

In support of this Final Application, the Receiver respectfully shows the following:

I. BACKGROUND

1. Pursuant to an Order of this Court dated July 2, 2012 [ECF No. 11] (the “Appointment Order”), S. Gregory Hays was appointed as Receiver for Lighthouse and all of its assets (collectively, the “Receivership Estate”) and empowered with broad authority over obtaining possession, management, control, and disposal of the assets of the Receivership Estate.
2. Pursuant to Paragraph III of the Appointment Order, the Receiver is empowered to “engage and employ others (without Court approval), including but not limited to consultants, attorneys, accountants, experts and employees of a firm owned by the Receiver, to assist in the duties of the Receiver, except that any payment to other professionals for their services shall be subject to Court approval.”
3. The Receiver has retained the financial consulting firm of Hays Financial Consulting, LLC as his accountants and financial consultants, and the law firm of James C. Frenzel, P.C. as counsel to the Receiver (the Receiver, HFC, and JCF are collectively referred to as the “Receivership Professionals”).
4. After obtaining the approval of the Securities and Exchange Commission (the “SEC”), the Receiver has previously filed eight Applications (the

“Applications”) of the Receiver for Authority to Pay Professional Fees and to Reimburse Costs and this Court has approved and authorized the payment of fees and expenses sought in each of the eight Applications.

5. The Receiver has distributed updates to investors (the “Investor Updates”) via electronic correspondence. The Investor Updates distributed to investors during the months involved in the Application Period are summarized in and as set forth in Exhibit A attached hereto and incorporated herein by reference.
6. In addition to the Investor Updates, the Receiver has filed four Interim Reports (ECF Nos. 23, 48, 72, and 92) to provide investors with updates regarding the status of the Receivership Estate and to supplement the Investor Updates periodically disseminated to investors via electronic correspondence.
7. After being approved by the SEC, the Receiver files this Final Application of the Receiver for Authority to Pay Certain Professional Fees and to Reimburse Costs for the period between November 1, 2013, through February 24, 2016.

II. APPLICATION FOR FEES

a. Basis for Entitlement to Fees

8. To date, this has been a complicated case that has required and continues to require significantly more effort by the Receivership Professionals than initially anticipated by the Receiver or the SEC. The Receivership Professionals working on this case are well aware of the time and expense being incurred and

endeavor at all times to work in an efficient, cost effective, and productive manner.

9. The Receivership Professionals are entitled to reasonable compensation for the performance of their duties from the assets held by or in the possession or control of the Receivership Estate in the amount(s) commensurate with their duties and obligations plus actual out-of-pocket expenses incurred by the Receivership Professionals.

10. This Final Application seeks approval for payment of the fees and reimbursement of expenses for the Receivership Professionals incurred or invoiced during the Application Period.

11. In support of this Final Application, the Receiver respectfully directs the attention of the Court to *Ass'n of Disabled Americans v. Neptune Designs, Inc.*, 469 F.3d 1357, 1359 (11th Cir. 2006), which sets forth the appropriate test in the Eleventh Circuit for the determination of a fee award. The Court in *Ass'n of Disabled Americans* held:

In calculating a reasonable attorney's fee award, the court must multiply the number of hours reasonably expended on the litigation by the customary fee charged in the community for similar legal services to reach a sum commonly referred to as the "lodestar." The court may then adjust the lodestar to reach a more appropriate attorney's fee, based on a variety of factors, including the degree of the plaintiff's success in the suit.

Id. (citations omitted).

12. The amount and reasonableness of the fees and costs sought in this Final Application are addressed herein.

13. The Receivership Professionals are working under a fee structure based upon a proposal accepted by the SEC that includes a discount from the standard market rates of the Receivership Professionals and a blended hourly rate to be applied to the fees incurred on behalf of the Receivership Estate.

b. Fees and Expenses for the Application Period

14. The Receivership Professionals incurred fees in expenses on behalf of the Receivership Estate in the total amount of \$404,458.00 as the result of the services rendered to and by the Receivership Professionals during the Application Period from November 1, 2013 through February 24, 2016. The Receivership Professionals are not presently seeking payment in this Final Application for the time incurred during the Application Period with regard to the unsuccessful litigation brought by the Receivership Estate against former securities counsel for Lighthouse, Page Perry, LLC (the “Page Perry Litigation”), but the statements and time entries attached hereto set out the time and expenses of the Receivership Professionals during the Application Period *en toto*. Although the time and expenses of the Receivership Professionals (exclusive of time related to the Page Perry Litigation) totals

\$223,872.00, the Receivership Professionals by this Application seek total payment of \$175,000.

