

**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 GFVT-REW

**Receiver's Motion for Approval and Authorization for Payment of
Receiver's and Professionals' Fees and Expenses for the
Period from March 1, 2014 Through August 31, 2014
Memorandum of Points and Authorities in Support Thereof
Declaration of Gary Owen Caris in Support Thereof
Declaration of Brick Kane in Support Thereof**

Filed October 10, 2014

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-GFVT-REW

**RECEIVER'S MOTION FOR APPROVAL AND AUTHORIZATION FOR PAYMENT
OF RECEIVER'S AND PROFESSIONALS' FEES AND EXPENSES FOR THE PERIOD
FROM MARCH 1, 2014 THROUGH AUGUST 31, 2014; MEMORANDUM OF POINTS
AND AUTHORITIES IN SUPPORT THEREOF**

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, 2014 through and including August 31, 2014 ("Expense Period"), including the following:

A. Fees and expenses of the Receiver, including Receiver's fees, Senior Staff fees, and Support Staff fees totaling \$72,834.65, and Receiver's expenses totaling \$26,369.81, for a total of \$99,204.46;

B. Attorneys' fees in the amount of \$117,373.95 and costs of \$3,184.67 incurred to the Receiver's lead counsel, McKenna Long & Aldridge LLP, for a total of \$120,558.62; and

C. Attorneys' fees in the sum of \$23,693.50 and costs of \$3,571.38 incurred to the Receiver's local counsel, Wyatt Tarrant & Combs, LLP, for a total of \$27,264.88.

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, the Stipulated Preliminary Injunction filed May 28, 2013 (Doc. No. 134) and the Stipulated Order for Permanent Injunction and Monetary Judgment entered on May 9, 2014 (Doc. No. 202) 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 10, 2014

Respectfully submitted,

McKENNA LONG & ALDRIDGE LLP

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DATED: October 10, 2014

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MEMORANDUM OF POINTS AND AUTHORITIES

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 to 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.

On motion by the Defendants to transfer venue of the FTC Action to this Court, the Illinois District Court issued an order transferring venue of the action 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 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. The Defendants entered into extensive settlement negotiations

with the Plaintiffs resulting in the filing and entry of judgment against the Defendants under the Stipulated Order for Permanent Injunction and Monetary Relief ("Final Judgment") (Doc. No. 202) which was entered by the Court on May 9, 2014. The Final Judgment continued the permanent receivership over the Receivership Defendants and, among other things, authorized the Receiver to liquidate assets turned over to the Receiver pursuant to the Final Judgment without further order of the Court.

During the six months comprising the current Expense Period, the activities of the Receiver and its professionals have been varied and extensive. The Receiver has continued its efforts to liquidate assets of the receivership estate subject to Court-approved stipulations entered into with the Defendants and the Final Judgment. The Receiver and its counsel have continued to address administrative issues pertaining to the Receivership Defendants' 401K retirement plan as well as various issues associated with the administration, marketing and liquidation of the real and personal property assets of the Defendants. The activities of the Receiver and its professionals have resulted in total recoveries for the receivership estate of over \$1,762,000.00 from the inception of the receivership through August 31, 2014. 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 which operated as 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.

The Receiver has filed three prior fee motions. The Receiver's initial fee motion was filed by the Receiver as Temporary Receiver and covered 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.

The Receiver has filed two other fee motions, one covering the six-month period of March 1, 2013 through August 31, 2013 and one covering the six-month period of September 1, 2013 through February 28, 2014. Both of those motions were granted in their entirety, and the Receiver's and counsel's fees and expenses were awarded as requested. *See* Order Granting Receiver's Motion for Approval and Authorization for Payment of Receiver's and Professional's Fees and Expenses for the Period from March 1, 2013 Through August 31, 2013, Doc. No. 175; Order Granting Receiver's Motion for Approval and Authorization for Payment of Receiver's and Professional's Fees and Expenses for the Period from September 1, 2013 Through February 28, 2014, Doc. No. 211.

A. Summary of Fees and Expenses Incurred

This is the Receiver's fourth fee motion and covers a six-month period from March 1, 2014 through August 31, 2014. The Motion is supported by the Receivership Administrative Expenses and Fund Balance from Inception (January 24, 2013) to August 31, 2014 ("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, 2014. 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 \$14,863.95, Senior Staff fees of \$56,093.10, and

Support Staff fees of \$1,877.60. The Receiver incurred Receiver's expenses of \$26,369.81, primarily for the preparation of tax returns for the Receivership Defendants and the estate. Also included in Exhibit 7 to the Declaration of Brick Kane is a copy of the billing record of the Receiver's outside accounting firm, Squar Milner, for the preparation of the tax returns.

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 \$117,373.95 and costs of \$3,184.67 during the Expense Period. The McKenna Firm's fees and expenses are detailed in the billing records attached as Exhibits 1 through 12 to the Declaration of Gary Owen Caris ("Caris Declaration") filed in support of the Motion. After the Court authorized the Receiver to commence litigation against the highly compensated representatives (*see* Doc. No. 192), the McKenna Firm created a separate billing number under which services and expenses relating to the pursuit of these third party claims are billed, separate from other services rendered in connection with the receivership. The vast majority of the McKenna Firm's fees incurred during the current Expense Period pertain to the investigation and pursuit of the third party claims, as reflected in the Financial Summary.

The Receiver has also incurred attorneys' fees of \$23,693.50 and costs of \$3,105.29 for the services of the Receiver's local counsel, Wyatt, Tarrant & Combs, LLP ("Wyatt Firm"), and copies of the Wyatt Firm's billing records are attached as Exhibit 13 to the Caris Declaration.

