

1 SULLIVAN HILL LEWIN REZ & ENGEL
A Professional Law Corporation
2 Christopher V. Hawkins, SBN 222961
550 West C Street, Suite 1500
3 San Diego, CA 92101
Telephone: (619) 233-4100
4 Facsimile: (619) 231-4372

5 Attorneys for Krista L. Freitag, Receiver
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8 UNITED STATES DISTRICT COURT
9 CENTRAL DISTRICT OF CALIFORNIA

10 SECURITIES AND EXCHANGE)
COMMISSION,)

11 Plaintiff,)

12 vs.)

13 ALVIN R. BROWN, FIRST)
CHOICE INVESTMENT, INC.,)
14 and ADVANCED CORPORATE)
ENTERPRISES, INC., d/b/a A-)
15 CORP ENTERPRISES a/k/a)
ACORP DEVELOPMENT a/k/a A-)
16 CORP INVESTMENT,)

17 Defendants.)
18)
19)

CASE NO. CV 13-01629-ABC
(VBKx)

**FIRST INTERIM APPLICATION
FOR APPROVAL AND
PAYMENT OF FEES AND COSTS
OF SULLIVAN, HILL, LEWIN,
REZ & ENGEL AS RECEIVER'S
COUNSEL**

Date: September 9, 2013

Time 10:00 a.m.

Ctrm: 680

United States Courthouse

Edward R. Roybal Federal Building

255 East Temple Street

Los Angeles, CA 90012-3332

Judge: Hon. Audrey B. Collins

20
21 Sullivan, Hill, Lewin, Rez & Engel ("Sullivan Hill"), counsel to Krista L.
22 Freitag ("Receiver"), the Court-appointed Receiver herein, files its first interim fee
23 application. This is Sullivan Hill's first fee application in this case, and Sullivan Hill
24 has not been paid for any services rendered in this case.

25 With this application, for the period from March 7, 2013 through June 30, 2013,
26 Sullivan Hill respectfully requests that the Court award it \$32,535.00 in interim fees
27 and \$437.23 in interim cost reimbursement. During the period from March 7, 2013
28 through June 30, 2013, Sullivan Hill spent 127.8 hours at an overall blended billing

1 rate of \$254.58 per hour. Sullivan Hill has discounted the hourly rates of its
2 professionals by 10 percent, and has agreed that at the time of its final fee application,
3 the firm's blended hourly rate for all professionals will not exceed \$360 per hour.
4 This discount saved the estates \$3,253.50 ($\$32,535.00 \times .10$) during the period
5 covered by this application. In addition, the firm wrote off another \$6,616.50 in
6 charges, in an effort to treat the estates and its constituency as fairly as possible.

7 I.

8 STATEMENT OF THE CASE

9 A. Procedural Posture

10 On March 7, 2013, the Securities and Exchange Commission ("Commission")
11 filed a complaint (Docket No. 3) initiating the instant litigation against Defendants
12 Alvin R. Brown, First Choice Investment, Inc. ("Defendant FCI") and Advanced
13 Corporate Enterprises, Inc. ("Defendant ACorp") alleging violations of various
14 securities laws. Among other things, the Complaint alleges that Defendants misled
15 investors by:

- 16 (1) falsely promising 10 percent annual returns;
- 17 (2) falsely promising a planned initial public offering at the end of 2012 that
18 would net investors 150 percent of their initial investment;
- 19 (3) falsely representing to attract investors that the offering was registered with
20 the Commission;
- 21 (4) falsely promising high returns and investment safety; and
- 22 (5) enticing existing investors into investing more money through a phony "re-
23 allocation" program in which an institutional investor would purportedly purchase
24 investor shares at a premium.

