

ROBB EVANS & ASSOCIATES LLC
Temporary Receiver of
Lake Shore Asset Management, Ltd., et al.

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Commodity Futures Trading Commission v. Lake Shore Asset Management Limited, et al.
CASE No. 07C-3598

Motion of Receiver for Order
Authorizing Payment of Administrative Fees and Expenses Incurred
for the Period January 1, 2009 Through March 31, 2009

Filed June 24, 2009

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

UNITED STATES COMMODITY FUTURES)	
TRADING COMMISSION,)	
)	No. 07 C 3598
Plaintiff,)	
)	HON. BLANCHE M. MANNING
v.)	
)	MAG. JUDGE MICHAEL T. MASON
LAKE SHORE ASSET MANAGEMENT)	
LIMITED, <i>et al.</i> ,)	
)	
Defendants.)	

**MOTION OF RECEIVER FOR ORDER AUTHORIZING
PAYMENT OF ADMINISTRATIVE FEES AND EXPENSES INCURRED
FOR THE PERIOD JANUARY 1, 2009 THROUGH MARCH 31, 2009**

Robb Evans & Associates LLC, the Court appointed temporary equity Receiver (the “Receiver”) for the Lake Shore Common Enterprise (“LS Common Enterprise”), pursuant to LR 66.1 moves for the entry of an order authorizing the payment of the administrative fees and expenses incurred by the Receiver for the period January 1, 2009 through March 31, 2009 (the “Fee Period”).¹ In support of this motion, the Receiver respectfully represents as follows:

INTRODUCTION

1. This action was commenced by the Commodity Futures Trading Commission (“CFTC”) against the receivership defendants, who are alleged to have committed fraud against investors by making material misrepresentations and omissions regarding certain commodity pools operated by the defendants, specifically, by presenting false financial statements to investors and providing false performance tables to investors that misrepresented the pools’ respective and collective track records.

2. The CFTC Complaint was filed June 26, 2007; the First Amended Complaint was filed on August 8, 2007. A Second Amended Complaint was filed February 19, 2008, naming all the entities that comprise the LS Common Enterprise as defendants.

¹ For Manches LLP, London counsel for the Receiver, the time period for which the Receiver is seeking authorization is August 5, 2008 through December 31, 2008.

3. On October 4, 2007, Robb Evans & Associates LLC was appointed as temporary equity Receiver. This appointment followed the entry of an Order of Preliminary Injunction on August 28, 2007.

4. On April 24, 2008, the Court entered a Memorandum and Order which granted a default judgment and entered a permanent injunction against the LS Common Enterprise.² On April 24, 2008, the Court also entered an Amended Order Appointing Receiver (the "Receivership Order").

5. The Receivership Order appointed the Receiver as receiver for the LS Common Enterprise, which was defined to include the following entities: "Lake Shore Asset Management Limited ("LSAM"). Lake Shore Group, Lake Shore Asset Management Inc., Lake Shore Alternative Financial Asset Account Limited, a/k/a Lake Shore Alternative Financial Asset Ltd., Lake Shore Alternative Financial Asset Account I Limited, Lake Shore Alternative Financial Asset Account II Limited, Lake Shore Alternative Financial Asset Account III Limited, Lake Shore Alternative Financial Asset Fund Limited, Lake Shore Alternative Financial Asset Fund II Limited, Lake Shore Alternative Financial Asset Fund III Limited, Geneva Corporation Funds World Limited and/or Genevacorp Funds World Ltd. (formerly known as Lake Shore Alternative Financial Asset Fund IV Limited), Lake Shore Alternative Financial Asset Fund IV US, LLC, Lake Shore Alternative Financial Asset Yen Fund I, Lake Shore Alternative Financial Asset Yen Fund Limited Class II, Lake Shore Alternative Financial Asset Yen Fund Limited Class III, Hanford Investments Ltd., all funds, properties, premises, accounts and other assets directly or indirectly owned, beneficially or otherwise, by the LS Common Enterprise, individually or collectively, including, but not limited to, funds on deposit at Sentinel Management Group, Inc....." *See* Receivership Order at 2-3.

6. Pursuant to the Receivership Order, the Receiver is directed to among other things, take custody and control of all of the funds, property, accounts and other assets of LSAM in the possession of, or under the control of the LS Common Enterprise, and to marshal, preserve, account for liquidate all assets of the LS Common Enterprise for purposes of making a distribution to the clients of the LS Common Enterprise.

² On September 17, 2008, the Court entered a Memorandum and Order which granted a default judgment and entered a permanent injunction against Philip J. Baker.

7. Since the appointment, the Receiver has investigated and taken possession and control of assets of the receivership estate. As a result of the efforts of the Receiver in the bankruptcy of Sentinel Asset Management Group, Inc., the receivership estate has received an initial distribution from the Liquidation Trustee in the amount of \$34,787,915.87 on December 19, 2008, a second interim distribution in the amount of \$25,581.03 on February 3, 2009, and a third interim distribution in the amount of \$1,048,742.28 on March 9, 2009.

8. Subsequent to the receipt of the Sentinel funds, the Receiver filed his Motion for Order Authorizing a Claims Verification Procedure. On January 30, 2009, an Order was entered approving the Receiver's motion. The Receiver is now in the process of reviewing the claims notices being received from the investors and preparing the analysis needed to propose an interim distribution for court approval. The Receiver anticipates filing an interim distribution proposal within the next sixty (60) days.

9. The Receiver, through its London counsel Manches, vigorously pursued the Receiver's claims in the London interpleader proceedings. Those efforts were rewarded with the settlement of the interpleader proceedings and the receipt of \$76,303,944.74 on April 7, 2009.