B. Administration and Liquidation of Multiple Real and Personal Property Assets and Monitoring Sales of Inventory

During the current Expense Period, the Receiver has administered and taken steps to begin liquidating multiple real properties turned over to the Receiver under the Final Judgment and has continued to administer and attempt to sell one of the primary assets of the Receivership Defendants, the warehouse property located in Danville, Kentucky. Under the Final Judgment entered in May 2014, the Defendants turned over to the Receiver for administration and sale a

farm in Danville, Kentucky, a condominium in Florida located on Palm Island Drive and a single family residence on Daniel Island in South Carolina along with various personal property assets, including a Crestline boat in South Carolina, a Searay watercraft in Florida, jet skis, various vehicles and coins and bullion. The Receiver's activities since May 2014 have focused on obtaining possession and control of these assets, analyzing their value and examining the alternatives available for the estate to liquidate these assets and maximize value, as well as the steps needed to be taken to maintain and preserve those assets pending their disposition.

The Receiver liquidated the coins and bullion and recovered \$27,460.30 from the sale. The Receiver has taken possession of the other personal property and has investigated methods of selling that personal property to maximize value. The Receiver has negotiated an agreement with an auctioneer to sell some of the personal property turned over by the Defendants under the Final Judgment, including the vehicles and the Searay turned over to the Receiver, as well as the remaining furniture, fixtures and equipment at the Danville warehouse. The auction sale of the personal property is scheduled to be conducted on October 25, 2014. The Receiver is marketing the Crestline boat in South Carolina through a local sales agent.

The Receiver has investigated the value of the Florida and South Carolina real properties and issues concerning their sale. The Receiver has interviewed potential brokers and is in the process of listing those properties for sale. The Florida condominium has certain unique issues affecting its sale, including pending construction defect litigation that the Receiver is evaluating with the prospective brokers. These properties have required the Receiver to supervise various maintenance and repairs for the properties, arrange for utility service to be transferred and insure the properties for the protection and preservation of these assets for the estate.

The Danville farm has also required various administrative activities and investigation by the Receiver. Hay is growing on the farm and has required the Receiver to arrange for the hay to be harvested and removed. The hay is considered a fire hazard, and the Receiver has had to investigate ways to remove the hay in the most cost-effective manner for the estate. The Receiver was able to contract with another local farmer who is removing the hay in exchange for

the right to retain it, allowing the property to be cleared of the fire hazard without cost to the estate. Based on the Receiver's investigation, the cost for the Receiver to pay to remove and bale the hay would have equaled or exceeded any recovery the Receiver could have made by trying to sell it.

Pursuant to stipulations for the liquidation of assets previously approved by the Court, the Receiver entered into an agreement with a third party in a prior expense period for the sale of the Receivership Defendants' personal property assets. The liquidation of the inventory is ongoing and the estate has continued to obtain modest recoveries from sales of product. The Receiver monitors those sales and reviews the accountings and periodic reporting the third party is required to provide regarding the inventory liquidation. The estate recovered an additional \$19,065.54 from the inventory sales during this Expense Period.

Pursuant to the stipulations authorizing liquidation of various assets, the Receiver has had the Danville warehouse property listed for sale with a broker for several months. The Receiver has had a serious expression of interest in the warehouse property from one potential buyer. The Receiver has also had to address administrative issues concerning the Danville warehouse property, including maintenance and repair issues for water and roof damage and issues regarding providing access to the property by the broker and prospective purchasers, which the Receiver has coordinated through a local consultant.

The Receiver's local counsel, the Wyatt Firm, provided substantial assistance to the Receiver in addressing and administering the real properties located in Kentucky. The Wyatt Firm has helped the Receiver locate, coordinate and supervise local repairs, maintenance and access to the properties. The Wyatt Firm assisted the Receiver arranging for the repair of a water leak and arranging for and reviewing information on commercial roofing contractors to perform significant roof repairs at the Danville warehouse. The Wyatt Firm also addressed certain complex real estate title and title insurance issues concerning the transfer of title to the farm to the receivership QSF, including reviewing the proposed title insurance commitment and addressing various means to obtain title insurance satisfactory to the Receiver, reviewing the

form of transfer and title documents, and coordinating the recording of the title transfer document and issuance of the final title insurance commitment.

C. Filing of Lawsuits Against 36 Highly Compensated Representatives

During this Expense Period, the Receiver and its counsel continued to investigate and analyze the receivership estate's potential claims against third parties, and in particular claims against former representatives of the Receivership Defendants who received substantial payments in the form of commissions and bonuses when the businesses were in operation. In the prior expense period, the Receiver's counsel sent demand letters to numerous highly compensated representatives advising them of the Receiver's claims against them.

During this Expense Period, the Receiver and counsel reviewed and evaluated the responses received from several of the highly compensated representatives to whom demand letters were sent and had follow up contacts with many of those to whom demand letters were sent. In many instances, the responses included detailed personal financial statements requested by the Receiver and other information provided by the highly compensated representatives explaining their financial condition and other facts and circumstances for the Receiver to consider in determining whether to file suit against the representatives based on the demands. The Receiver also continued to investigate the location of many of the highly compensated representatives and information regarding various corporate entities associated with the representatives and through which some of the payments to the representatives may have been funneled. In anticipation of the Receiver filing suit, the Receiver's representatives also reviewed and investigated various records of the Receivership Defendants pertinent to the Receiver's claims. These records are voluminous, and include records in electronic as well as hard copy form. The McKenna Firm has created a separate billing file number for the services pertaining to the Receiver's actions against third parties beginning in February 2014 as set forth in the Caris Declaration and the exhibits thereto.

In August 2014, the Receiver filed two lawsuits against 36 highly compensated representatives, seeking total damages in excess of \$37 million (the "third party actions").¹ In connection with those lawsuits, the Receiver's counsel prepared and filed applications for admission pro hac vice for those two cases and motions to reassign the cases to Judge Van Tatenhove as cases related to this receivership proceeding and two other lawsuits filed by victims of the Receivership Defendants' pyramid scheme.² One of the motions to reassign was granted in August 2014 and the other motion was granted in September 2014.

