

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

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

Motion of Receiver for Order
Authorizing Payment of Administrative Fees and Expenses Incurred for
the Period February 1, 2008 Through August 31, 2008

Filed November 4, 2008

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

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

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

6. Pursuant to the Receivership Order, the Receiver is directed to take custody and control of all of the funds, property, accounts and other assets of LSAM in the possession of, or under the control of the LS Common Enterprise.

7. Since the appointment, the Receiver has investigated and is attempting to take possession and control of assets of the receivership estate in excess of \$245 million dollars. To that

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

end, the Receiver has filed Proofs of Claim in the pending chapter 11 bankruptcy of Sentinel Asset Management Group, Inc. ("Sentinel") in the approximate amount of \$165 million dollars and is a party to the interpleader proceedings pending in the High Court of London to resolve the competing claims to the approximately \$80 million dollars paid into the court by MF Global UK Limited, Lehman Brothers International (Europe) and Newedge Group SA (formerly Fimat International Banque SA).

8. As the Court is well aware the members of the LS Common Enterprise and Philip J. Baker have ignored the Receivership Order and all other orders of this Court requiring that all funds, assets and other property be turned over to the Receiver. As a result, at present there are no funds in the receivership estate.

9. The actions of the LS Common Enterprise and Philip J. Baker have necessitated that the Receiver expend significant time and money to preserve all claims to the funds of LSAM in both the Sentinel bankruptcy and the London interpleader proceedings.

10. In particular, the Receiver has successfully had certain competing Proofs of Claim filed on behalf of the Lake Shore entities disallowed and expunged by the Bankruptcy Court in Sentinel. The Receiver is now the sole party with a right to receive distributions from the Sentinel estate.

11. The Receiver, through its London counsel, Manches is vigorously pursuing the Receiver's claims in the London interpleader proceedings. Significant time and expense has been incurred up to this point and the Receiver will continue to incur significant expenses prior to the trial date of April 29, 2009, in discovery and preparation for trial.

12. The Receiver has been unable to make a distribution to investors as the funds and assets of the LS Common Enterprise have not been transferred to the Receiver.

13. The Receiver seeks approval of its fees and expenses for the period set forth in this request. The Receiver anticipates payment of the fees and expenses of foreign and outside counsel previously approved by this Court on May 1, 2008 [Dkt. No. 559] and of the fees and expenses of its foreign and outside counsel requested in this motion, from funds to be received from the issuance of a

Receivership Certificate.³ The Receiver will not pay any of the allowed fees and expenses of the Receiver and its staff until such time as funds of the LS Common Enterprise are transferred to the Receiver and become part of the receivership estate.

14. This is the second request of the Receiver for approval of fees and expenses.

15. The Receiver seeks approval of the fees and expenses of the Receiver, the Receiver's staff, and the Receiver's counsel for the period February 1, 2008 through August 31, 2008. Payment of the approved fees and expenses will be made as set forth above. The fees and expenses for which approval is requested are set forth in the summary entitled "Receivership Expenses by Month" attached hereto as Exhibit 1.

16. The monthly invoices which were used to prepare Exhibit 1 are attached hereto as Exhibit 2. Due to the pendency of the Sentinel bankruptcy and the London Interpleader and the continued and unwarranted actions of the LS Common Enterprise and Philip J. Baker, certain entries on the monthly invoices attached as Exhibit 2 have been redacted to remove information relating to strategy of the Receiver and its foreign and outside counsel. A full unredacted set of monthly invoices and the redacted pages will be delivered to the court with the courtesy copy of this motion. The Receiver as part of this motion seeks authorization for the filing of the redacted monthly invoices.

17. For this current application, the fees and expenses of the Receiver include the following itemized items: Receiver's fees of \$92,509.40, staff fees for financial reconstruction and accounting of \$44,332.50, staff fees for information technology and database maintenance of \$2,619.90, and legal fees and expenses for foreign counsel and outside counsel, of \$558,241.89.

18. As set forth in detail in Exhibit 1, and including additional out-of-pocket expenses of the Receiver of \$6,732.98, the Receiver has incurred \$709,552.37 in fees and expenses for the period February 1, 2008 through August 31, 2008.

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

³ The Receiver by separate motion filed on October 29, 2008 [Dkt. No. 604] has requested authority to issue a Receivership Certificate in the amount of \$1,500,000.00 to pay the fees and expenses of foreign and outside counsel.

i. The Receiver and its staff have met with, and are in regular contact with, investors and their representatives to identify the clients and investments made by these clients with the Receivership Defendants.

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

iii. The Receiver is conducting worldwide discovery, including efforts to contact, interview, subpoena and depose individuals, banks and business affiliations with information about the assets of the Receivership Defendants.

iv. The Receiver and its staff are working with foreign counsel to take custody and control of all funds held on behalf of the Lake Shore Companies and have prepared numerous documents supporting the London interpleader action and reviewed records from many sources to show the control and movement of funds through the Lake Shore accounts at Sentinel and the London FCMs. The Receiver is working with counsel in several foreign jurisdictions regarding assets and documents in those jurisdictions. The Receiver and its staff are working with the CFTC to review all the Lake Shore companies' books and records and to gain access to those records from various sources and through the cooperation of foreign authorities in several jurisdictions. The Receiver's counsel has prepared and responded to numerous discovery requests in connection with the ongoing litigations.

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

vi. The Receiver and its staff are continuing the accounting and investigative work to identify all additional assets of the Receivership Defendants, including all transfers to Hanford Investments and to third parties.

vii. The Receiver and its bankruptcy counsel prepared and filed proofs of claim in the Sentinel bankruptcy proceeding and filed motions to disallow the competing claims filed by the former management of Lake Shore Asset Management, Ltd.. The Receiver and its staff and counsel are also in contact with and working closely with the Sentinel Trustee and other Sentinel creditors on matters relating to the claims brought by the Sentinel Trustee and the confirmation of the plan jointly filed by the Sentinel Trustee and the Official Committee of Unsecured Creditors.

20. Pursuant to LR 66.1(a)(1), the court shall have discretion to fix the allowance of compensation of the Receiver and its attorneys. The Receiver has served all parties who have filed appearances in the case with a copy of this Motion and all Exhibits by electronic mail through the court noticing system. The Receiver will also post a copy of the Notice of Motion, Motion, with all Exhibits on the Receiver's website. The Receiver will also provide a written copy of the Motion and all Exhibits to any investor, upon request. The Receiver believes that under the circumstances such notice is sufficient.

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

CONCLUSION

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