10. The Receiver seeks approval of its fees and expenses for the Fee Period set forth in this request. This is the fourth request of the Receiver for approval of fees and expenses.

11. The Receiver seeks approval of the fees and expenses of the Receiver, the Receiver's staff, and the Receiver's counsel for the Fee Period. Payment of the approved fees and expenses will be made from the funds currently held by the Receiver. The fees and expenses for which approval is requested are set forth in the summary entitled "Receivership Expenses by Month" attached hereto as Exhibit 1. The monthly invoices which were used to prepare Exhibit 1 are attached hereto as Exhibit 2

12. For this current application, the fees and expenses of the Receiver during the Fee Period include the following itemized items: Receiver's fees of \$73,437.20, staff fees for financial reconstruction and accounting of \$55,107.00, staff fees for information technology and database maintenance of \$19,016.32, and support staff fees of \$4,649.00. The total amount of fees sought is \$152,209.52.

13. Additionally, for the current application, the fees and expenses of the Receiver during the Fee Period for its outside counsel total \$458,616.67 itemized as follows: Richard E. Nathan, \$73,148.09;³ Shaw Gussis, \$48,405.75; and Manches LLP, \$337,062.83.

14. As set forth in detail in Exhibit 1, and including additional out-of-pocket expenses of the Receiver of \$58,724.99, the Receiver has incurred \$669,551.18 in fees and expenses for the Fee Period.

15. During the relevant period, the Receiver, its staff and its outside counsel engaged in ongoing legal and administrative activities relating to the receivership estate, including the following:

i. The Receiver and its staff continue to meet with, and are in regular contact with, investors and their representatives to identify the clients and investments made by these clients with the Receivership Defendants. In this regard the Receiver and its staff have sent out initial claim notices to all investors pursuant to the approved Claims Verification Procedure. The Receiver and its staff are currently evaluating the information to develop a claims database to be used in the formulation of a distribution proposal.

ii. The Receiver and its staff have reviewed documents and conducted discovery regarding the investments made by the clients with the receivership defendants. Because the Receivership Defendants have refused to produce the books and records of the LS Common Enterprise, the Receiver and its staff have continued to spend a considerable amount of time attempting to reconstruct the investor database and create a substitute record of the investments of the Lake Shore clients.

iii. The Receiver is conducting worldwide discovery, including efforts to contact, interview, subpoena and depose individuals, banks and business affiliations with information about the assets of the Receivership Defendants. During the Fee Period, the Receiver served a subpoena for records on the Bank of New York.

iv. The Receiver and its staff, in conjunction with foreign counsel and Richard Nathan who provided an expert witness statement, successfully concluded a settlement of the

³ Richard Nathan was retained as an expert witness and provided a witness statement that was filed in the London interpleader proceeding.

London interpleader proceeding, through the entry of a Consent Order. The settlement resulted in the receipt of all funds deposited with the London Court by the London FCMS, and the receipt of all of the funds deposited with the court for the benefit of Hanford other than \$103,440.25 which was released for payment of the defendants' solicitors. In total the Receiver received \$76,303,994.74. Additionally, the Consent Order confirms that the Amended Receivership Order of April 24, 2008 is fully recognized by the English Court and that the Receiver will now have the powers and authority in England and Wales, as if it had been appointed a Receiver by the English Court.

v. The Receiver and its staff have continued to review records relating to customer deposits with Sentinel Management Group, Inc. and update the detailed report and analysis of all Lake Shore funds, deposits and transfers to the Lake Shore accounts at Sentinel.

vi. The Receiver and its staff are continuing the accounting and investigative work to identify all additional assets of the Receivership Defendants and have prepared detailed reports of and analyses of all funds transferred to and through Hanford and Anglo International Associates Ltd., a London based professional services company which provided payroll services for the LS Common Enterprise.

vii. The Receiver, its staff and its bankruptcy counsel performed all accounting and investigative work required to ensure that the Receiver was the only party entitled to receive distributions from the Sentinel Trustee. The Receiver has received three interim distributions from the Sentinel Trustee totaling \$35,862,239.18. The Receiver and its bankruptcy counsel are currently involved in an objection to the claim filed by GAMAG, Black & White, Ltd., a Lake Shore customer who has asserted a separate claim from that of the Receiver in the Sentinel Case.

16. Pursuant to LR 66.1(a)(1), the court shall have discretion to fix the allowance of compensation of the Receiver and its attorneys. The Receiver has served all parties who have filed appearances in the case with a copy of this Motion and all Exhibits by electronic mail through the court

noticing system. The Receiver will also post a copy of the Notice of Motion, Motion, with all Exhibits on the Receiver's website. The Receiver will also provide a written copy of the Motion and all Exhibits to any investor, upon request. The Receiver believes that under the circumstances such notice is sufficient.

17. In support of this Motion, the Receiver attaches the Declaration of Brick Kane as Exhibit 3.

CONCLUSION

18. In light of the extensive work performed, and the necessity of verifying and reconstructing financial information and investor details due to lack of any document production by the receivership defendants, it is respectfully submitted that the fees and expenses of the Receiver and its professionals are reasonable and should be approved and authorized for payment.

WHEREFORE, the Receiver prays that this Court enter an Order as follows:

1. Approving confirming and authorizing for payment, the administrative fees and expenses of the Receiver and its staff and counsel for the Receiver, for the period January 1, 2009 through March 31, 2009, as more particularly set forth herein.

2. Approving the procedures for notice of this Motion by serving all parties who have appeared in this case through the courts electronic noticing system, and providing notice to all investors by posting the Notice of Motion, Motion and all Exhibits on the Receiver's website.

