

**ROBB EVANS &
ROBB EVANS & ASSOCIATES, LLC
Temporary Receiver of
Fortune Hi-Tech Marketing, Inc., et al.**

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**Federal Trade Commission, State of Illinois,
Commonwealth of Kentucky and State of North Carolina**

v.

Fortune Hi-Tech Marketing, Inc., et al.

CASE No. 5:13-CV-123 KSF

**Receiver's Motion for Approval and Authorization for Payment of
Receiver's and Professionals' Fees and Expenses for the
Period from the March 1, 2013 Through August 31, 2013
Memorandum of Points and Authorities in Support Thereof and
Declaration of Brick Kane in Support Thereof**

Filed October 1, 2013

**UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF KENTUCKY**

FEDERAL TRADE COMMISSION,
STATE OF ILLINOIS,
COMMONWEALTH OF KENTUCKY, and
STATE OF NORTH CAROLINA,

Plaintiffs

v.

FORTUNE HI-TECH MARKETING, INC.,
a Kentucky corporation, *et al.*,

Defendants.

No. 5:13-cv-123-KSF

**RECEIVER'S MOTION FOR APPROVAL AND AUTHORIZATION FOR
PAYMENT OF RECEIVER'S AND PROFESSIONALS' FEES AND EXPENSES
FOR THE PERIOD FROM MARCH 1, 2013 THROUGH AUGUST 31, 2013**

The Receiver, Robb Evans and Robb Evans & Associates LLC ("Receiver"), hereby moves the Court for an order approving and authorizing payment of the Receiver's and professionals' fees and expenses incurred in the six-month period from March 1, 2013 through and including August 31, 2013 ("Expense Period"), including the following:

A. Fees and expenses of the Receiver, including Receiver's fees, Senior Staff fees, and Support Staff fees totaling \$89,280.40, and Receiver's expenses totaling \$38,726.16, including \$24,093.27 in accountant fees and costs for the preparation of tax returns, for a total of \$128,006.56;

B. Attorneys' fees in the amount of \$115,348.95 and costs of \$587.11 incurred to the Receiver's lead counsel, McKenna Long & Aldridge LLP, for a total of \$115,936.06;

C. Attorneys' fees in the sum of \$34,398.00 and costs of \$2,917.35 incurred to the Receiver's local counsel in Lexington, Kentucky, Wyatt Tarrant & Combs, LLP, for a total of \$37,315.35;

D. Attorneys' fees in the sum of \$2,058.00 and costs of \$972.95 incurred to the Receiver's prior local counsel in Chicago, Illinois, Barnes & Thornburg LLP, for a total of \$3,030.95;

E. Attorneys' fees of \$6,245.50 (Canadian) and costs of \$4,264.08 (Canadian) incurred to the Receiver's counsel in Canada, Gowling Lafleur Henderson LLP, for a total sum of \$10,509.58 (Canadian); and

F. Costs in the sum of \$325 for the services of McGuire Woods in connection with a filing fee concerning certain trademarks.

The Receiver further moves the Court for an order approving notice of this Motion as sufficient based on (a) service of the Motion and all supporting papers on the parties to this action; (b) service of a Notice of Filing of the Motion on all known non-consumer, non-employee creditors of the receivership estate with the Receiver offering to provide a complete copy of the Motion to any interested party upon written request; and (c) posting of the Motion and supporting pleadings, exclusive of time and billing records, on the Receiver's web site for this case.

This Motion is made pursuant to Local Civil Rule 7.1 and the Stipulated Preliminary Injunction filed May 28, 2013 (Doc. No. 134) and is made and based on the separate Notice of Filing of the Motion, this Motion, the memorandum of points and authorities and declarations of Brick Kane and Gary Owen Caris and proposed order granting the Motion filed concurrently herewith, the other pleadings, records and files of the Court in this case of which the Receiver requests the Court take judicial notice, and on such further oral and documentary evidence and arguments of counsel as may be presented at any hearing on the Motion.

DATED: October 1, 2013

Respectfully submitted,

McKENNA LONG & ALDRIDGE LLP

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DATED: October 1, 2013

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**UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF KENTUCKY**

FEDERAL TRADE COMMISSION,
STATE OF ILLINOIS,
COMMONWEALTH OF KENTUCKY, and
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Plaintiffs

v.

FORTUNE HI-TECH MARKETING, INC.,
a Kentucky corporation, *et al.*,

Defendants.

No. 5:13-cv-123-KSF

**MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF
RECEIVER'S MOTION FOR APPROVAL AND AUTHORIZATION FOR
PAYMENT OF RECEIVER'S AND PROFESSIONALS' FEES AND EXPENSES
FOR THE PERIOD FROM MARCH 1, 2013 THROUGH AUGUST 31, 2013**

The Receiver, Robb Evans and Robb Evans & Associates LLC ("Receiver"), hereby files this Memorandum of Points and Authorities in Support of its Motion for an order approving and authorizing payment of the Receiver's and professionals' fees and expenses incurred in the six-month period from March 1, 2013 through and including August 31, 2013 ("Expense Period").

I. INTRODUCTION

This action (the "FTC Action") is a civil enforcement action commenced by the Federal Trade Commission ("FTC"), the State of Illinois, the Commonwealth of Kentucky and the State of North Carolina (collectively "Plaintiffs") against defendants Fortune Hi-Tech Marketing, Inc., FHTM, Inc., Alan Clark Holdings, LLC, FHTM Canada, Inc., Fortune Network Marketing (UK) Limited, Paul C. Orberon and Thomas A. Mills (collectively "Defendants"). The FTC Action was originally filed in the United States District Court for the Northern District of Illinois

("Illinois District Court"). On January 24, 2013, the Illinois District Court issued a Temporary Restraining Order (Doc. No. 23) appointing the Receiver as Temporary Receiver over Fortune Hi-Tech Marketing, Inc., FHTM, Inc., Alan Clark Holdings, LLC, FHTM Canada, Inc., Fortune Network Marketing (UK) Limited "and their successors and assigns, as well as any subsidiaries, and any fictitious business entities or business names created or used by these entities" ("Receivership Defendants"). By stipulation of the parties, on February 7, 2013, the Court extended and made certain modifications of the Temporary Restraining Order and postponed the hearing on the Order to Show Cause Why A Preliminary Injunction Should Not Issue to March 13, 2013 (Doc. No. 28). At a hearing conducted on February 26, 2013, the Temporary Restraining Order was further extended and the preliminary injunction hearing postponed to May 1, 2013.

The Defendants filed a motion to transfer venue of the FTC Action to the United States District Court for the Eastern District of Kentucky. The Illinois District Court granted the motion to transfer venue and further extended the Temporary Restraining Order to provide an opportunity for the motion for the issuance of the Preliminary Injunction to be determined by this Court after the case was transferred. The Temporary Restraining Order was further extended, and the Plaintiffs and Defendants subsequently stipulated to the Preliminary Injunction entered by this Court on May 28, 2013.

Under the Preliminary Injunction, the Receiver was appointed as permanent receiver over the Receivership Defendants. During the six months comprising the Expense Period, the activities of the Receiver and its professionals have been varied and extensive. The Receiver and the Defendants entered into two stipulations approved by the Court authorizing the Receiver to liquidate the real and personal property of the Receivership Defendants, which liquidation is in process as described in further detail below. The Receiver and its counsel have addressed complex administrative issues pertaining to insurance, the Receivership Defendants' 401K

retirement plan, health insurance and employee benefits issues, trademark and corporate issues associated with the liquidation of personal property assets, and the recovery of sums held in reserve and other accounts at multiple financial institutions. The activities of the Receiver and its professionals have resulted in recoveries for the receivership estate of over \$868,000.00 during the Expense Period and total receipts from the inception of the receivership through August 31, 2013 of \$1,500,264.89. The services of the Receiver and its professionals and the fees and expenses incurred for which approval and authorization for payment are sought in this Motion are described in further detail below.