25 At the Commission's request, on March 7, 2013, the Court entered its order
26 (Docket No. 5) appointing Receiver as a temporary receiver for Defendant FCI and
27 Defendant ACorp and the entities they control and manage with full powers of an
28 equity receiver. Thereafter, Defendant Brown stipulated to the appointment of

1 Receiver on a permanent basis (Docket No. 17). On April 8, 2013, the Court so
2 ordered (Docket No. 18).

3 In accordance with the paragraph VI(G) of the Court's March 7, 2013 order
4 (Docket No. 5), the Receiver retained Sullivan Hill as her counsel. The Receiver gave
5 notice of her retention of counsel in her first report to the Court (Docket No. 19).

6 On May 6, 2013, the Receiver filed an interim report and request for
7 instructions regarding the scope of Receiver's authority (Docket No. 19). On May 23,
8 2013, the Court entered an order extending the Receiver's rights and responsibilities
9 to two of Defendant's affiliated entities, First Choice Energy Partners, LP, a/k/a First
10 Choice Oil and Gas Energy Partners ("FCEP") and Advanced Concepts Enterprises,
11 Inc. ("ACE").

12 Pursuant to the Court's orders, the Receiver is charged with, among other
13 things, (1) assuming control over the receivership entities and their assets, (2)
14 performing an accounting of the assets and financial condition of the receivership
15 entities, (3) investigating, locating, and accounting for receivership assets, and (4)
16 preparing reports for the Court.

17 Defendant Alvin R. Brown has invoked his right against self-incrimination
18 under the Fifth Amendment. This fact has hampered the Receiver's investigation in
19 locating assets and in contacting individuals who received material sums of money
20 disbursed from subject bank accounts.

21 **B. Receivership Activities**

22 **1. Takeover of Entities**

23 Upon her appointment, Receiver took control of the receivership entities,
24 including taking control of offices and records (described below), bank accounts and
25 websites. She notified the entities' agents, vendors and investors of her appointment.
26 As described above, Receiver's efforts in this regard have been hampered by the
27 Defendant Brown's invoking his Fifth Amendment rights against self-incrimination.

28 ///

1 **2. Securing Offices and Records**

2 Since her appointment, Receiver has secured various offices from which the
3 receivership entities conducted business – including several offices which Defendant
4 Brown concealed from her, and which Receiver discovered on her own. Those efforts
5 have included securing the business and financial records of the entities located
6 thereon, vacating the premises, and terminating leases where applicable. On May 14,
7 2013, the Receiver noticed the Court of her intent to abandon certain personal
8 property found in one of the premises (Docket No. 24). On May 24, 2013, the
9 Receiver turned possession of the premises along with the personal property therein
10 back to landlord.

11 **3. Recovery of FCEP Funds on Deposit with Colorado Law Firm**

12 In the course of her investigation, Receiver discovered significant funds on
13 deposit in the client trust account of The Wilson Law Firm, P.C. in Fort Collins,
14 Colorado on behalf of FCEP. The Colorado law firm cooperated with Receiver, and
15 ultimately turned over to her the sum of \$182,750, along with documentary evidence
16 regarding investor names, contact information, and respective contributions.

17 **4. Receiver’s Accounting**

18 Receiver has performed an extensive “sources and uses of funds” analysis in an
19 effort to locate from where the receivership entities raised money, and where it went.
20 On July 1, 2013, she submitted the analysis (and a summary thereof) as part of an
21 interim report to the Court (Docket No. 29). Receiver’s analysis will “pave the way”
22 for the balance of the receivership.

23 **5. Efforts to Locate and Obtain Additional Records**

24 In the course of her investigation, Receiver was able to track large sums of
25 money transferred to accounts maintained at Canadian Imperial Bank of Canada
26 (“CIBC”). CIBC’s fraud department has been cooperative with Receiver, but is
27 unable to release to Receiver the records identifying the recipients of such funds
28 absent certain legal process in Canada. Receiver is presently evaluating the costs of

1 such process. Receiver also worked with the Ontario Securities Commission in hopes
2 of obtaining the records through them, but the Canadian regulator is only able to
3 produce the records to the Commission, and pursuant to applicable international
4 treaties, the Commission is unable to share the records with Receiver.