15. The blended rate for this Final Application as a result of the Receivership Professionals not seeking payment for certain time as set forth in the preceding paragraph is \$143.98 and the average blended rate for the professionals of the Receiver to the date of this Final Application is \$199.08, still substantially less than the rate agreed upon with the SEC for the professionals of the Receiver of \$250.00 per hour.

16. The fees and expenses incurred by the Receivership Professionals on behalf of the Receivership Estate are summarized as follows:

RECEIVER- S. GREGORY HAYS	
Total Fees:	\$75,713.00
Expenses:	\$60.32
Deducted Litigation Time:	\$48,271.00
Final Amount Sought by the Applicant:	\$25,000.00

ACCOUNTANTS- HAYS FINANCIAL CONSULTING, LLC	
Total Fees:	\$65,052.00
Expenses:	\$222.77

Deducted Litigation Time:	\$5,319.00
Final Amount Sought by the Applicant:	\$50,000.00

JAMES C. FRENZEL, P.C.	
Total Fees:	\$264,725.00
Expenses:	\$579.62
Deducted Litigation Time:	\$128,607.50
Final Amount Sought by the Applicant:	\$100,000.00

Total Sought by this Application:	\$175,000.00
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17. Statements for the Receivership Professionals are attached hereto and incorporated herein by reference as Exhibits B through D and contain the following information for the Application Period for the Receiver, HFC, and JFC respectively: a) the number of hours worked by each professional; b) the manner and type of work performed by each professional; and c) the monetary value assigned to each task performed by each professional.

18. The hourly rates reflected in Exhibits B through D are commensurate with the rates charged by other professionals of similar experience levels in Atlanta, Georgia. The Receiver and the professionals at HFC are respected by their

peers for their work in receiverships, bankruptcies, turn-arounds, and similar financial restructuring work. Likewise, the attorneys at JCF are recognized and respected in this community and regularly represent receivers and trustees in receiverships and insolvencies.

c. Description of Services Covered by this Final Application

19. The services (the “Services”) performed by the Receivership Professionals during the Application Period: a) are partially referenced in the Investor Updates; b) set forth in detail in the monthly statements attached to this Final Application as Exhibits B through D; and c) have allowed the Receiver to continue to administer the Receivership Estate.
20. The Services have required professionals who are experienced in dealing with the issues that arise in the course of receivership, including: specialized knowledge of the substantive and procedural law applicable to receiverships; formal and informal processes for obtaining, assimilating and analyzing information; electronic data recovery, preservation and analysis; forensic financial analysis and funds tracing; asset administration and liquidation; and obtaining information from and communicating with investors and counsel for investors and creditors. The Receivership Professionals all have considerable experience in such areas.

21. The amount of the fees and expenses sought in this Final Application reflects the nature, scope and complexity of the work necessary to properly administer the Receivership Estate.
22. The fees and expenses sought in this Final Application are reasonable in light of the amount of the Services performed by the Receivership Professionals during the Application Period for the benefit of the Receivership Estate, the complexity of the issues addressed by the Receivership Professionals, and the progress made in the administration of the Receivership Estate by the Receivership Professionals during the Applicable Period.
23. Although the results of certain Services performed by the Receivership Professionals during the Application Period are set forth in the Investor Updates, the final results of such Services were hindered as the result of the amount of value ultimately realized from the assets in the Receivership Estate after significant recovery efforts by the Receiver and his professionals.
24. The Services during the Application Period are summarized by category below.
 - a. **Asset Analysis and Recovery (category A on the invoice of JCF).** This category includes activity by JCF on behalf of the Receivership Estate with regard to the investigation, analysis, and recovery of potential assets of the Receivership Estate, including, but not limited to preparing for, conducting,

and communications regarding interviews with fact witnesses, investors, and opposing counsel.

b. **Asset Disposition (category B on the invoice of JCF and identified as Asset Analysis and Recovery on the invoices of the Receiver and HFC).**