The lawsuits filed by the Receiver are lengthy and detailed. The lawsuits involve numerous parties and theories of liability. Based on an analysis of the facts and law, the Receiver's claims include alter ego/piercing the corporate veil claims against a number of highly compensated representatives and their shell corporations which the Receiver has alleged acted as conduits for some or all of the funds transferred by the Receivership Defendants to the named defendants in the third party actions. The preparation of the lawsuits required extensive analysis of the facts and the law as well as consideration of other practical and legal issues in determining the claims to assert and the parties against whom the claims should be asserted.

The Receiver's local counsel, the Wyatt Firm, was also active and instrumental in assisting the Receiver in the filing of the two third party actions. The Wyatt Firm assisted the Receiver in obtaining certified copies of documents in connection with the lawsuits. The Wyatt Firm provided advice regarding local filing procedures, analyzed the legal and factual basis of the claims to be asserted, reviewed the two complaints for compliance with the Court's local practice and procedure, and supervised the filing of the complaints and a first amended

¹ The two third party actions consist of *Robb Evans, etc., et al. v. Ramiro Armenta, etc., et al.*, Case No. 14cv00329-GFVT, and *Robb Evans, etc., et al. v. Anna Burrell, etc., et al.*, Case No. 14cv00330-GFVT.

² The other two related cases are *Wallace, et al. v. Fortune Hi-Tech Marketing, Inc., et al.*, Case No. 11cv00127 GFVT ("Wallace Action"), and *Day, et al. v. Fortune Hi-Tech Marketing, Inc., et al.*, Case No. 10cv00305 GFVT ("Day Action").

complaint along with all the related required filings, including the civil cover sheets, corporate disclosure statement and summonses.

D. Wind Down of 401K Plan, Tax Return Preparation and Other Administrative Activities

During the Expense Period, the Receiver with counsel addressed certain additional issues arising in the wind down of the Receivership Defendants' 401K retirement plan and the distribution of its assets. The Receiver also recovered tax refunds based on tax returns for 2012 filed by the Receiver on behalf of the Receivership Defendants, as reflected in the Financial Summary. The Receiver also dealt with various issues regarding the preparation and filing of tax returns for the Receivership Defendants and other tax issues related to the estate for 2013.

The Receiver and its counsel have addressed a number of other administrative issues during the Expense Period. The Receiver regularly prepares bank account reconciliations and engages in other similar administrative and accounting activities.

There are numerous former employees and creditors of the Receivership Defendants. The Receiver regularly responds to calls and inquiries from former employees, creditors and others 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 other matters. The McKenna Firm has reviewed and monitored the pleadings filed in the FTC Action and in the two related actions, the Day Action and Wallace Action, to evaluate their impact on the receivership estate. For example, motions have been filed by the plaintiffs in the Day Action and Wallace Action and in this case seeking recovery of attorneys' fees and costs by counsel for those plaintiffs.

In addition to the two lengthy lawsuits and numerous related pleadings filed in the third party actions, the McKenna Firm prepared the Receiver's prior fee motion as well as multiple pleadings responding to filings by others during this Expense Period. These responsive pleadings included a response to a filing by a claimant (Allen Whaley) and responses to motions

by the plaintiffs in the Day Action and Wallace Action seeking leave to intervene in this case for the purposes of pursuing their motions for recovery of attorneys' fees and costs from settlement funds in the receivership estate. The Wyatt Firm has assisted the Receiver in filing the Receiver's prior fee motion and its other pleadings, ensuring the filings are made in compliance with the applicable Local Rules and procedures.

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 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 continued to advance the administration of the receivership estate during this Expense Period as detailed above and commenced litigation seeking in excess of \$37 million which, it is hoped, will generate significant recoveries for the estate.

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 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, and 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 10, 2014

Respectfully submitted,

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DATED: October 10, 2014

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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-GFVT-REW

**DECLARATION OF GARY OWEN CARIS IN SUPPORT OF RECEIVER'S
MOTION FOR APPROVAL AND PAYMENT OF RECEIVER'S
AND PROFESSIONALS' FEES AND EXPENSES FOR THE PERIOD
FROM MARCH 1, 2014 THROUGH AUGUST 31, 2014**

I, Gary Owen Caris, declare:

1. I am an attorney at law duly admitted to practice before all courts of the State of California and I have been admitted to practice *pro hac vice* before the United States District Court for the Northern District of Illinois ("Illinois District Court") and before the United States District Court for the Eastern District of Kentucky in connection with the subject litigation. I am a partner in the firm of McKenna Long & Aldridge LLP ("McKenna Firm") and am lead counsel representing Robb Evans and Robb Evans & Associates LLC, the Receiver ("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") in this matter. I have personal knowledge of the matters

set forth in this declaration and if I were called upon to testify in these matters, I could and would competently testify thereto.

2. This declaration is submitted in support of the Receiver's third fee motion ("Motion"). The Motion seeks, among other relief, approval and authorization for payment of the Receiver's legal fees and expenses incurred for services of its counsel from March 1, 2014 through August 31, 2014 (the "Expense Period"). The Receiver's legal fees and expenses incurred during the Expense Period include (a) fees of \$117,373.95 and costs of \$3,184.67 for the services of the McKenna Firm, the Receiver's lead counsel, for a total sum of \$120,558.62; and (b) attorneys' fees of \$23,693.50 and costs of \$3,571.38 for the services of the Receiver's local counsel, Wyatt Tarrant & Combs, LLP ("Wyatt Firm"), for a total sum of \$27,264.88.