5 **6. Moving Forward**

6 It appears that the vast majority of the funds raised from investors were
7 transferred either to Defendant Brown or to third parties in Canada. Receiver is
8 attempting to evaluate the legal grounds for recovering funds from these recipients, as
9 well as the “collectability” of any judgment for same. She does not want spend estate
10 funds on recovery efforts unless she has a good faith belief that the efforts are likely to
11 produce a net economic benefit to the estates. This already difficult process is greatly
12 hampered by Defendant Brown’s having invoked his Fifth Amendment right against
13 self-incrimination. Receiver intends to file shortly a Receiver’s Report outlining
14 possible next steps in the case.

15 **C. Financial Position of Receivership Estates**

16 As of June 24, 2013 – the date of the most recent interim report filed by
17 Receiver (Docket No. 28) -- the Receiver has approximately \$224,946.34 in cash on
18 hand across all four estates, all of which cash appears to be unencumbered. Accrued
19 administrative expenses total approximately \$86,430.97, and consist of the following:

- 20 (1.) \$41,139.38 Receiver’s Fees requested concurrently herewith;
21 (2.) \$12,319.36¹ Receiver’s Costs requested concurrently herewith; and
22 (3.) \$32,972.23 Legal Fees and Costs requested herein.

23 **D. Allocation of Fees Among Entities**

24 The Receiver presently has four distinct receivership estates under her control –
25 one for each of the entities the Court has placed into receivership. The Receiver
26 intends to allocate the fees and costs awarded under this application pro rata among
27 _____

28 ¹ Includes \$10,140.18 of forensic computer specialists used in conjunction with takeover of the receivership entities.

1 the estates based on the cash positions of the estates as of June 24, 2013, the date used
2 in the most recent interim report filed by Receiver (Docket No. 29). Accordingly, the
3 estates will bear the following percentage of fees and costs awarded under this
4 application:

- | | | | |
|---|-----|--------|--------|
| 5 | (1) | FCI | 7.28% |
| 6 | (2) | A-Corp | 0.84% |
| 7 | (3) | FCEP | 90.84% |
| 8 | (4) | ACE | 1.04% |

9 The instant fee application is interim in nature, and the present allocation of
10 fees and costs among the estates may be “trued up” at a later time, to the extent
11 necessary to ensure that each estate bears its fair share of administrative expenses.

12 II.

13 **SUMMARY AND DESCRIPTION OF SERVICES AND CHARGES**

14 Sullivan Hill established separate billing categories for 7 different matters in this
15 case. Detailed descriptions of the services performed by the attorneys and paralegals
16 of Sullivan Hill, the time spent in connection with those services, and the charges
17 associated with those services, are set forth in the corresponding statements of account
18 attached as Exhibit “B” to the Declaration of Christopher V. Hawkins (“Hawkins
19 Declaration”) filed concurrently herewith. The following is a summary of those
20 services and charges:

21 **A. Case Administration (2761.16144)**

22 Sullivan Hill provided services in connection with the general administration of
23 this receivership, including: Review of case background materials; advised the
24 Receiver regarding evidence of ongoing business activities by the Defendants in
25 violation of the Court’s orders; advised the Receiver regarding Defendant Brown’s
26 exercise of his Fifth Amendment right against self-incrimination, and the impact upon
27 the receivership in terms of greater cost and complexity; conferred with counsel for
28 the Commission regarding the continuance of various hearings and Defendant

1 Brown's ultimate stipulation to the receivership; assisted the Receiver in noticing
2 investors of the receivership; analyzed claims asserted against Defendants in Oregon
3 state court, in possible violation of this Court's order, and conferred with Oregon
4 attorney re same; advised the Receiver re the foregoing and other matters; and
5 otherwise addressed issues relating to the general administration of this receivership.

6 These services were necessary to administer the receivership in accordance with
7 the Court's orders, local rules, and other similar requirements, and thus benefitted the
8 estates accordingly. Sullivan Hill wrote off \$1,088.00 in charges for services it
9 provided in this category.