II. SUMMARY OF ACTIVITIES OF RECEIVER AND ITS PROFESSIONALS DURING EXPENSE PERIOD AND COMPENSATION REQUESTED

The Receivership Defendants include multiple entities operating a common enterprise whose business operations included an office location in Lexington, Kentucky and a warehouse in Danville, Kentucky. The Receivership Defendants also had business operations in Canada.

Pursuant to the provisions of the Temporary Restraining Order, which required the Receiver as Temporary Receiver to evaluate whether the business could operate lawfully and profitably, the Temporary Receiver suspended business operations of the Receivership Defendants and concluded that the Receivership Defendants' business could not be operated lawfully and profitably, as reflected in the Temporary Receiver's Report filed February 20, 2013 with the Illinois District Court. On April 2, 2013, the Temporary Receiver filed his first motion for approval of the Temporary Receiver's fees and expense for the period from the inception of the receivership through February 24, 2013 ("initial fee motion"). The Temporary Receiver's initial fee motion was transferred to this Court for determination when the FTC Action was transferred to this district. On August 20, 2013, this Court issued its Opinion and Order (Doc. No. 159) on the initial fee motion, granting the motion and approving the fees and expenses requested by the Temporary Receiver and all of its professionals with the exception of (a) the

amount billed by the Temporary Receiver for the January 27, 2013 site inspection, which the Court reduced by 50% (\$1,228.95), and (b) the amount billed for travel time by the Temporary Receiver which was reduced by 50% (\$27,574.08), consistent with the Temporary Receiver's offer to charge only 50% of its travel time as set forth in its reply papers filed in the Illinois District Court.

A. Summary of Fees and Expenses Incurred

This is the Receiver's second fee motion and covers a six-month period from March 1, 2013 through August 31, 2013. The Motion is supported by the Receivership Administrative Expenses and Fund Balance from Inception (January 24, 2013) to August 31, 2013 ("Financial Summary") attached as Exhibit 1 to the Declaration of Brick Kane ("Kane Declaration"). The Financial Summary sets forth the receipts and expenses of the receivership during the Expense Period and from the inception of the receivership through August 31, 2013. The fees and expenses of the Receiver's members and staff are detailed in the billing summaries attached to the Kane Declaration as Exhibits 2 through 7. During the Expense Period, the Receiver has incurred fees for the services of the Receiver of \$19,235.70, Senior Staff fees of \$70,485.70, and Support Staff fees of \$3,276.00, less \$3,717.00 representing a 50% reduction of fees incurred for travel time. The Receiver incurred Receiver's expenses of \$38,726.16, including \$24,093.27 in expenses for the services of the Receiver's accountants Squar, Milner, Peterson, Miranda & Williamson, LLP for preparation of tax returns and related documents and filings for the Receivership Defendants.

The Receiver also seeks approval and authorization for payment of the fees and expenses incurred during the Expense Period for the Receiver's attorneys, which are also set forth in the Financial Summary. The Receiver's primary receivership counsel is McKenna Long & Aldridge LLP ("McKenna Firm"), to which the Receiver has incurred attorneys' fees of \$115,348.95 and costs of \$587.11 during the Expense Period. The McKenna Firm's fees and expenses are detailed

in the billing records attached as Exhibits 1 through 6 to the Declaration of Gary Owen Caris ("Caris Declaration") filed in support of the Motion. The Receiver has incurred attorneys' fees of \$34,398.00 and costs of \$2,917.35 for the services of the Receiver's counsel in Kentucky, Wyatt, Tarrant & Combs, LLP ("Wyatt Firm"), and copies of the Wyatt Firm's billing records are attached as Exhibit 7 to the Caris Declaration. The Receiver has also required the assistance of two law firms regarding the trademark issues pertaining to the Receivership Defendants' assets to be sold by the Receiver, including \$325 in costs for filing fees paid by McGuire Wood, the Receivership Defendants' counsel who assisted the Receiver in making certain trademark filings in April 2013 to preserve the trademarks, and attorneys' fees of \$6,245.50 (Canadian) and costs of \$4,264.08 (Canadian), including required local taxes, for the services of the Receiver's Canadian trademark and corporate counsel Gowling Lafleur Henderson LLP ("Gowling Firm"). Copies of the billing records of McGuire Woods and the Gowling Firm are attached as Exhibits 8 and 9, respectively, to the Caris Declaration.

While the FTC Action was still pending in the Illinois District Court, the Receiver had engaged local counsel, Barnes & Thornburg LLP, to represent it in that Court. The Receiver's local Illinois counsel prepared for and attended a status hearing on the initial fee motion held on April 10, 2013 and the May 1, 2013 hearing on multiple motions, including the Defendants' motion to transfer venue and the Plaintiffs' motion for preliminary injunction. The Receiver incurred fees of \$2,058.00 and costs of \$972.95 in connection with the services of Barnes & Thornburg LLP during the Expense Period, whose billing records are attached as Exhibit 10 to the Caris Declaration.

B. Collection of Reserve Funds and Stipulations for Liquidation of Personal Property Assets of Receivership Defendants

As set forth in detail in the Temporary Receiver's Report, the Receivership Defendants operated as a common enterprise and ran a large multi-level marketing business which the Receiver has preliminarily concluded was in the nature of a pyramid scheme. The Receivership Defendants had a number of bank accounts and merchant accounts with different financial institutions, including Branch Banking & Trust Co. ("BBT"), JP Morgan Chase (United States, Canada and United Kingdom), PaymentTech, LLC ("PaymentTech") and Fifth Third Bank (United States and International). Some of these financial institutions maintained reserve accounts associated with the merchant accounts to hold funds pending potential chargebacks and refunds. During the Expense Period, the Receiver and its counsel had extensive oral and written communications with these financial institutions to review the account balances and activities, review the account documents, reconcile account balances and information provided on balances and chargeback/refund activity and make demand on the financial institutions to turnover and release funds from the accounts to the Receiver for the benefit of the estate. As reflected in the Financial Summary, with the assistance of the McKenna Firm, the Receiver recovered \$15,857.75 in additional funds from BBT, \$263,457.42 from three different JP Morgan Chase-related institutions, and \$566,284.06 from PaymentTech.

The Receivership Defendants' enterprise was founded on the creation of a network of tens of thousands of "independent representatives" who paid a fee to FHTM to enroll as a member of its sales force and who earned commissions selling products offered by FHTM and by other third party companies. The products consist primarily of health and beauty products and services, some of which are trademarked. The Receivership Defendants had an office location in Lexington, Kentucky, a warehouse facility in Danville, Kentucky and a warehouse facility in Canada.

The Receivership Defendants' assets include these health and beauty products as well as the Danville warehouse real property which is owned by Alan Clark Holdings, LLC and miscellaneous equipment associated with the operation of the warehouse in Danville, such as a conveyor system, forklift and pallet-wrapping equipment. The Receivership Defendants also hold some United States trademarks and some Canadian trademarks. Substantial inventory is stored at the two warehouse facilities, particularly at the Danville location. The office facility was leased and contained used office furniture, furnishings and equipment of very modest value.