This category includes activity by JCF, HFC, and the Receiver on behalf of the Receivership Estate with regard to the disposition of assets of the Receivership Estate, including, but not limited to: i) correspondence, review of sale and closing documents, and other activity related to the release of any interests that may be held by the Receivership Estate in certain real estate being sold; ii) the receipt of funds in resolution of certain claims of the Receivership Estate; and iii) drafting a purchase agreement and other services with regard to the transfer of the interest of the Receivership Estate in the Brass Door.

c. **Accounting.** This category includes activity by HFC related to the accounting matters related to Lighthouse.

d. **Case Administration (category D on the invoice of JCF and identified on the invoices of the Receiver).** This category includes activity by JCF and the Receiver on behalf of the Receivership Estate for all matters otherwise uncategorized or related to the Receivership Estate generally, including activity related to: i) the administration of the Receivership Estate;

ii) correspondence with the Court; iii) attendance at hearings; iv) document production; v) correspondence regarding the sentencing of Benjamin Daniel DeHaan (“DeHaan”), deposition/affidavit to be provided by DeHaan, and review of information by DeHaan and/or counsel for DeHaan; vi) conferences regarding administration of the Receivership Estate; vii) addressing tax issues related to the Receivership Estate; viii) efforts to reopen the case after the case was mistakenly closed by the Court; and ix) addressing inquiries from the IRS related to a deposition obtained by the Receiver.

- e. **Claims Administration and Objections (category E on the invoice of JCF and identified on the invoices of HFC).** This category includes activity by HFC and JCF on behalf of the Receivership Estate related to: i) identification, review, research, reconciliation, and administration of claims related to the Receivership Estate and communications and reports related thereto; ii) the development of method for the allowance of claims and distribution of assets; iii) communications regarding claims and preparation for the review of claims by DeHaan and counsel for DeHaan; iv) communications to assist U.S. Attorney, Russell Phillips in developing restitution list; and v) research related to and communications regarding

claims filed in the Receivership Estate, objections thereto, and potential setoffs and theories of recovery by the Receivership Estate.

- f. **Fee/Employment Applications.** Activity related the preparation of this Final Application has been excluded from this Final Application.
- g. **Fee/Employment Objections (category H on the invoice of JCF and defined on invoices of HFC and the Receiver).** This category includes activity by JCF, the Receiver, and HFC related to: i) attending the hearing on an objection to one of the prior Applications that was ultimately overruled by the Court and communications related thereto; and ii) preparing and submitting unredacted time entries to the Court and communications related thereto.
- h. **Litigation (category J on the invoice of JCF and defined as Litigation Consulting on invoices of HFC and the Receiver).** The Receivership Professionals are not seeking compensation for their efforts in this category as the result of the unfavorable result of the Page Perry Litigation. This category includes activity by JCF, HFC, and the Receiver related to certain litigation matters, including, but not limited to: i) research, analysis, investigation, and pursuit of causes of action to be or already asserted by the Receivership Estate; ii) communications with counsel and opposing counsel in the Page Perry Litigation prior to the institution of suit; iii)

correspondence and settlement negotiations related to the Page Perry Litigation prior to the institution of suit; iv) attempts to obtain the disclosure of information relevant to potential recovery from claims, including, but not limited to, with regard to a motion to compel disclosure; v) activity related to the Page Perry Litigation, including the termination of the Page Perry Litigation; vi) litigation involving the Receivership Estate; vii) reviewing, analyzing, and responding to a motion to dismiss filed in the Page Perry Litigation; viii) research regarding issues relevant to litigation involving the Receivership Estate; ix) communications with litigation counsel for the Receiver, the Receiver and/or parties-in-interest with regard to status of litigation; x) reviewing, analyzing, and providing comment to litigation counsel with regard to a motion for sanctions and an order (the “Dismissal Order”) granting motions to dismiss filed by certain defendants; xi) communications with regard to a motion for reconsideration and potential appeal of the Dismissal Order; xii) reviewing, analyzing, and providing comment to litigation counsel with regard to a supplemental response to motion for sanctions, motion for reconsideration, authority to appeal, and report of expert; xiii) obtaining the entry of an order approving certain expenses of expert; xiv) communications with regard to denial of motion for reconsideration and potential appeal; xv) review and analysis of litigation