Name	Title	Rate	Hours	Fees
Christopher V. Hawkins	Shareholder	\$0	3.2	\$0
Christopher V. Hawkins	Shareholder	\$340	14.9	\$5,066.00
Jamie N. Vidovich	Paralegal	\$170	1.7	\$289.00
D. Gianna Garcia	Paralegal	\$135	.6	\$81.00
TOTAL			20.4	\$5,436.00
Avg. Hourly Rate		\$266		

16
17 **B. Office Space/FFE (2761.16328)**

18 Sullivan Hill provided services in connection with office space used by the
19 Defendants, and the furniture, fixtures and equipment related thereto, including:
20 Analyzed the Receiver's rights with respect to the hard assets recovered at the
21 undisclosed Beverly Hills office; corresponded with potential auctioneers; prepared
22 and prosecuted a notice of intent to abandon the assets due to inability to realize net
23 value from them; analyzed the Receiver's rights and responsibilities with respect to
24 the hard assets recovered at a second undisclosed office; conferred with the Receiver
25 regarding evidence of Defendant Brown's request that the supplier of Defendants'
26 furniture fabricate the terms of transaction; addressed issues arising from lease
27 terminations; advised the Receiver re the foregoing and other matters; and otherwise
28

1 addressed issues relating to the Defendant's leased office space and the hard assets
2 discovered therein.

3 These services were necessary to recover documents, computers and other
4 records of the Defendants required by the Receiver to perform the accounting analysis
5 required by the Court, to minimize the burden on landlords, and to minimize any
6 ongoing liability to the receivership estates, and thus benefitted the estates
7 accordingly. Receiver does not anticipate additional services required in this
8 category.

Name	Title	Rate	Hours	Fees
Christopher V. Hawkins	Shareholder	\$340	5.5	\$1,870.00
D. Gianna Garcia	Paralegal	\$135	1.4	\$135.00
TOTAL			6.9	\$2,059.00
Avg. Hourly Rate		\$298		

13
14 **C. Asset Analysis and Recovery (2761.16329)**

15 Sullivan Hill provided services in connection with the Receiver's efforts to
16 recover assets of the Defendants, including: Analyzed the Receiver's rights and
17 responsibilities with respect to approximately \$180,000 discovered by Receiver on
18 deposit in the client trust account of a Colorado attorney; conferred with the Colorado
19 attorney regarding the dispute over the funds; negotiated a resolution of the dispute
20 and the turnover of the funds by the Colorado attorney to Receiver; advised the
21 Receiver re the foregoing and other matters; and otherwise addressed issues relating to
22 asset recovery.

23 These services were necessary to recover the approximately \$180,000, and thus
24 benefitted the estates accordingly. Receiver is presently evaluating the likelihood that
25 further efforts to recover funds transferred by the Defendants to third parties will
26 result in a net financial benefit to the estates.

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Name	Title	Rate	Hours	Fees
Christopher V. Hawkins	Shareholder	\$340	8.3	\$2,822.00
TOTAL			8.3	\$2,822.00
Avg. Hourly Rate		\$340		

D. Interim Reports (2761.16325)

Sullivan Hill provided services in connection with various reports prepared by Receiver and filed with the Court, including: Assisted the Receiver in the preparation of her first interim report (which included a request for additional instructions); assisted the Receiver in the preparation of her second interim report; assisted the Receiver in the preparation of the accountings that accompanied the reports; advised the Receiver re the foregoing and other matters; and otherwise addressed issues relating to interim reports.

These services were necessary to comply with the Court’s orders, local rules and similar requirements, and benefitted the estates by providing the Court, the Commission and parties in interest with key information regarding the receivership. The total charges for preparation of the first interim report (which included a request for additional instructions regarding expanding the scope of the receivership) are split between this category and the one below.