During the Expense Period, in light of the suspension of all business operations of the Receivership Defendants and the Receiver's recommendation that the business operations be closed, the Receiver and the Defendants, through their respective counsel, negotiated two stipulations to authorize the Receiver to liquidate the Receivership Defendants' personal property as well as to list and market for sale the Danville warehouse. The Stipulation Authorizing (1) Sale of Certain Personal Property Assets by Receiver; and (2) Listing for Sale and Marketing of Real Property Asset by Receiver (28 U.S.C. sections 2001 and 2004); and Order Thereon ("First Sale Stipulation") (Doc. No. 145) was approved by the Court by Order entered June 21, 2013 (Doc. No. 146). The Receiver negotiated a second stipulation with the Plaintiffs and Defendants, the Stipulation Authorizing Sale of Additional Personal Property Assets by Receiver (28 U.S.C. section 2004); and Order Thereon ("Second Sale Stipulation") (Doc. No. 157). The Second Sale Stipulation was approved by the Court by Order entered on August 14, 2013 (Doc. No. 158).

Pursuant to the First Sale Stipulation, the Receiver is investigating the value of the Danville real property and preparing that real property for sale. During the Expense Period, the Receiver obtained an appraisal of the Danville real property and issued requests for proposals to various local sales agents to provide the Receiver with proposed listing prices and marketing plans for the facility. The Receiver is still obtaining proposals from the agents and, based on the

recent removal of the remaining inventory, is preparing to list the Danville real property in the near future.

The Receiver sought to arrange for an auction of the used office furniture and equipment. However, the landlord at the office in Lexington indicated its intention to pursue its senior priority landlord lien and to lay claim to the proceeds of any sale of the personal property located there. The landlord would not agree to terms that would provide for a recovery of net sale proceeds for the estate, and given the modest value of the used office equipment and furniture and the landlord's claims, the Receiver abandoned the personal property there.

Pursuant to the First Sale Stipulation, the Receiver has entered into an agreement for the sale of the Receivership Defendants' inventory at the Danville warehouse along with certain of the United States trademarks. The sale was documented by the Receiver through the McKenna Firm and provides for periodic payments to be made to the estate as sales of the inventory are completed, with a final payment due by January 10, 2014. The sale agreement further provides for removal of the goods and products from the warehouse at the buyer's expense which will allow the Receiver to prepare the warehouse to be cleaned and marketed so that the real property can be sold. The amount to be recovered by the estate from the inventory sale will depend in part on the amount for which the buyer is able to resell the products. As of the date of this Motion, all goods and products have been removed from the Danville warehouse and re-sale of the inventory by the buyer has commenced. The Receiver is also negotiating with a potential buyer to purchase the equipment at the warehouse, including the forklift, pallet-wrapping equipment, racks and conveyor system. Those negotiations are ongoing as of the date of this Motion.

The Receiver investigated and took steps to preserve and make necessary filings pertaining to the United States and Canadian trademarks. The Gowling Firm assisted the Receiver in preparing and filing various documents in Canada necessary or appropriate to

preserve the business assets and trademarks of potential value while the Receiver tried to locate buyers for the product located in Canada. The Receiver has solicited proposals to purchase the Canadian inventory from potential buyers but has not entered into an agreement to sell the inventory as of the date of this Motion. The estate continues to incur storage expenses for the goods at the warehouse in Canada, and the Receiver is evaluating the likely recovery from the inventory in light of those expenses and the limited interest by potential buyers in acquiring those goods.

C. Wind Down of 401K Plan and Insurance and Employee Benefits Issues

The Receiver also made substantial progress during the Expense Period in addressing administrative issues involving the Receivership Defendants' 401K retirement plan and various employee benefit plans, including health insurance, life insurance, and disability plans, flexible spending accounts and health savings accounts, and other employee benefits and termination issues. During the Expense Period, the Receiver and its counsel reviewed the 401K plan, prepared the termination documents and prepared and sent the notices to the employees regarding the termination of the 401K plan and their rights to elect to transfer the funds in the plan to IRA or other accounts. Separate notices regarding the 401K plan were sent more recently to the individual Defendants which were customized in light of the pendency of this litigation and the asset freeze. The Receiver expects to begin distributing the 401K assets by late November 2013, and the Receiver anticipates that the 401K plan will be fully administered and terminated within the next few months.

The Receiver's counsel also advised the Receiver in regard to the employee termination issues and required documents and notices. The Receiver's counsel prepared notices such as COBRA notices regarding the availability of post-termination insurance coverage and information regarding the employee's accrued paid time off ("PTO") benefits and other similar

matters. The Receiver, with counsel, is assisting in the transition of the employee flexible spending accounts and health savings accounts to new administrators of those accounts.

With the assistance of counsel, the Receiver has also addressed insurance matters raised by the defendants who sought access to insurance policies to fund defense costs and issues of attorney-client privilege with respect to documents and records of the Receivership Defendants. These services began shortly after the commencement of the receivership and continued during the current Expense Period. The Defendants later determined to withdraw their motion to compel insurance funds to be paid toward their defense costs, without prejudice and subject to later renewal.

At the time the receivership commenced, the Receivership Defendants were parties to pending litigation, including two cases on appeal. During this Expense Period, the Receiver continued to work with its counsel, the McKenna Firm, to address and take the necessary steps to abate those cases in light of the Temporary Restraining Order and later the Preliminary Injunction. In the interests of cost-efficiency and avoiding the expense of the Receiver's counsel appearing in those actions, the Receiver also authorized the Receivership Defendants' prior counsel, Gardere Wynne Sewell LLP, to make certain filings at the expense of the estate to notify the courts in those cases of the receivership proceedings in order to maintain the status quo in those actions. Virtually all of those fees incurred by the estate for such services were reimbursed by the Receivership Defendants' insurer.

The Receiver also investigated certain funds paid to the Receivership Defendants by the insurer for the purpose of paying the then-outstanding bill owed to the Receivership Defendants' counsel in the amount of \$23,408.60. The Receiver investigated the payment and determined that the payment should have been forwarded to the Receivership Defendants' pre-receivership counsel, Gardere Wynne Sewell LLP, prior to the commencement of the case, and the Receiver transferred the funds during this Expense Period.

D. Other Administrative Activities of Receiver

The Receiver and its counsel have addressed other administrative issues during the Expense Period. The Receiver also regularly prepares bank account reconciliations and engages in other similar administrative and accounting activities. The Receiver has supervised and worked with its accountants regarding the preparation of tax returns for the Receivership Defendants during the Expense Period. Those returns were due and filed by September 16, 2013.

There are numerous former employees and creditors of the Receivership Defendants. The Receiver regularly responds to calls and inquiries from former employees and creditors regarding the status of the case and other issues.

E. Summary of Additional Services of Attorneys for Receiver

The McKenna Firm has assisted and advised the Receiver throughout the Expense Period on numerous matters. The McKenna Firm has reviewed and monitored the pleadings filed in the FTC Action and their impact on the receivership estate, including the Defendants' motion to use insurance funds to pay for their defense costs, which was subsequently withdrawn. The McKenna Firm appeared telephonically at the status conference held by this Court shortly after the FTC Action was transferred from the Illinois District Court. As required by the Temporary Restraining Order, the McKenna Firm prepared and filed the Receiver's initial fee motion. On August 13, 2013, the Wyatt Firm also prepared and filed a motion for a hearing on the initial fee motion. The motion for a hearing was rendered moot when the Court issued an order determining the initial fee motion on August 20, 2013.