3. The McKenna Firm and the Wyatt Firm coordinated their activities in order to undertake distinct tasks and have made every effort not to duplicate activities in the case. The Wyatt Firm provided assistance to the Receiver in Kentucky in handling court filings, in addressing title issues concerning real properties in Kentucky and in assisting the Receiver addressing repairs and other issues regarding the preservation of assets located in Kentucky during the Expense Period.

4. Attached hereto as Exhibits 1 through 12 are true and correct copies of the detailed, redacted time records of the McKenna Firm for the Expense Period. Attached hereto collectively as Exhibit 13 are the redacted billing records of the Wyatt Firm for the Expense Period. The time records, Exhibits 1 through 12, as well as the time records for the Receiver, its deputies, accountants, staff and other professionals, have been redacted by my firm where appropriate to prevent disclosure of descriptions containing confidential, sensitive, tactical, strategic, attorney-client privileged and/or attorney work-product information.

5. In August 2014, the Receiver filed two lawsuits against 36 highly compensated representatives, seeking total damages in excess of \$37 million (the "third party actions"), specifically *Robb Evans, etc., et al. v. Ramiro Armenta, etc., et al.*, Case No. 14cv00329-GFVT, and *Robb Evans, etc., et al. v. Anna Burrell, etc., et al.*, Case No. 14cv00330-GFVT. In

connection with those lawsuits, my firm prepared and filed applications for admission pro hac vice for those two cases and motions to reassign the cases to Judge Van Tatenhove as cases related to this receivership proceeding and two other lawsuits filed by victims of the Receivership Defendants' pyramid scheme. One of the motions to reassign was granted in August 2014 and the other motion was granted in September 2014. The McKenna Firm has created a separate billing file number for those activities beginning in February 2014 as reflected in the McKenna Firm's billing records attached hereto as Exhibits 7-12.

6. The lawsuits prepared by the McKenna Firm on behalf of the Receiver are lengthy and detailed. The complaints assert involve numerous parties and theories of liability. Based on an analysis of the facts and law, the Receiver's claims include alter ego/piercing the corporate veil claims against a number of highly compensated representatives and their shell corporations which the Receiver has alleged acted as conduits for some or all of the funds transferred by the Receivership Defendants to the named defendants in the third party actions. The preparation of the lawsuits required extensive analysis of the facts and the law as well as consideration of other practical and legal issues in determining the claims to assert and the parties against whom the claims should be asserted.

7. The Receiver's local counsel, the Wyatt Firm, was also active and instrumental in assisting the Receiver in the filing of the two third party actions. The Wyatt Firm assisted the Receiver in obtaining certified copies of documents from the Court in connection with the lawsuits. The Wyatt Firm provided advice regarding local filing procedures, analyzed the legal and factual basis of the claims to be asserted, reviewed the two complaints for compliance with the Court's local practice and procedure, and supervised the filing of the complaints and a first amended complaint along with all the related required filings, including the civil cover sheets, corporate disclosure statement and summonses.

8. My firm has assisted and advised the Receiver throughout the Expense Period on numerous other matters. The McKenna Firm has reviewed and monitored the pleadings filed in the FTC Action and in the two related actions, *Wallace, et al. v. Fortune Hi-Tech Marketing*,

Inc., et al., Case No. 11cv00127 GFVT ("Wallace Action"), and *Day, et al. v. Fortune Hi-Tech Marketing, Inc., et al.*, Case No. 10cv00305 GFVT ("Day Action"), to evaluate their impact on the receivership estate. For example, motions have been filed by the plaintiffs in the Day Action and Wallace Action and in this case seeking recovery of attorneys' fees and costs by counsel for those plaintiffs.

9. The McKenna Firm prepared the Receiver's prior fee motion as well as multiple pleadings responding to filings by others during this Expense Period. These responsive pleadings included a response to a filing by a claimant (Allen Whaley) and responses to motions by the plaintiffs in the Day Action and Wallace Action seeking leave to intervene in this case for the purposes of pursuing their motions for recovery of attorneys' fees and costs from settlement funds in the receivership estate. The Wyatt Firm has assisted the Receiver in filing the Receiver's prior fee motion and its other pleadings, ensuring the filings are made in compliance with the applicable Local Rules and procedures.

10. The Wyatt Firm also provided substantial assistance to the Receiver in addressing and administering the real properties located in Kentucky. The Wyatt Firm has helped the Receiver locate, coordinate and supervise local repairs, maintenance and access to the properties. The Wyatt Firm assisted the Receiver arranging for the repair of a water leak and arranging for and reviewing information on commercial roofing contractors to perform significant roof repairs at the Danville warehouse. The Wyatt Firm also addressed certain complex real estate title and title insurance issues concerning the transfer of title to the farm to the receivership QSF, including reviewing the proposed title insurance commitment and addressing various means to obtain title insurance satisfactory to the Receiver, reviewing the form of transfer and title documents, and coordinating the recording of the title transfer document and issuance of the final title insurance commitment.

11. I am a partner of the McKenna Firm and am familiar with the methods and procedures used to create, record and maintain billing records for the firm's clients. The billing summaries attached hereto as Exhibits 1 through 12 are prepared from computerized time

records prepared contemporaneously with the services rendered by each attorney and paralegal billing time to this matter. These computerized records are prepared in the ordinary course of business by the attorneys and paralegals employed by the firm who have a business duty to accurately record their time spent and services rendered on the matters on which they perform work. The time records are transferred into a computerized billing program that generates monthly invoices under the supervision of the firm's accounting department. Based upon my experience with the McKenna Firm, I believe its methods and procedures for recording and accounting for time and services for its clients are reliable and accurate.

12. I have over 34 years' experience as a business and commercial litigator and also have extensive experience as a bankruptcy attorney representing creditors in Chapter 11 and Chapter 7 bankruptcy cases. For more than fifteen years I have also specialized in representing receivers in federal equity receiverships. I believe my firm's rates and the amount incurred by the Receiver for the services rendered during the initial expense period are reasonable and appropriate based on the nature of the services rendered, the quality and amount of services provided, the complexity of the issues involved and other factors under the circumstances, including the results obtained.