Name	Title	Rate	Hours	Fees
Christopher V. Hawkins	Shareholder	\$340	20.2	\$6,868.00
D. Gianna Garcia	Paralegal	\$135	0.3	\$40.50
TOTAL			20.5	\$6,908.50
Avg. Hourly Rate		\$337		

E. Expanding the Scope of Receivership (2761.16327)

Sullivan Hill provided services in connection with the expansion of the scope of the receivership from that originally sought by the Commission, including: Analyzed the substantive legal grounds for expanding the scope, the procedural options for doing so, and the potential costs and benefit to the receivership estates of doing so;

1 conferred with counsel for the Commission; prepared and prosecuted a request for
 2 instructions regarding the expansion of the scope, including an initial order to show
 3 cause affording the Defendants the opportunity to challenge the expansion, and a final
 4 order expanding the scope; advised the Receiver re the foregoing and other matters;
 5 and otherwise addressed issues relating to expanding the scope of the receivership.

6 These services were necessary to prevent further damage to investors through
 7 the dissipation of funds, and benefitted the estates to the extent of the approximately
 8 \$180,000 recovered from the Colorado attorney. In addition to the amounts shown
 9 below, Sullivan Hill wrote off \$189.00 in charges for services it provided in this
 10 category. The total charges for preparation of the first interim report (which included
 11 a request for additional instructions regarding expanding the scope of the receivership)
 12 are split between this category and the one above. Receiver does not anticipate
 13 additional services required in this category.

Name	Title	Rate	Hours	Fees
Christopher V. Hawkins	Shareholder	\$340	18.8	\$6,392.00
Jamie N. Vidovich	Paralegal	\$170	.8	\$136.00
D. Gianna Garcia	Paralegal	\$0	1.4	\$0
D. Gianna Garcia	Paralegal	\$135	13.2	\$1,782.00
TOTAL			34.2	\$8,310.00
Avg. Hourly Rate		\$243		

21 **F. Discovery (2761.16326)**

22 Sullivan Hill provided services in connection with the Receiver’s efforts to
 23 obtain business and financial records of the Defendants, including: Performed
 24 extensive review of voluminous documents during the “first day takeover;” conferred
 25 with counsel for the Commission re same; advised the Receiver in her discussions
 26 with the Defendants’ banks; analyzed the substantive grounds for obtaining bank
 27 records from Canadian bank showing cross-border transfers; analyzed the procedure
 28 for same; conferred with Canadian bank’s fraud department; conferred with the

1 Ontario Securities Commission; advised the Receiver re the foregoing and other
2 matters; and otherwise addressed issues relating to the Receiver's efforts to obtain
3 business and financial records of the Defendants.

4 The services were necessary to achieve a thorough understanding of the sources
5 and uses of the Defendants' funds and the possibility of recovering such funds, and
6 thus benefitted the estates accordingly. In addition to the amounts shown below,
7 Sullivan Hill wrote off \$2,040.00 in charges for services it provided in this category.
8 Receiver is presently evaluating the likelihood that further efforts will result in a net
9 financial benefit to the estates.

Name	Title	Rate	Hours	Fees
Christopher V. Hawkins	Shareholder	\$0	5.4	\$0
Christopher V. Hawkins	Shareholder	\$340	17.9	\$6,086.00
Donald G. Rez	Shareholder	\$405	1.5	\$607.50
Lawrence G. Campitiello	Shareholder	\$0	.6	\$0
Lawrence G. Campitiello	Shareholder	\$340	.9	\$306.00
TOTAL			26.3	\$6,999.50
Avg. Hourly Rate		\$266		

17 **G. Fee Applications (2761.16330)**

18 Sullivan Hill provides services in connection with fee applications, including:
19 Prepared the firm's first interim application and supporting documents; assisted the
20 Receiver in preparation of her first interim application; advised the Receiver re the
21 foregoing and other matters; and otherwise addressed issues relating to professional
22 fees.

23 These services are required by the Court's orders, local rules, Commission
24 guidelines and similar requirements; are necessary to allow the Court, the
25 Commission and parties in interest to evaluate the cost-effectiveness of the
26 receivership; and thus benefitted the estates accordingly.