The Receiver's counsel also negotiated the resolution of an arbitration dispute between Fortune Hi-Tech Marketing, Inc. and Joseph Isaacs ("Isaacs"). The parties had originally settled their dispute in June, 2011 with a deposit in escrow by Fortune High Tech Marketing of \$50,000

to be held by the American Arbitration Association. The agreement was scheduled to expire in June, 2012 if no violations of the agreement occurred during that one year period. If none occurred, the \$50,000 was due to be paid to counsel for Isaacs. Prior to the expiration of the agreement, Fortune Hi-Tech Marketing filed a claim for breach of the settlement agreement. That matter was still pending and had not yet been decided when the Receiver was appointed. In July, 2013, the Receiver and Isaacs, through their respective counsel, reached an agreement whereby the Receiver agreed to accept \$20,000 from the escrow, with the balance going to Isaacs, and the parties stipulated to a dismissal with prejudice of the arbitration. The \$20,000 payment was made to the Receiver in August 2013.

In June 2013, the class action plaintiffs in an appeal pending in the Sixth Circuit involving the Receivership Defendants filed a motion for leave to intervene for the purpose of lifting the stay of actions provision as it applies to the Receivership Defendants and the pending Sixth Circuit appeal. The Plaintiffs in the FTC Action opposed the proposed intervention, and the McKenna Firm prepared a joinder in the Plaintiffs' opposition. The Court denied the motion to intervene by Order entered August 1, 2013 (Doc. No. 154).

The foregoing services are in addition to the services provided by the McKenna Firm described above regarding the liquidation of assets, recovery of reserve funds and handling of the complex 401K and employee termination, insurance and benefits issues. The McKenna Firm also has responded to numerous communications from counsel for the Defendants during the Expense Period and to communications from creditors and from the Plaintiffs.

The Wyatt Firm has appeared at the status conference held by the Court shortly after the commencement of the case. Paralegals from the Wyatt Firm have assisted the Receiver in coordinating access to the Receivership Defendants' facilities for former employees, defense counsel, the Defendants, appraisers, potential asset purchasers and others. The Wyatt Firm has

provided advice and guidance in preparing and filing pleadings with the Court in compliance with local rules and procedures this Expense Period after venue of the case was transferred.

The services of the Gowling Firm in Canada, as described above, consisted primarily of advising the Receiver, preparing documents and filing documents pertaining to the Canadian trademarks and related corporate filings. The Receiver sought to preserve the estate's interest in those trademarks pending review of their potential value to the estate and the Receiver's attempts to locate a buyer for the Canadian trademarks and product located in the warehouse in Canada.

The Receiver's local counsel in Chicago, the Barnes Firm, prepared for and appeared at hearings in the Illinois District Court on April 10, 2013 and May 1, 2013. There were several matters in the FTC Action set for hearing on May 1, 2013, including the Plaintiffs' motion for preliminary injunction, the Receiver's initial fee motion, the Defendants' motion to dismiss, and the Defendants' motion to transfer venue. The Illinois District Court ruled that venue should be transferred and the other matters were held in abeyance temporarily for further disposition by this Court after the case was transferred.

III. THE RECEIVER'S AND ITS PROFESSIONALS' FEES AND EXPENSES ARE REASONABLE AND SHOULD BE PAID

It is a fundamental tenet of receivership law that expenses of administration incurred by the receiver, including those of the receiver, his counsel and others employed by him, constitute priority expenses for which compensation should be paid from the assets of the receivership. As explained in the leading treatise *Clark on Receivers*:

The obligations and expenses which the court creates in its administration of the property are necessarily burdens on the property taken possession of, and this, irrespective of the question

who may be the ultimate owner, or who may have the preferred lien, or who may invoke the receivership. The appointing court pledges its good faith that all duly authorized obligations incurred during the receivership shall be paid.

2 Clark, Ralph Ewing, *A Treatise on the Law and Practice of Receivers* § 637, p. 1052 (3rd ed. Rev. 1992).

The Receiver is an officer of the Court charged with a myriad of duties under the Court's receivership order, many of which have no relationship to recovery of assets or increasing the funds available for distribution to creditors. The Court has broad discretion in determining the reasonableness of fees to be awarded a receiver. *See In re San Vicente Medical Partners Ltd.*, 962 F. 2d 1402, 1409-1410 (9th Cir. 1992). The Court may evaluate the time and effort expended by the Temporary Receiver with respect to specific projects and aspects of the administration of the estate, and may look to a number of different factors under the case law in approving receiver's and counsel's fees. *In re San Vicente Medical Partners Ltd.*, 962 F. 2d at 1409-1410. Because of the nature of the administrative and other services required in receiverships, the benefit a receiver confers on receivership property cannot be determined based solely on the increase or decrease in the value of property in the receiver's possession. As the Court explained in *Securities and Exchange Commission v. Elliott*, 953 F. 2d 1560, 1577 (11th Cir. 1992):

[I]t is sometimes difficult to ascertain what type of benefits a receiver has bestowed on receivership property. . . . [A] benefit to a secured party may take more subtle forms than a bare increase in monetary value. Even though a receiver may not have increased, or prevented a decrease in, the value of the collateral, if

a receiver reasonably and diligently discharges his duties, he is entitled to compensation. [Citations omitted.]

Securities and Exchange Commission v. Elliott, 953 F. 2d at 1577.

The Receiver and its professionals have performed numerous and varied tasks during the six months comprising this Expense Period. The Receiver and its attorneys have significantly advanced the receivership estate during this Expense Period. The Receiver and its counsel have negotiated and documented two sale stipulations allowing the Receiver to dispose of assets of diminishing value and curtail administrative expenses for rent and related expenses associated with the continued occupancy of the office facility. The Receiver with its counsel negotiated and obtained substantial recoveries of reserve account funds from multiple financial institutions and reviewed and reconciled financial information regarding those accounts. The Receiver and its counsel have addressed complex insurance, 401K and employee benefits and termination issues and provided the necessary notices and assistance toward completing the termination of employees, termination of health insurance coverage and issuance of COBRA notices, transfer of their retirement, flexible spending accounts and health savings accounts and handling of other employee termination-related processes. The Receiver and counsel have made multiple Court filings during the Expense Period.

This Motion establishes that the Receiver, its staff and its professionals rendered reasonable and necessary services for the receivership estate since the commencement of the receivership that were beneficial to the estate. *See Federal Trade Commission v. Capital Acquisitions & Management Corp.*, 2005 U.S. Dist. LEXIS 18504 (N.D. Ill. August 26, 2005). The Receiver submits the fees are reasonable in light of the services rendered and the results obtained, and that the fees and expenses requested should be awarded in their entirety. As set forth above and in Exhibit 1 to the Kane Declaration in support of the Motion, there are

sufficient assets in the receivership estate to allow for payment of all fees and expenses requested.

The Receiver has provided notice of this Motion by serving the parties to the case or their counsel and all other parties who have filed appearances in the case. The Receiver also has caused a notice of the filing of this Motion to be served on the known non-consumer/non-employee creditors in the case. In addition, the Receiver will post a copy of the Motion and supporting declarations, without copies of the time/billing records, on the Receiver's web site for this case and will provide a complete copy of the Motion to any interested party who requests it, to the extent that party has not been served with the Motion.

IV. CONCLUSION

Based on this Motion, on the supporting declarations of Brick Kane and Gary Owen Caris filed and served concurrently herewith, on the pleadings, records and files of the Court of which the Receiver requests the Court take judicial notice pursuant to Rule 201 of the Federal Rules of Evidence, the Receiver respectfully requests that the Court grant relief as requested in the Motion.

