that the universe and  
8 magnitude of possible creditor claims is set. Accordingly, the Receiver requests  
9 that the Court establish a date 90 days after entry of an order on this Renewed  
10 Motion as the date by which creditor claims against the Receivership Entities  
11 (including completed W-9 tax forms) must be submitted to the Receiver as a  
12 prerequisite to receiving a distribution from the estate. The Receiver proposes  
13 providing notice of the claims bar date to all known creditors by mail and via  
14 posting to the receivership website ([www.nasi-receivership.com](http://www.nasi-receivership.com)).

## 15 **V. DISCUSSION**

16 "The power of a district court to impose a receivership or grant other forms  
17 of ancillary relief does not in the first instance depend on a statutory grant of  
18 power from the securities laws. Rather, the authority derives from the inherent  
19 power of a court of equity to fashion effective relief." *SEC v. Wencke*, 622 F.2d  
20 1363, 1369 (9th Cir. 1980). The "primary purpose of equity receiverships is to  
21 promote orderly and efficient administration of the estate by the district court for  
22 the benefit of creditors." *SEC v. Hardy*, 803 F.2d 1034, 1038 (9th Cir 1986). As  
23 the appointment of a receiver is authorized by the broad equitable powers of the  
24 court, any distribution of assets must also be done equitably and fairly. *See SEC v.*  
25 *Elliot*, 953 F.2d 1560, 1569 (11th Cir. 1992).

26 District courts have the broad power of a court of equity to determine the  
27 appropriate action in the administration and supervision of an equity receivership.  
28

1 See *SEC v. Capital Consultants, LLC*, 397 F.3d 733, 738 (9th Cir. 2005). The  
2 Ninth Circuit explained:

3 A district court's power to supervise an equity receivership  
4 and to determine the appropriate action to be taken in the  
5 administration of the receivership is extremely broad. The  
6 district court has broad powers and wide discretion to  
7 determine the appropriate relief in an equity receivership.  
8 The basis for this broad deference to the district court's  
9 supervisory role in equity receiverships arises out of the  
10 fact that most receiverships involve multiple parties and  
11 complex transactions. A district court's decision  
12 concerning the supervision of an equitable receivership is  
13 reviewed for abuse of discretion.

14 *Id.* (citations omitted); see also *CFTC. v. Topworth Int'l, Ltd.*, 205 F.3d  
15 1107, 1115 (9th Cir. 1999) ("This court affords 'broad deference' to the court's  
16 supervisory role, and 'we generally uphold reasonable procedures instituted by the  
17 district court that serve th[e] purpose' of orderly and efficient administration of the  
18 receivership for the benefit of creditors."). Accordingly, the Court has broad  
19 discretion in the administration of the receivership estate.

20 **A. Calculation of Claim Amounts**

21 In cases in which the assets of the receivership estate are insufficient to pay  
22 investor direct losses, as is the case here, the appropriate method of calculating  
23 investor claims is the amount invested in the enterprise, less the amount received  
24 on account of the investment (also known as "money in, money out"). See *Capital*  
25 *Consultants*, 397 F.3d at 738 (describing a net claim calculation as "an  
26 administratively workable and equitable method of allocating the limited assets of  
27 the receivership"); *Topworth*, 205 F.3d at 1116. Accordingly, all distributions or  
28 other amounts investors received from the Receivership Entities prior to the  
Receiver's appointment should be deducted from their claims such that their claim  
amounts reflect their actual net losses from their investments.

For the same reason, investor and creditor claims should not include  
amounts above and beyond their direct losses. Indirect losses or consequential  
damages, such as interest, attorney fees, taxes paid on amounts received from the

1 Ponzi scheme, IRA fees, opportunity costs, and other fees or costs incurred should  
2 not be added to allowed claims. The assets of the receivership estate are woefully  
3 insufficient to pay investor and creditor direct losses, so allowing additional  
4 indirect losses to be tacked on to claims is not appropriate. Moreover, the need to  
5 review and object to such claims would unnecessarily increase administrative  
6 expenses. Finally, considering that certain disputed claims may be referred to  
7 arbitration, it is critical that there be a simple, straight-forward method of  
8 calculating claims in order to minimize the costs of such arbitrations.

9 Therefore, investor distribution amounts should be calculated using the  
10 following two-step formula:

11 Step 1: Investor's Pro Rata Loss =  $\frac{\text{Investor's Allowed Claim Amount}}{\text{Total Allowed Claims of All}}$   
12 (shown as a fraction) Investors/Creditors

13 Step 2: Investor's Distribution Amount =  $\frac{\text{Total Distribution Amount}}{\text{X (multiplied by)}}$   
14 = Investor's Pro-Rata Loss  
15

16 If, for example, an investor's allowed claim amount is \$1.24 million and the  
17 total losses of all investors/creditors is \$124 million, the investor's *pro rata* loss is  
18 1.00%, *i.e.*, \$124 million divided by \$1.24 million. This investor would therefore  
19 be entitled to 1.00% of all distributions made by the Receiver. If, hypothetically,  
20 the total amount distributed for the first distribution by the Receiver is \$30 million,  
21 the investor's interim distribution amount would be \$300,000.