27 Sullivan Hill performed services totaling \$3,299.50 in this category, but is not
28 charging for these services.

1 **H. Costs**

2 Sullivan Hill requests reimbursement of a total of \$437.23 in costs actually
3 advanced by the firm on behalf of the receivership estates, broken down as follows:

4

Type of Cost	Amount
Legal Services (Copy, Facsimile)	\$189.70
Overnight Delivery	\$42.21
Postage	\$17.72
Travel Expenses	\$187.60
TOTAL	\$437.23

9

10 **III.**

11 **THE REQUESTED FEES ARE REASONABLE AND SHOULD BE**
12 **APPROVED**

13 The fees sought by this fee application are based on the time expended and the
14 nature, extent and value of the services performed on behalf of the Trustee. The time
15 expended and hourly rates are reasonable considering the skill and experience of the
16 attorneys and paralegals engaged in performing the above-described work. In
17 addition, the fees prayed for in this fee application are based on the normal and
18 customary hourly charges of Sullivan Hill. The services that were performed were
19 essential to the estates and benefited creditors and other parties-in-interest. This fee
20 application has been submitted to the Commission in accordance with the
21 Commission's rules on the compensation of professionals for receivers.

22 Pursuant to agreement with the Commission, Sullivan Hill has discounted the
23 hourly rates of its professionals by 10 percent, and has agreed that at the time of its
24 final fee application, the firm's blended hourly rate for all professionals will not
25 exceed \$360 per hour. This discount saved the estates \$3,253.50 ($\$32,535.00 \times .10$)
26 during the period covered by this application. In addition, the firm wrote off another
27 \$6,616.50 in charges, in an effort to treat the estates and its constituency as fairly as
28 possible.

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IV.
CONCLUSION

Based on the foregoing, Sullivan Hill respectfully requests that the Court enter an order in substantially the form submitted as Exhibit “1” herewith:

- (1) awarding and authorizing for immediate payment \$32,535.00 in interim fees;
- (2) awarding and authorizing for immediate payment \$437.23 in interim cost reimbursement; and
- (3) granting such other relief as the Court may find just and proper.

Dated: August 5, 2013 SULLIVAN, HILL, LEWIN, REZ & ENGEL
A Professional Law Corporation

By: /s/ Christopher V. Hawkins
Christopher V. Hawkins
Attorneys for Krista L. Freitag. Receiver

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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

vs.

ALVIN R. BROWN, FIRST CHOICE
INVESTMENT, INC., and
ADVANCED CORPORATE
ENTERPRISES, INC., d/b/a A-CORP
ENTERPRISES a/k/a ACORP
DEVELOPMENT a/k/a A-CORP
INVESTMENT,

Defendants.

CASE NO. CV 13-01629-ABC (VBKx)

**[PROPOSED] ORDER
APPROVING FIRST INTERIM
APPLICATION FOR APPROVAL
AND PAYMENT OF FEES AND
COSTS OF SULLIVAN HILL
LEWIN REZ & ENGEL AS
RECIEVER'S COUNSEL**

Ctrm: 680
United States Courthouse
Edward R. Roybal Federal Building
255 East Temple Street
Los Angeles, CA 90012-3332
Judge: Hon. Audrey B. Collins

The First Interim Application for Approval and Payment of Fees and Costs (“Fee Application”) of Sullivan, Hill, Lewin, Rez & Engel (“Sullivan Hill”), court approved general counsel for the court appointed Receiver herein, Krista L. Freitag (“Receiver”), came on regularly for hearing on September 9, 2013 at 10:00 a.m. United States District Judge Audrey B. Collins presiding. Christopher V. Hawkins appeared on behalf of Sullivan Hill and as counsel for the Receiver and there were no other appearances at the hearing.

The Court having considered the Fee Application, the supporting Declaration of Christopher V. Hawkins filed on August 5, 2013 (Docket nos. 32, 33), the representations of counsel at the hearing; no opposition to the Fee Application having been filed; notice appearing proper; and good cause appearing therefor,