DATED: October 1, 2013

Respectfully submitted,

McKENNA LONG & ALDRIDGE LLP

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DATED: October 1, 2013

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UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF KENTUCKY

FEDERAL TRADE COMMISSION,
STATE OF ILLINOIS,
COMMONWEALTH OF KENTUCKY, and
STATE OF NORTH CAROLINA,

Plaintiffs,

v.

FORTUNE HI-TECH MARKETING, INC.,
a Kentucky corporation, *et al.*,

Defendants.

No. 5:13-cv-123-KSF

**DECLARATION OF BRICK KANE IN SUPPORT OF RECEIVER'S SECOND
MOTION FOR APPROVAL AND PAYMENT OF RECEIVER'S AND
PROFESSIONALS' FEES AND EXPENSES FOR THE PERIOD FROM MARCH 1, 2013
THROUGH AUGUST 31, 2013**

I, Brick Kane, declare:

1. I am the President and Chief Operating Officer of Robb Evans & Associates LLC, and I make this declaration on behalf of the Permanent Receiver Robb Evans and Robb Evans & Associates LLC ("Receiver") under the Stipulated Preliminary Injunction filed May 28, 2013 (Doc. No. 134) ("Preliminary Injunction"). If called upon to testify as to the facts set forth in this declaration, I could and would testify competently thereto as the facts are personally known to me to be true.

2. The Federal Trade Commission, the State of Illinois, the Commonwealth of Kentucky and the State of North Carolina brought this action against defendants Fortune Hi-Tech Marketing, Inc., FHTM, Inc., Alan Clark Holdings, LLC, FHTM Canada, Inc., Fortune Network Marketing (UK) Limited, Paul C. Orberon and Thomas A. Mills ("FTC Action"). The

FTC Action was originally filed in the United States District Court for the Northern District of Illinois ("Illinois District Court"). On January 24, 2013, the Illinois District Court issued the Temporary Restraining Order appointing the Temporary Receiver as Temporary Receiver over Fortune Hi-Tech Marketing, Inc., FHTM, Inc., Alan Clark Holdings, LLC, FHTM Canada, Inc., Fortune Network Marketing (UK) Limited "and their successors and assigns, as well as any subsidiaries, and any fictitious business entities or business names created or used by these entities" ("Receivership Defendants"). By stipulation of the parties, on February 7, 2013, the Court extended and made certain modifications of the Temporary Restraining Order and postponed the hearing on the Order to Show Cause Why A Preliminary Injunction Should Not Issue to March 13, 2013. At a hearing conducted on February 26, 2013, the parties agreed to a further extension of the Temporary Restraining Order and postponement of the preliminary injunction hearing to May 1, 2013.

3. I have been primarily responsible for the supervision and administration of the receivership estate and for the Receiver's review and investigation of assets and analysis of financial and business records relevant to the receivership and the Receiver's exercise of its powers and duties under the Temporary Restraining Order and the Preliminary Injunction. I personally participated in the Receiver's initial entry into the Receivership Defendants' offices in Lexington, Kentucky, helped secure the business records and physical assets of the Receivership Defendants, conducted meetings with and interviewed the Receivership Defendants' personnel and principals, and was involved in the Receiver's extensive review and detailed analysis of the Receivership Defendants' financial records and other business records and files. I was personally involved in the preparation and review of the Report of Temporary Receiver's Activities for the period from January 24, 2013 through February 19, 2013 ("Temporary Receiver's Report").

4. This declaration is submitted in support of the Receiver's second fee motion and covers fees and expenses incurred for the services of the Receiver, its staff and its professionals during the period of March 1, 2013 through August 31, 2013 ("Expense Period"). The Receiver seeks approval and authorization for payment of the Receiver's fees and expenses and those of its professionals described in the Receiver's financial report entitled Receivership Administrative Expenses and Fund Balance from Inception (January 24, 2013) to August 31, 2013 ("Financial Summary") attached hereto as Exhibit 1. During the Expense Period, the Receiver has incurred fees for the services of the Receiver of \$19,235.70, Senior Staff fees of \$70,485.70, and Support Staff fees of \$3,276.00, less \$3,717.00 representing a 50% reduction in the travel time fees, for a total of \$89,280.40. The Receiver incurred Receiver's expenses of \$38,726.16, including \$24,093.27 in expenses for the services of the Receiver's accountants Squar, Milner, Peterson, Miranda & Williamson, LLP for preparation of tax returns and related documents and filings for the Receivership Defendants. True and correct copies of the Squar Milner billing records for the Expense Period are attached hereto as Exhibit 8.

5. By the Receiver's Motion, the Receiver also seeks approval and authorization for payment of the fees and expenses incurred during the Expense Period for the Receiver's attorneys, which are also set forth in the Financial Summary. The Receiver's primary receivership counsel is McKenna Long & Aldridge LLP ("McKenna Firm"), to which the Receiver has incurred attorneys' fees of \$115,348.95 and costs of \$587.11 during the Expense Period. The Receiver has incurred attorneys' fees of \$34,398.00 and costs of \$2,917.35 for the services of the Receiver's local counsel in Kentucky, Wyatt, Tarrant & Combs, LLP ("Wyatt Firm").

6. The Receiver has also required the assistance of two law firms regarding the trademark issues pertaining to the Receivership Defendants' assets to be sold by the Receiver,

including \$325 in costs for filing fees paid by McGuire Wood, the Receivership Defendants' counsel who assisted the Receiver in making certain trademark filings in April 2013 to preserve the trademarks, and attorneys' fees of \$6,245.50 (Canadian) and costs of \$4,264.08 (Canadian), including required local taxes, for the services of the Receiver's Canadian trademark and corporate counsel Gowling Lafleur Henderson LLP ("Gowling Firm"). While the FTC Action was still pending in the Illinois District Court, the Receiver had engaged local counsel, Barnes & Thornburg LLP, to represent it in that Court. The Receiver's local Illinois counsel prepared for and attended a status hearing on the initial fee motion held on April 10, 2013 and the May 1, 2013 hearing on multiple motions, including the Defendants' motion to transfer venue and the Plaintiffs' motion for preliminary injunction. The Receiver incurred fees of \$2,058.00 and costs of \$972.95 in connection with the services of Barnes & Thornburg LLP during the Expense Period. Copies of the billing records of all of the Receiver's attorneys are attached to the Declaration of Gary Owen Caris filed in support of the Receiver's Motion. All of the billing records of the Receiver and the Receiver's attorneys included as exhibits to the declarations filed in support of the Motion have been redacted to prevent disclosure of descriptions containing confidential, tactical, strategic, attorney-client privileged and/or attorney work-product information.

7. As set forth in detail in the Temporary Receiver's Report, the Receivership Defendants operated as a common enterprise and ran a large multi-level marketing business which the Receiver preliminarily concluded was in the nature of a pyramid scheme.

8. The Receivership Defendants had a number of bank accounts and merchant accounts with different financial institutions, including Branch Banking & Trust Co. ("BBT"), JP Morgan Chase (United States, Canada and United Kingdom), PaymentTech, LLC ("PaymentTech") and Fifth Third Bank (United States and International). Some of these

financial institutions maintained reserve accounts associated with the merchant accounts to hold funds pending possible chargebacks and refunds. During the Expense Period, the Receiver and its counsel had extensive oral and written communications with these financial institutions to review the account balances and activities, review the account documents, reconcile account balances and information provided on balances and chargeback/refund activity and make demand on the financial institutions to turnover and release funds from the accounts to the Receiver for the benefit of the estate. As reflected in the Financial Summary, with the assistance of the McKenna Firm, the Receiver recovered \$15,857.75 in additional funds from BBT, \$263,457.42 from three different JP Morgan Chase-related institutions, and \$566,284.06 from PaymentTech. The activities of the Receiver and its professionals have resulted in recoveries for the receivership estate of over \$868,000.00 during the Expense Period and total receipts from the inception of the receivership through August 31, 2013 of \$1,500,264.89.