I declare under penalty of perjury that the foregoing is true and correct and that this declaration was executed this 10th day of October 2014 at Los Angeles, California.

/s/Gary Owen Caris

GARY OWEN CARIS

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-GFVT-REW

**DECLARATION OF BRICK KANE IN SUPPORT OF RECEIVER'S MOTION FOR
APPROVAL AND PAYMENT OF RECEIVER'S AND PROFESSIONALS' FEES AND
EXPENSES FOR THE PERIOD FROM MARCH 1, 2014 THROUGH AUGUST 31, 2014**

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") appointed pursuant to 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”). The Temporary Restraining Order was extended from time to time by stipulation of the parties. The Illinois District Court granted the defendants' motion to transfer venue of the case to this Court, entering an order that further extended the Temporary Restraining Order to allow this Court to rule on the Plaintiffs' motion for a preliminary injunction. On May 28, 2013, this Court entered the Preliminary Injunction Order making the Receiver the permanent receiver of the Receivership Defendants.

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 fourth 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, 2014 through August 31, 2014 (“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, 2014 ("Financial Summary") attached hereto as Exhibit 1. During the Expense Period, the Receiver incurred fees for the services of the Receiver of \$14,863.95, Senior Staff fees of \$56,093.10, and Support Staff fees of \$1,877.60, for a total of \$72,834.65, described in the billing records attached hereto as Exhibits 2 through 7. The Receiver incurred Receiver's expenses of \$26,369.81, primarily consisting of expenses for preparation of tax returns for the Receivership Defendants and the estate. A copy of the billing summary for services rendered by the Receiver's outside accounting firm, Squar Milner, in connection with the tax return preparation is included in Exhibit 7 attached hereto.

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 \$117,373.95 and costs of \$3,184.67 during the Expense Period. The Receiver has incurred attorneys' fees of \$23,693.50 and costs of \$3,571.38 for the services of the Receiver's local counsel, Wyatt, Tarrant & Combs, LLP ("Wyatt Firm"). Copies of the billing records 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.

6. During the current Expense Period, the Receiver has administered and taken steps to begin liquidating multiple real properties turned over to the Receiver under the Final Judgment and has continued to administer and attempt to sell one of the primary assets of the Receivership Defendants, the warehouse property located in Danville, Kentucky. Under the Final Judgment entered in May 2014, the Defendants turned over to the Receiver for administration and sale a farm in Danville, Kentucky, a condominium in Florida located on Palm Island Drive and a single

family residence on Daniel Island in South Carolina along with various personal property assets, including a Crestline boat in South Carolina, a Searay watercraft in Florida, jet skis, various vehicles and coins and bullion. The Receiver's activities since May 2014 have focused on obtaining possession and control of these assets, analyzing their value and examining the alternatives available for the estate to liquidate these assets and maximize value, as well as the steps needed to be taken to maintain and preserve those assets pending their disposition.

7. The Receiver liquidated the coins and bullion and recovered \$27,460.30 from the sale. The Receiver has taken possession of the other personal property and has investigated methods of selling that personal property to maximize value. The Receiver has negotiated an agreement with an auctioneer to sell some of the personal property turned over by the Defendants under the Final Judgment, including the vehicles and the Searay turned over to the Receiver, as well as the remaining furniture, fixtures and equipment at the Danville warehouse. The auction sale of the personal property is scheduled to be conducted on October 25, 2014. The Receiver is marketing the Crestline boat in South Carolina through a local sales agent.

8. The Receiver has investigated the value of the Florida and South Carolina real properties and issues concerning their sale. The Receiver has interviewed potential brokers and is in the process of listing those properties for sale. The Florida condominium has certain unique issues affecting its sale, including pending construction defect litigation that the Receiver is evaluating with the prospective brokers. These properties have required the Receiver to supervise various maintenance and repairs for the properties, arrange for utility service to be transferred and insure the properties for the protection and preservation of these assets for the estate.

9. The Danville farm has also required various administrative activities and investigation by the Receiver. Hay is growing on the farm and has required the Receiver to arrange for the hay to be harvested and removed. The hay is considered a fire hazard, and the Receiver has had to investigate ways to remove the hay in the most cost-effective manner for the estate. The Receiver was able to contract with another local farmer who is removing the hay in

exchange for the right to retain it, allowing the property to be cleared of the fire hazard without cost to the estate. Based on the Receiver's investigation, the cost for the Receiver to pay to remove and bale the hay would have equaled or exceeded any recovery the Receiver could have made by trying to sell it.

10. Pursuant to stipulations for the liquidation of assets previously approved by the Court, the Receiver entered into an agreement with a third party in a prior expense period for the sale of the Receivership Defendants' personal property assets. The liquidation of the inventory is ongoing and the estate has continued to obtain modest recoveries from sales of product. The Receiver monitors those sales and reviews the accountings and periodic reporting the third party is required to provide regarding the inventory liquidation. The estate recovered an additional \$19,065.54 from the inventory sales during this Expense Period.

11. Pursuant to the stipulations authorizing liquidation of various assets, the Receiver has had the Danville warehouse property listed for sale with a broker for several months. The Receiver has had a serious expression of interest in the warehouse property from one potential buyer. The Receiver has also had to address administrative issues concerning the Danville warehouse property, including maintenance and repair issues for water and roof damage and issues regarding providing access to the property by the broker and prospective purchasers, which the Receiver has coordinated through a local consultant.

12. During this Expense Period, the Receiver and its counsel continued to investigate and analyze the receivership estate's potential claims against third parties, and in particular claims against former representatives of the Receivership Defendants who received substantial payments in the form of commissions and bonuses when the businesses were in operation. In the prior expense period, the Receiver's counsel sent demand letters to numerous highly compensated representatives advising them of the Receiver's claims against them.