similar to litigation involving the Receivership Estate and appellate briefs in pending litigation involving the Receivership Estate; xvi) conferences and correspondence related to the filing of a potential amicus brief in support of the appeal, including with regard to motion for extension to file amicus brief, and with regard to briefing schedule, mediation, and appellate procedure; xvii) communications with litigation counsel, the receiver, and other parties in interest with regard to status of litigation, an appellate response brief to be filed by litigation counsel for the Receiver, and mediation of claims matter before appellate court; xviii) research regarding additional claims that may potentially be asserted on behalf of the Receivership Estate and conflict of interest matter; and xix) preparation for and attendance at mediation of claims pending before the Eleventh Circuit.

- i. **Investor Relations (category K on the invoice of JCF and defined as Investor Communications and Reporting on invoices of HFC and the Receiver).** This category includes activity by JCF, HFC, and the Receiver related to: i) communications with investors and/or their counsel or representatives regarding the status of the Receivership Estate; ii) the communication of certain information at the request of certain investors and/or their counsel or representatives; iii) reports to investors; and iv) correspondence regarding certain potential claims of individual investors.

- j. **Plan of Distribution (category L on the invoice of JCF).** This category includes activity by JCF related to the preparation of a proposed Plan of Liquidation and Distribution (the “Plan of Distribution”) and communications and pleadings related thereto.
- k. **Clawback Litigation (category M on the invoice of JCF).** This category includes activity by JCF related to clawback litigation, including, but not limited to, communications regarding the status of clawback claims, research and analysis related to clawback claims, correspondence and negotiations to attempt to resolve certain clawback claims, drafting demands, tolling agreements, complaints, settlement agreements, motion for authority to enter proposed settlement, and proposed order related to certain clawback claims, and communications with counsel for potential clawback defendants.
- l. **Melamud Litigation and Investigation (category W on the invoice of JCF and defined on the invoices of HFC).** This category includes activity by JCF and HFC related to potential claims of the Receivership Estate related to a party who entered a joint venture with Lighthouse and related parties (collectively, the “Melamud Parties”), including, but not limited to, the: i) research related to and communications regarding potential claims against the Melamud Parties; ii) review of representations of counsel for the

Melamud Parties; and iii) research of theories of recovery and preparation of a demand on the Melamud Parties regarding potential claims of the Receivership Estate.

m. **Tax Issues.** This category includes activity by HFC and the Receiver related to tax issues related to Lighthouse, including the preparation and filing of numerous tax returns and reports neglected by Lighthouse and negotiations with the IRS regarding tax returns and liabilities.

25. The Receiver has provided both the SEC and counsel for the Defendants with copies of this Final Application in accordance with the requirements of the Appointment Order.

26. The Receiver requests that the Court authorize the payment of certain fees and expenses incurred by the Receivership Professionals during the Application Period as set forth in this Final Application (and more fully described in the attached statements). The reasonableness of the amounts sought by this Final Application is demonstrated by the amount and type of work performed by the Receivership Professionals, the complexity of the issues, and the progress that has been made by the Receivership Professionals during the Application Period. All fees and expenses will be paid from the Receivership Estate. A proposed Order granting the relief requested in this Final Application is attached hereto as Exhibit E and incorporated herein by reference.

27. The Receiver is currently holding \$420,565.50 in cash for the benefit of Receivership Estate and, as such, has sufficient funds to pay the fees and costs sought in this Final Application and distribute the balance of the funds to investors pursuant to the Plan of Distribution filed of even date herewith.

WHEREFORE, the Receiver respectfully requests that the Court:

1. Review and approve the fees for professional services rendered and costs advanced by the Receiver, HFC, and JCF, on behalf of the Receivership Estate for the Application Period from November 1, 2013, through February 24, 2016;
2. Authorize the Receiver to make payment of such approved fees and expenses as requested herein from the Receivership Estate;
3. Enter an Order substantially in the form of the Order attached to this Final Application as Exhibit E; and
4. Grant such other and further relief as the Court deems just and proper.

This the 18th day of March, 2016.

/s/

S. Gregory Hays, Receiver for Lighthouse
Financial Partners, LLC, Defendant

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