9. The Receivership Defendants' enterprise was founded on the creation of a network of tens of thousands of "independent representatives" who paid a fee to FHTM to enroll as a member of its sales force and who earned commissions selling products offered by FHTM and by other third party companies. The products consist primarily of health and beauty products and services, some of which are trademarked. The Receivership Defendants had an office location in Lexington, Kentucky, a warehouse facility in Danville, Kentucky, and a warehouse facility in Canada.

10. The Receivership Defendants' assets include these health and beauty products as well as the Danville warehouse real property which is owned by Alan Clark Holdings, LLC and miscellaneous equipment associated with the operation of the warehouse in Danville, such as a conveyor system, forklift and pallet-wrapping equipment. The Receivership Defendants also hold some United States trademarks and some Canadian trademarks. Substantial inventory is

stored at the two warehouse facilities, particularly at the Danville location. The office facility was leased and contained used office furniture, furnishings and equipment of very modest value.

11. During the Expense Period, in light of the suspension of all business operations of the Receivership Defendants and the Receiver's recommendation that the business operations be closed, the Receiver and the Defendants, through their respective counsel, negotiated two stipulations to authorize the Receiver to liquidate the Receivership Defendants' personal property as well as to list and market for sale the Danville warehouse. The Stipulation Authorizing (1) Sale of Certain Personal Property Assets by Receiver; and (2) Listing for Sale and Marketing of Real Property Asset by Receiver (28 U.S.C. sections 2001 and 2004); and Order Thereon ("First Sale Stipulation") (Doc. No. 145) was approved by the Court by Order entered June 21, 2013 (Doc. No. 146). The Receiver negotiated a second stipulation with the Plaintiffs and Defendants, the Stipulation Authorizing Sale of Additional Personal Property Assets by Receiver (28 U.S.C. section 2004); and Order Thereon ("Second Sale Stipulation") (Doc. No. 157). The Second Sale Stipulation was approved by the Court by Order entered on August 14, 2013 (Doc. No. 158).

12. Pursuant to the First Sale Stipulation, the Receiver is investigating the value of the Danville real property and preparing that real property for sale. During the Expense Period, the Receiver obtained an appraisal of the Danville real property and issued requests for proposals to various local sales agents to provide the Receiver with proposed listing prices and marketing plans for the facility. The Receiver is still obtaining proposals from the agents and, based on the recent removal of the remaining inventory, is preparing to list the Danville real property in the near future.

13. The Receiver sought to arrange for an auction of the used office furniture and equipment. However, the landlord at the office in Lexington indicated its intention to pursue its senior priority landlord lien and to lay claim to the proceeds of any sale of the personal property

located there. The landlord would not agree to terms that would provide for a recovery of net sale proceeds for the estate, and given the modest value of the used office equipment and furniture and the landlord's claims, the Receiver abandoned the personal property there.

14. Pursuant to the First Sale Stipulation, the Receiver has entered into an agreement for the sale of the Receivership Defendants' inventory at the Danville warehouse along with certain of the United States trademarks. The sale was documented by the Receiver through the McKenna Firm and provides for periodic payments to be made to the estate as sales of the inventory are completed, with a final payment due by January 10, 2014. The sale agreement further provides for removal of the goods and products from the warehouse at the buyer's expense which will allow the Receiver to prepare the warehouse to be cleaned and marketed so that the real property can be sold. The amount to be recovered by the estate from the inventory sale will depend in part on the amount for which the buyer is able to resell the products. As of the date of this Motion, all goods and products have been removed from the Danville warehouse and re-sale of the inventory by the buyer has commenced. The Receiver is also negotiating with a potential buyer to purchase the equipment at the warehouse, including the forklift, pallet-wrapping equipment, racks and conveyor system. Those negotiations are ongoing as of the date of this Motion.

15. The Receiver investigated and took steps to preserve and make necessary filings pertaining to the United States and Canadian trademarks. The Gowling Firm assisted the Receiver in preparing and filing various documents in Canada necessary or appropriate to preserve the business assets and trademarks of potential value while the Receiver tried to locate buyers for the Canadian product. The Receiver has solicited proposals to purchase the Canadian inventory from potential buyers but has not entered into an agreement to sell the inventory as of the date of this Motion. The estate continues to incur storage expenses for the goods at the

warehouse in Canada, and the Receiver is evaluating the likely recovery from the inventory in light of those expenses and the limited interest by potential buyers in acquiring those goods.

16. The Receiver also made substantial progress during the Expense Period in addressing administrative issues involving the Receivership Defendants' 401K retirement plan and various employee benefit plans, including health insurance, life insurance, and disability plans, flexible spending accounts and health savings accounts, and other employee benefits and termination issues. The Receiver was substantially assisted in these activities by the McKenna Firm.

17. In the interests of cost-efficiency and avoiding the expense of the Receiver's counsel appearing in two class action appeals that were pending when the receivership commenced, the Receiver also authorized the Receivership Defendants' prior counsel, Gardere Wynne Sewell LLP, to make certain filings at the expense of the estate to notify the courts in those cases of the receivership proceedings in order to maintain the status quo in those actions. Virtually all of the fees incurred by the estate for those services were reimbursed by the Receivership Defendants' insurer.

18. The Receiver also investigated certain funds paid to the Receivership Defendants by the insurer for the purpose of paying the then-outstanding bill owed to the Receivership Defendants' counsel in the amount of \$23,408.60. The Receiver investigated the payment and determined that the payment should have been forwarded to the Receivership Defendants' pre-receivership counsel, Gardere Wynne Sewell LLP, prior to the commencement of the case. The Receiver transferred the funds during this Expense Period.

19. The Receiver and its counsel have addressed other administrative issues during the Expense Period. The Wyatt Firm has assisted the Receiver in providing access to the office and warehouse in Kentucky for the Defendants and former employees to recover their individual

personal property, by monitoring any review or copying of records by the parties and by coordinating access for the inspection and removal of the inventory.

20. The Receiver also regularly prepares bank account reconciliations and engages in other similar administrative and accounting activities. The Receiver has supervised and worked with its accountants regarding the preparation of tax returns for the Receivership Defendants during the Expense Period. Those returns were due and filed by September 16, 2013.

21. There are numerous former employees and creditors of the Receivership Defendants. The Receiver regularly responds to calls and inquiries from former employees and creditors regarding the status of the case and other issues.

22. As a member of Robb Evans & Associates LLC, I am familiar with the methods and procedures used by the Receiver and its staff and employees to record the time spent rendering services to receivership estates over which Robb Evans and Robb Evans & Associates LLC have been appointed. The records attached hereto as Exhibits 2 through 7 are regularly prepared by the members, staff and employees of the Receiver at or about the time of the services rendered and each of whom has a business duty to accurately record the information regarding their services set forth in these records. The records are reviewed by the Receiver's accounting staff and summarized in the Receiver's Financial Summary, Exhibit 1 attached hereto. As explained in the accompanying Declaration of Gary Owen Caris, the Receiver's time records and the records of its professionals have been redacted where appropriate to preserve descriptions containing confidential, tactical, strategic, attorney-client privileged and/or attorney work-product information. Based upon my experience with Robb Evans & Associates LLC, I believe the Receiver's methods and procedures for recording and accounting for time and services for the receivership estates over which Robb Evans and Robb Evans & Associates LLC have been appointed are reliable and accurate.