13. During this Expense Period, the Receiver and counsel reviewed and evaluated the responses received from several of the highly compensated representatives to whom demand letters were sent and had follow up contacts with many of those to whom demand letters were

sent. In many instances, the responses included detailed personal financial statements requested by the Receiver and other information provided by the highly compensated representatives explaining their financial condition and other facts and circumstances for the Receiver to consider in determining whether to file suit against the representatives based on the demands. The Receiver also continued to investigate the location of many of the highly compensated representatives and information regarding various corporate entities associated with the representatives and through which some of the payments to the representatives may have been funneled. In anticipation of the Receiver filing suit, the Receiver's representatives also reviewed and investigated various records of the Receivership Defendants pertinent to the Receiver's claims. These records are voluminous, and include records in electronic as well as hard copy form.


14. During the Expense Period, the Receiver with counsel addressed certain additional issues arising in the wind down of the Receivership Defendants' 401K retirement plan and the distribution of its assets. The Receiver also recovered tax refunds based on tax returns for 2012 filed by the Receiver on behalf of the Receivership Defendants, as reflected in the Financial Summary. The Receiver also dealt with various issues regarding the preparation and filing of tax returns for the Receivership Defendants and other tax issues related to the estate for 2013.

15. The Receiver regularly prepares bank account reconciliations and engages in other similar administrative and accounting activities. There are numerous former employees and creditors of the Receivership Defendants. The Receiver regularly responds to calls and inquiries from former employees, creditors and others regarding the status of the case and other issues.

16. 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 7 day of October 2014 at Sun Valley, California.



BRICK KANE

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, 2014

	Previously Reported and Approved	Mar 14	Apr 14	May 14	Jun 14	Jul 14	Aug 14	3/1/14-8/31/14	TOTAL
Proceeds from Sale of Assets									
Sale of Coin & Bullion	0.00	0.00	0.00	0.00	0.00	0.00	27,460.30	27,460.30	27,460.30
Sale of Product Inventory	13,643.61	0.00	15,000.00	1,964.54	952.99	0.00	1,148.01	19,065.54	32,709.15
Sale of T. Mills Cattle	155,550.81	0.00	0.00	0.00	0.00	0.00	0.00	0.00	155,550.81
Total Proceeds from Sale of Assets	169,194.42	0.00	15,000.00	1,964.54	952.99	0.00	28,608.31	46,525.84	215,720.26
Corporate Bank Accounts									
Branch Banking & Trust Co.	122,319.11	0.00	0.00	0.00	0.00	0.00	0.00	0.00	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	416,730.90	0.00	0.00	0.00	0.00	0.00	0.00	0.00	416,730.90
JP Morgan Chase Canada	106,777.28	0.00	0.00	0.00	0.00	0.00	0.00	0.00	106,777.28
JP Morgan Chase U.K.	9,949.24	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9,949.24
PaymentTech LLC	716,702.86	0.00	0.00	0.00	0.00	0.00	0.00	0.00	716,702.86
Total Corporate Bank Accounts	1,458,131.51	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,458,131.51
Miscellaneous									
COBRA Payments	47.56	0.00	0.00	0.00	0.00	0.00	0.00	0.00	47.56
Commissions	3,127.40	0.00	0.00	0.00	0.00	69.70	0.00	69.70	3,197.10
Corporate Tax Refunds	3,787.08	13,465.90	0.00	0.00	8,172.60	0.00	0.00	21,638.50	25,425.58
Insurance Premium Refund	13,269.10	67.00	0.00	0.00	0.00	302.70	0.00	369.70	13,638.80
Isaacs Arbitration Settlement	21,975.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	21,975.00
Other	122.47	0.00	0.00	0.00	0.00	0.00	0.00	0.00	122.47
Payroll Tax Refunds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Petry Cash Setled	666.69	0.00	0.00	0.00	0.00	0.00	0.00	0.00	666.69
Pre Receiver State Dated Checks	554.17	0.00	0.00	0.00	0.00	0.00	0.00	0.00	554.17
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	514.97	0.00	0.00	0.00	0.00	0.00	0.00	0.00	514.97
Total Miscellaneous	65,928.30	13,532.90	0.00	0.00	8,172.60	372.40	0.00	22,077.90	88,006.20
Interest Income	567.10	61.11	15.38	14.68	13.29	11.59	10.20	126.25	693.35
Total Income	1,693,821.33	13,594.01	15,015.38	1,979.22	9,138.88	383.99	28,618.51	68,729.99	1,762,551.32

**ROBB EVANS &
ROBB EVANS & ASSOCIATES, LLC**
Receiver of
Fortune Hi-Tech Marketing, Inc., et al.
Receivship Administrative Expenses and Fund Balance
From Inception (January 24, 2013) to August 31, 2014