22 **B. Determination of Claim Disputes**

23 District Courts have the power to use "summary procedures in allowing,  
24 disallowing, and subordinating claims of creditors . . ." *United States v. Arizona*  
25 *Fuels Corp.*, 739 F.2d 455, 458 (9th Cir. 1984). Therefore, all claim disputes  
26 should be resolved via summary proceedings.

27 The proposed steps of the claims process are attached hereto as Exhibit A  
28 for clarity and ease of reference. Pursuant to the proposed process, investors and

1 creditors can dispute the Receiver's proposed allowed amount of their claims by  
2 doing so directly with the Receiver. As discussed above, if the disputes cannot be  
3 resolved, the Receiver will submit them to the Court in a noticed motion and  
4 investors/creditors can oppose the motion. The Court can then determine, in its  
5 discretion, whether to decide the claim disputes on its own or refer them to the  
6 abbreviated arbitration process described above. If the Court elects to decide the  
7 disputed claims on its own, it can consider the arguments of investors and  
8 creditors, including holding a hearing if it deems it necessary, and decide their  
9 allowed claim amounts. If the Court decides to refer claim disputes to abbreviated  
10 arbitration, the Receiver and the applicable claimants will go through the  
11 arbitration process and the retired federal judge will issue recommendations as to  
12 the allowed amounts of the applicable claims. The Receiver will then present  
13 those recommendations to the Court for approval. In either event, plenary  
14 proceedings to resolve claim disputes should not be required as they would unduly  
15 delay the administration of the case and consume receivership estate resources.

16 Finally, as in a bankruptcy case, it should be a claimant's burden to establish  
17 a valid claim against the receivership estate. *See Lundell v. Anchor Constr.*  
18 *Specialists, Inc.*, 223 F.3d 1035, 1039 (9th Cir. 2000); *Revere Copper &*  
19 *Brass, Inc. v. Adriance Machine Works, Inc.*, 76 F.2d 876, 878 (2d Cir. 1935)  
20 (claimants failed to sustain burden of proving claims against receivership).  
21 Therefore, if a claimant fails to present evidence to establish a valid claim against  
22 the receivership estate, such claim should be disallowed.

## 23 **VI. CONCLUSION**

24 The claim procedures proposed herein were formulated with the dual goals  
25 of (a) providing all investor and creditor claimants with a reasonable and fair  
26 opportunity to assert their claims and have their claims determined by the Court,  
27 and (b) establishing an efficient process that conserves judicial and receivership  
28 estate resources. Therefore, the Receiver respectfully requests the Court grant the

1 Renewed Motion and approve the procedures proposed herein for the  
2 administration of investor and creditor claims against the receivership estate.

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Dated: January 9, 2018

ALLEN MATKINS LECK GAMBLE  
MALLORY & NATSIS LLP

By:           /s/ Edward Fates            
EDWARD G. FATES  
Attorneys for Receiver  
WILLIAM J. HOFFMAN

# **EXHIBIT A**

## EXHIBIT A

### PROPOSED CLAIM PROCEDURES

Note, these procedures have not yet been approved by the Court and may be revised if deemed appropriate by the Court.

- Within 30 days of entry of an order approving this Motion, the Receiver will send out claims notices to investors. The claims notice will explain the claim procedures, state the proposed allowed claim amount for each investor, and provide the Receiver's calculation of the amount.

- If investors do not dispute the proposed allowed claim amount stated in their claims notice, they do not need to take any action. The Receiver will file a motion for approval of all proposed allowed claim amounts ("Claims Approval Motion") and recommend that their claims be allowed in the amount stated in the claims notice. If, on the other hand, investors dispute the proposed allowed claim amount stated in their claims notice, they will have 60 days from the date the claims notice is mailed to them to respond in writing to the Receiver's office, state their dispute, and provide copies of all documents supporting their calculation of their claims.

- The Receiver's office will review all disputes and documentation provided, contact investors who have disputed their claims, and attempt to resolve the claim disputes with them.

- For claim disputes that cannot be resolved by agreement between the Receiver and the investor, the Receiver will state in the Claims Approval Motion that the claim is disputed, including the basis for the dispute. Investors with disputed claims, if they choose, can oppose the Claims Approval Motion, and the Receiver can respond to any and all oppositions filed. The deadline for investors to oppose the Claims Approval Motion will depend on the hearing date for the motion and will be stated in the motion. The deadline for oppositions to motions is generally 21 days prior to the hearing date for the motion.

- The Court, in its discretion, can hold a hearing and consider the oral arguments of the Receiver and the applicable investors regarding disputed claims. Whether or not a hearing is held, the allowed amounts of all claims, including disputed claims, will be decided by the Court in its order on the Claims Approval Motion. The Court, in its discretion, can also refer disputed claims to an abbreviated arbitration process. In the event a disputed claim is referred to an abbreviated arbitration, the Receiver will notify the applicable investor(s) and provide instructions/procedures for completing the abbreviated arbitration process. At the conclusion of the abbreviated arbitration, the arbitrator's recommendation regarding the allowed amount of the claim will be submitted to the Court for approval.

As stated above, these procedures are only *proposed*, have not yet been approved by the Court, and may be revised if deemed appropriate by the Court. However, any changes to the proposed procedures will be noted in the claims notice sent to investors (see first bullet point above).