I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed this 30 day of September 2013 at Sun Valley, California.


BRICK KANE

EXHIBIT 1

ID#: 5553

ROBB EVANS &

ROBB EVANS & ASSOCIATES, LLC

Receiver of

Fortune Hi-Tech Marketing, Inc., et al.

Receivership Administrative Expenses and Fund Balance

From Inception (January 24, 2013) to August 31, 2013

	Previously Reported and Approved	Mar 13	Apr 13	May 13	Jun 13	Jul 13	Aug 13	3/1/13- 8/31/13	TOTAL
Corporate Bank Accounts									
Branch Banking & Trust Co.	106,461.36	0.00	15,857.75	0.00	0.00	0.00	0.00	15,857.75	122,319.11
Fifth Third Bank	8,037.24	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,037.24
Fifth Third Bank International	77,614.88	0.00	0.00	0.00	0.00	0.00	0.00	0.00	77,614.88
JP Morgan Chase	270,000.00	146,730.90	0.00	0.00	0.00	0.00	0.00	146,730.90	416,730.90
JPMorgan Chase Canada	0.00	0.00	0.00	112,857.34	(6,080.06)	0.00	0.00	106,777.28	106,777.28
JPMorgan Chase U.K.	0.00	0.00	0.00	9,949.24	0.00	0.00	0.00	9,949.24	9,949.24
PaymentTech LLC	144,865.07	0.00	250,000.00	120,000.00	142,825.22	53,458.84	0.00	566,284.06	711,149.13
Total Corporate Bank Accounts	606,978.55	146,730.90	265,857.75	242,806.58	136,745.16	53,458.84	0.00	845,599.23	1,452,577.78
Miscellaneous									
COBRA Payments	0.00	47.56	0.00	0.00	0.00	0.00	0.00	47.56	47.56
Commissions	2,023.15	449.78	96.88	83.32	0.00	0.00	226.14	856.12	2,879.27
Insurance Premium Refund	0.00	0.00	0.00	0.00	1,197.00	0.00	0.00	1,197.00	1,197.00
Other	23.31	0.00	0.00	23.78	0.00	15.00	0.00	38.78	62.09
Payroll Tax Refunds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Petty Cash Seized	666.69	0.00	0.00	0.00	0.00	0.00	0.00	0.00	666.69
Pre Receiver Stale Dated Checks	0.00	0.00	0.00	554.17	0.00	0.00	0.00	554.17	554.17
Isaacs Arbitration Settlement	0.00	0.00	0.00	0.00	0.00	0.00	20,000.00	20,000.00	20,000.00
Seminar Deposit Refund	21,863.86	0.00	0.00	0.00	0.00	0.00	0.00	0.00	21,863.86
Utility Refunds	103.28	166.69	0.00	0.00	0.00	0.00	73.90	240.59	343.87
Total Miscellaneous	24,680.29	664.03	96.88	661.27	1,197.00	15.00	20,300.04	22,934.22	47,614.51
Interest Income	25.00	0.00	0.00	0.00	0.00	0.00	47.60	47.60	72.60
Total Funds Collected	631,683.84	147,394.93	265,954.63	243,467.85	137,942.16	53,473.84	20,347.64	868,581.05	1,500,264.89
Expense									
Business Operations									
401K Plan Fees	455.44	0.00	508.25	0.00	0.00	508.25	0.00	1,016.50	1,471.94
Consulting Services	1,500.00	0.00	0.00	156.90	0.00	0.00	0.00	156.90	1,656.90
Data Storage & Backup	0.00	3,360.00	1,680.00	1,680.00	2,760.00	522.45	0.00	10,002.45	10,002.45
Electricity	2,500.25	649.88	0.00	0.40	1,642.38	522.44	605.99	3,421.09	5,921.34
Garbage & Waste Services	137.57	136.88	0.00	0.00	0.00	286.75	0.00	423.63	561.20
Gas & Propane	0.00	4,777.59	0.00	0.00	0.00	1,250.62	38.98	6,067.19	6,067.19
Health Insurance Premiums	21,183.85	22,855.25	22,855.25	22,855.25	752.83	0.00	0.00	69,318.58	90,502.43
Lawn & Landscaping Maintenance	0.00	0.00	0.00	0.00	0.00	200.00	0.00	200.00	200.00

ID#: 5554

ROBB EVANS &

ROBB EVANS & ASSOCIATES, LLC

Receiver of

Fortune Hi-Tech Marketing, Inc., et al.

Receivership Administrative Expenses and Fund Balance

From Inception (January 24, 2013) to August 31, 2013

	Previously Reported and Approved	Mar 13	Apr 13	May 13	Jun 13	Jul 13	Aug 13	3/1/13- 8/31/13	TOTAL
Legal Fees & Expenses									
Pre-Receiver Fees/Expenses	0.00	0.00	0.00	0.00	0.00	23,408.60	0.00	23,408.60	23,408.60
Gardere Wynne Sewell LLP									
Insurance Claim Reimbursement	0.00	0.00	0.00	0.00	0.00	0.00	(14,075.50)	(14,075.50)	(14,075.50)
Legal Fees	0.00	0.00	0.00	0.00	0.00	14,566.00	0.00	14,566.00	14,566.00
Legal Costs	0.00	0.00	0.00	0.00	0.00	56.40	0.00	56.40	56.40
Total Gardere Wynne Sewell LLP	0.00	0.00	0.00	0.00	0.00	14,622.40	(14,075.50)	546.90	546.90
Total Legal Fees & Expenses	0.00	0.00	0.00	0.00	0.00	38,031.00	(14,075.50)	23,955.50	23,955.50
Liability Insurance Premiums	12,869.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	12,869.00
Life Insurance Premiums	0.00	914.20	271.40	271.40	0.00	0.00	0.00	1,457.00	1,457.00
Office Moving Expenses									
Labor	0.00	0.00	0.00	0.00	0.00	1,717.00	0.00	1,717.00	1,717.00
Auction Expenses	0.00	0.00	0.00	0.00	0.00	2,813.22	0.00	2,813.22	2,813.22
Supplies	0.00	0.00	0.00	0.00	588.14	197.16	0.00	785.30	785.30
Other	0.00	0.00	0.00	0.00	0.00	1,200.00	0.00	1,200.00	1,200.00
Total Office Moving Expenses	0.00	0.00	0.00	0.00	588.14	5,927.38	0.00	6,515.52	6,515.52
Payroll Expenses	167,882.43	459.78	151.29	0.00	0.00	312.71	211.37	1,135.15	169,017.58
Payroll Processing Fees	0.00	435.35	3,187.89	2,230.00	0.00	51.22	0.00	5,904.46	5,904.46
Phone & Internet Services	0.00	2,614.44	4,614.50	2,233.88	2,233.88	2,233.88	0.00	13,930.58	13,930.58
PO Box Rental	0.00	0.00	0.00	105.09	0.00	0.00	0.00	105.09	105.09
Postage & Delivery	0.00	2,000.00	0.00	0.00	0.00	0.00	0.00	2,000.00	2,000.00
Rent/Lease Payments	23,888.00	23,888.00	23,888.00	23,888.00	23,888.00	23,888.00	0.00	119,440.00	143,328.00
Repairs & Maintenance	0.00	70.00	0.00	140.00	0.00	0.00	0.00	210.00	210.00
Water & Sewer	0.00	276.41	0.00	0.00	513.07	0.00	0.00	789.48	789.48
Workers Compensation Insurance	2,743.45	0.00	474.65	494.65	0.00	0.00	0.00	969.30	3,712.75
Total Business Operations	233,159.99	62,437.78	57,631.23	54,055.57	32,378.30	73,734.70	(13,219.16)	267,018.42	500,178.41
Receiver Fees & Expenses									
Receiver Fees									
Receiver									
R. Evans	306.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	306.00
B. Kane	23,758.20	603.00	542.70	1,115.55	1,386.90	633.15	90.45	4,371.75	28,129.95
K. Johnson	18,843.75	422.10	331.65	60.30	301.50	241.20	0.00	1,356.75	20,200.50