Expense	Previously Reported and Approved	Mar 14	Apr 14	May 14	Jun 14	Jul 14	Aug 14	3/1/14-8/31/14	TOTAL
Property & Asset Expenses									
215 Feryman Ln, Daniel Is, SC									
Boat Moorage	0.00	0.00	0.00	0.00	368.00	368.00	368.00	1,104.00	1,104.00
Electricity	0.00	0.00	0.00	0.00	0.00	539.87	554.67	1,094.54	1,094.54
Landscaping Maintenance	0.00	0.00	0.00	0.00	0.00	310.00	310.00	620.00	620.00
Maintenance & Repair	0.00	0.00	0.00	0.00	0.00	250.00	0.00	250.00	250.00
Pool Maintenance	0.00	0.00	0.00	0.00	240.00	240.00	240.00	720.00	720.00
Property Insurance Premium	0.00	0.00	0.00	280.69	765.51	791.04	791.04	2,628.28	2,628.28
Water	0.00	0.00	0.00	0.00	0.00	169.86	44.05	213.91	213.91
Total 215 Feryman Ln, Daniel Is, SC	0.00	0.00	0.00	280.69	1,373.51	2,668.77	2,307.76	6,630.73	6,630.73
7542 Palm Island Dr. FL									
Annual Resort Service Fees	0.00	0.00	0.00	0.00	592.50	0.00	0.00	592.50	592.50
Cable & Internet	0.00	0.00	0.00	0.00	0.00	95.24	0.00	95.24	95.24
HOA Fees	0.00	0.00	0.00	0.00	0.00	3,428.00	0.00	3,428.00	3,428.00
Property Insurance Premium	0.00	0.00	0.00	141.81	386.78	399.67	399.67	1,327.93	1,327.93
Repairs & Maintenance	0.00	0.00	0.00	0.00	0.00	1,159.82	1,676.00	2,835.82	2,835.82
Utilities	0.00	0.00	0.00	0.00	92.71	140.85	138.30	371.86	371.86
Water & Sewer	0.00	0.00	0.00	0.00	0.00	196.00	98.00	294.00	294.00
Total 7542 Palm Island Dr. FL	0.00	0.00	0.00	141.81	1,071.99	5,419.58	2,311.97	8,945.35	8,945.35
Lebanon Rd, Danville, KY Farm									
Mortgage Payment	0.00	0.00	0.00	0.00	9,482.73	9,482.73	9,482.73	28,448.19	28,448.19
Property Insurance Premium	0.00	0.00	0.00	6.28	17.14	17.70	17.70	58.82	58.82
Total Lebanon Rd, Danville, KY Farm	0.00	0.00	0.00	6.28	9,499.87	9,500.43	9,500.43	28,507.01	28,507.01
Vehicle Registration	0.00	0.00	0.00	0.00	0.00	0.00	116.42	116.42	116.42
Total Property & Asset Expenses	0.00	0.00	0.00	428.78	11,945.37	17,588.78	14,236.58	44,199.51	44,199.51
Business Operations									
401K Plan Fees	1,980.19	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,980.19
Consulting Services	1,656.90	0.00	0.00	3,433.68	3,529.24	0.00	1,092.66	8,055.58	9,712.48
Data Storage & Backup	10,002.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,002.45

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Receivership Administrative Expenses and Fund Balance
From Inception (January 24, 2013) to August 31, 2014

	Previously Reported and Approved	Mar 14	Apr 14	May 14	Jun 14	Jul 14	Aug 14	3/1/14-8/31/14	TOTAL
Electricity	9,639.35	693.99	669.39	550.66	355.81	342.16	327.34	2,939.35	12,578.70
Garbage & Waste Services	561.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	561.20
Gas & Propane	9,990.17	1,439.67	986.33	747.70	27.27	0.00	21.76	3,222.73	13,212.90
Health Insurance Premiums	90,502.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00	90,502.43
Lawn & Landscaping Maintenance	560.00	0.00	80.00	0.00	160.00	80.00	80.00	400.00	960.00
Legal Fees & Expenses									
Pre-Receiver Fees/Expenses	23,408.60	0.00	0.00	0.00	0.00	0.00	0.00	0.00	23,408.60
Gardere Wynne Sewell LLP									
Insurance Claim Reimbursement	(14,075.50)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(14,075.50)
Legal Fees	14,566.00	0.00	0.00	0.00	0.00	0.00	633.00	633.00	15,199.00
Legal Costs	56.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	56.40
Total Gardere Wynne Sewell LLP	546.90	0.00	0.00	0.00	0.00	0.00	633.00	633.00	1,179.90
Total Legal Fees & Expenses	23,935.50	0.00	0.00	0.00	0.00	0.00	633.00	633.00	24,588.50
Liability Insurance Premiums	27,405.16	3,053.61	1,017.86	140.24	135.72	140.24	140.24	4,627.91	32,033.07
Life Insurance Premiums	1,457.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,457.00
Office Moving Expenses	6,515.52	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,515.52
Payroll Expenses	171,323.18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	171,323.18
Payroll Processing Fees	6,375.06	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,375.06
Permit & Fees	50.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	50.00
Phone & Internet Services	13,930.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13,930.58
PO Box Rental	105.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	105.09
Postage & Delivery	2,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,000.00
Property Taxes	0.00	0.00	1,290.95	0.00	0.00	0.00	0.00	1,290.95	1,290.95
Rent/Lease Payments	143,328.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	143,328.00
Repairs & Maintenance	668.11	0.00	0.00	2,950.00	0.00	0.00	0.00	2,950.00	3,618.11
Safe Deposit Box Rent	0.00	0.00	0.00	0.00	152.00	0.00	0.00	152.00	152.00
Water & Sewer	1,801.89	0.00	252.52	0.00	252.63	0.00	0.00	505.15	2,307.04
Workers Compensation Insurance	3,712.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,712.75
Total Business Operations	527,520.53	5,187.27	4,297.05	7,822.28	4,612.67	562.40	2,295.00	24,776.67	552,297.20

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Fortune Hi-Tech Marketing, Inc., et al
Receivership Administrative Expenses and Fund Balance
From Inception (January 24, 2013) to August 31, 2014