ID#: 5555

ROBB EVANS &

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Receivership Administrative Expenses and Fund Balance

From Inception (January 24, 2013) to August 31, 2013

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V. Miller	25,386.30	844.20	1,748.70	90.45	452.25	1,628.10	241.20	5,004.90	30,391.20
A. Jen	23,426.55	2,683.35	1,085.40	723.60	1,628.10	994.95	1,386.90	8,502.30	31,928.85
Total Receiver	91,720.80	4,552.65	3,708.45	1,989.90	3,768.75	3,497.40	1,718.55	19,235.70	110,956.50
Senior Staff									
L. Lee	11,939.40	783.90	1,356.75	3,165.75	723.60	1,899.45	422.10	8,351.55	20,290.95
F. Jen	36,602.10	120.60	0.00	0.00	180.90	663.30	0.00	964.80	37,566.90
T. Chung	43,024.05	0.00	0.00	0.00	723.60	150.75	0.00	874.35	43,898.40
C. Callahan	10,440.00	787.50	495.00	1,597.50	4,725.00	14,085.00	3,397.50	25,087.50	35,527.50
B. Owings	8,257.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,257.50
C. DeCius	10,845.00	4,959.00	1,134.00	1,557.00	2,466.00	2,196.00	2,385.00	14,697.00	25,542.00
J. Dadbin	1,754.50	0.00	0.00	0.00	104.50	0.00	0.00	104.50	1,859.00
E. Roop	21,073.50	0.00	1,363.50	1,755.00	4,212.00	9,760.50	3,051.00	20,142.00	41,215.50
N. Wolf	396.00	0.00	60.00	132.00	48.00	12.00	12.00	264.00	660.00
Total Senior Staff	144,332.05	6,651.00	4,409.25	8,207.25	13,183.60	28,767.00	9,267.60	70,485.70	214,817.75
Adjustment/Discount	(28,803.03)	0.00	0.00	0.00	0.00	(3,717.00)	0.00	(3,717.00)	(32,520.03)
Support Staff	2,380.80	913.60	505.30	727.40	364.70	441.50	323.50	3,276.00	5,656.80
Total Receiver Fees	209,630.62	12,117.25	8,623.00	10,924.55	17,317.05	28,988.90	11,309.65	89,280.40	298,911.02
Receiver Expenses									
Appraisals & Surveys	0.00	0.00	0.00	0.00	0.00	0.00	8,100.00	8,100.00	8,100.00
Bank Fees	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Database Consulting Services	307.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	307.10
External Hard Drives	259.42	0.00	0.00	0.00	0.00	0.00	0.00	0.00	259.42
Hays Financial Consulting, LLC	24,803.87	0.00	0.00	0.00	0.00	0.00	0.00	0.00	24,803.87
Information Search Costs	0.00	0.00	0.00	0.00	165.00	0.00	0.00	165.00	165.00
Locksmith Services	662.68	125.00	0.00	0.00	0.00	0.00	0.00	125.00	787.68
Office Telephone & Supplies	0.00	72.66	37.65	32.04	44.92	53.51	45.98	286.76	286.76
Postage & Delivery	957.24	336.08	123.88	142.88	96.51	322.55	312.51	1,334.41	2,291.65
Tax Return Preparation	0.00	0.00	0.00	0.00	0.00	0.00	24,093.27	24,093.27	24,093.27
Travel & Lodging	31,588.29	0.00	0.00	0.00	0.00	4,155.94	0.00	4,155.94	35,744.23
Website Support & Information	1,060.20	0.00	53.23	124.21	62.10	44.36	181.88	465.78	1,525.98
Miscellaneous	62.54	0.00	0.00	0.00	0.00	0.00	0.00	0.00	62.54
Total Receiver Expenses	59,701.34	533.74	214.76	299.13	368.53	4,576.36	32,733.64	38,726.16	98,427.50

ID#: 5556

ROBB EVANS &

ROBB EVANS & ASSOCIATES, LLC

Receiver of

Fortune Hi-Tech Marketing, Inc., et al.

Receivership Administrative Expenses and Fund Balance

From Inception (January 24, 2013) to August 31, 2013

	Previously Reported and Approved	Mar 13	Apr 13	May 13	Jun 13	Jul 13	Aug 13	3/1/13- 8/31/13	TOTAL
Legal Fees & Costs									
Barnes & Thornburg LLP									
Legal Fees	3,985.00	0.00	0.00	0.00	2,058.00	0.00	0.00	2,058.00	6,043.00
Legal Costs	0.00	0.00	0.00	0.00	972.95	0.00	0.00	972.95	972.95
Total Barnes & Thornburg LLP	3,985.00	0.00	0.00	0.00	3,030.95	0.00	0.00	3,030.95	7,015.95
Gowlings Lafleur Henerson LLP *									
Legal Fees	0.00	0.00	0.00	0.00	0.00	5,013.00	1,232.50	6,245.50	6,245.50
Legal Costs	0.00	0.00	0.00	0.00	0.00	4,264.08	0.00	4,264.08	4,264.08
Total Gowlings Lafleur Henerson LLP *	0.00	0.00	0.00	0.00	0.00	9,277.08	1,232.50	10,509.58	10,509.58
McGuireWoods LLP									
Legal Costs	0.00	0.00	325.00	0.00	0.00	0.00	0.00	325.00	325.00
Total McGuireWoods LLP	0.00	0.00	325.00	0.00	0.00	0.00	0.00	325.00	325.00
Mckenna Long & Aldridge LLP									
Legal Fees	24,235.65	25,449.75	22,392.00	27,350.10	11,839.50	19,142.55	9,175.05	115,348.95	139,584.60
Legal Costs	146.71	153.99	52.87	239.98	104.78	21.51	13.98	587.11	733.82
Total Mckenna Long & Aldridge LLP	24,382.36	25,603.74	22,444.87	27,590.08	11,944.28	19,164.06	9,189.03	115,936.06	140,318.42
Wyatt Tarrant & Combs LLP									
Legal Fees	10,453.00	1,837.50	490.00	6,447.00	8,516.50	8,377.00	8,730.00	34,398.00	44,851.00
Legal Costs	157.02	50.35	0.00	1,142.07	208.42	430.12	1,086.39	2,917.35	3,074.37
Total Wyatt Tarrant & Combs LLP	10,610.02	1,887.85	490.00	7,589.07	8,724.92	8,807.12	9,816.39	37,315.35	47,925.37
Total Legal Fees & Costs	38,977.38	27,491.59	23,259.87	35,179.15	23,700.15	37,248.26	20,237.92	167,116.94	206,094.32
Total Receiver Fees & Expenses	308,309.34	40,142.58	32,097.63	46,402.83	41,385.73	70,813.52	64,281.21	295,123.50	603,432.84
Total Expense	541,469.33	102,580.36	89,728.86	100,458.40	73,764.03	144,548.22	51,062.05	562,141.92	1,103,611.25
Net Transactions		44,814.57	176,225.77	143,009.45	64,178.13	(91,074.38)	(30,714.41)	306,439.13	
Fund Balance	90,214.51								396,653.64

* Amount in Canadian \$