	Previously Reported and Approved	Month						3/1/14-8/31/14	TOTAL
		Mar 14	Apr 14	May 14	Jun 14	Jul 14	Aug 14		
Receiver Fees & Expenses									
Receiver Fees									
R. Evans	306.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	306.00
B. Kane	34,190.10	90.45	241.20	422.10	2,984.85	723.60	391.95	4,854.15	39,044.25
K. Johnson	20,260.80	0.00	0.00	0.00	512.55	0.00	0.00	512.55	20,773.35
V. Miller	31,295.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	31,295.70
A. Jen	36,210.15	90.45	753.75	241.20	271.35	1,778.85	6,361.65	9,497.25	45,707.40
Total Receiver	122,262.75	180.90	994.95	663.30	3,768.75	2,502.45	6,753.60	14,863.95	137,126.70
Senior Staff									
L. Lee	22,099.95	90.45	30.15	60.30	60.30	30.15	60.30	331.65	22,431.60
F. Jen	48,330.45	0.00	0.00	14,200.65	1,778.85	0.00	0.00	15,979.50	64,309.95
T. Chung	52,280.10	1,296.45	30.15	663.30	12,843.90	6,452.10	211.05	21,496.95	73,777.05
C. Callahan	43,605.00	337.50	1,282.50	3,082.50	4,882.50	1,935.00	1,597.50	13,117.50	56,722.50
B. Owings	8,257.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8,257.50
C. DeCius	29,286.00	189.00	558.00	504.00	657.00	783.00	540.00	3,231.00	32,517.00
J. Dabhin	1,881.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,881.00
E. Roop	43,740.00	0.00	0.00	0.00	1,930.50	0.00	0.00	1,930.50	45,670.50
N. Wolf	678.00	0.00	0.00	0.00	6.00	0.00	0.00	6.00	684.00
Total Senior Staff	250,158.00	1,913.40	1,900.80	18,510.75	22,159.05	9,200.25	2,408.85	56,093.10	306,251.10
Adjustment/Discount Support Staff									
	(32,520.03)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(32,520.03)
Total Receiver Fees	346,539.82	2,183.50	2,954.35	19,280.65	26,673.50	12,443.20	9,299.45	72,834.65	419,374.47
Receiver Expenses									
Appraisals & Surveys	8,100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	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	165.00	0.00	0.00	0.00	1,303.82	82.01	0.00	1,385.83	1,550.83
Locksmith Services	787.68	0.00	0.00	0.00	0.00	0.00	0.00	0.00	787.68

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	Previously Reported and Approved	Mar 14	Apr 14	May 14	Jun 14	Jul 14	Aug 14	3/1/14-8/31/14	TOTAL
Office Telephone & Supplies	592.16	28.52	26.96	24.66	26.69	38.42	26.61	171.86	764.02
Postage & Delivery	3,052.76	37.67	2.88	1.65	5.28	653.17	206.94	907.59	3,960.35
Tax Return Preparation	24,093.27	0.00	0.00	0.00	0.00	0.00	23,594.00	23,594.00	47,687.27
Travel & Lodging	35,744.23	0.00	0.00	0.00	0.00	0.00	0.00	0.00	35,744.23
Website Support & Information	1,972.80	0.00	0.00	124.21	0.00	115.34	70.98	310.53	2,283.33
Miscellaneous	62.54	0.00	0.00	0.00	0.00	0.00	0.00	0.00	62.54
Total Receiver Expenses	99,940.83	66.19	29.84	150.52	1,335.79	888.94	23,898.53	26,369.81	126,310.64
Legal Fees & Costs									
Barnes & Thornburg LLP									
Legal Fees	6,043.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,043.00
Legal Costs	972.95	0.00	0.00	0.00	0.00	0.00	0.00	0.00	972.95
Total Barnes & Thornburg LLP	7,015.95	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,015.95
Gowings Lafleur Henerson LLP									
Legal Fees	6,245.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6,245.50
Legal Costs	4,264.08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,264.08
Total Gowings Lafleur Henerson LLP	10,509.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10,509.58
McGuireWoods LLP									
Legal Costs	325.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	325.00
Total McGuireWoods LLP	325.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	325.00
Mckenna Long & Aldridge LLP									
Legal Fees	215,281.80	854.10	6,246.00	2,161.35	3,461.85	2,100.60	4,431.60	19,255.50	234,537.30
Legal Costs	1,958.10	60.30	0.00	487.69	42.01	234.86	171.95	996.81	2,954.91
Third Party Claims Fees	7,260.30	20,166.75	7,420.50	15,140.25	24,841.80	20,020.05	10,529.10	98,118.45	105,378.75
Third Party Claims Costs	130.00	0.96	102.61	1,540.57	262.27	24.65	256.80	2,187.86	2,317.86
Total Mckenna Long & Aldridge LLP	224,630.20	21,082.11	13,769.11	19,329.86	28,607.93	22,380.16	15,389.45	120,558.62	345,188.82
Wyatt Tarrant & Combs LLP									
Legal Fees	55,083.00	1,235.00	544.50	378.00	11,293.50	5,159.00	5,083.50	23,693.50	78,776.50
Legal Costs	6,179.66	46.56	0.60	1,137.82	1,072.06	45.07	1,269.27	3,571.38	9,751.04
Total Wyatt Tarrant & Combs LLP	61,262.66	1,281.56	545.10	1,515.82	12,365.56	5,204.07	6,352.77	27,264.88	88,527.54

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Total Legal Fees & Costs	303,743.39	22,363.67	14,314.21	20,845.68	40,973.49	27,584.23	21,742.22	147,823.50	451,566.89
Total Receiver Fees & Expenses	750,224.04	24,613.36	17,298.40	40,276.85	68,982.78	40,916.37	54,940.20	247,027.96	997,252.00
Total Expenses	1,277,744.57	29,800.63	21,595.45	48,527.91	85,540.82	59,067.55	71,471.78	316,004.14	1,593,748.71
Net Transactions		<u>(16,206.62)</u>	<u>(6,580.07)</u>	<u>(46,548.69)</u>	<u>(76,401.94)</u>	<u>(58,683.56)</u>	<u>(42,853.27)</u>	<u>(247,274.15)</u>	
Fund Balance	<u>416,076.76</u>								<u>168,802.61</u>