

**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF MISSOURI  
EASTERN DIVISION**

SECURITIES AND EXCHANGE COMMISSION, )  
 )  
Plaintiff, )  
 )  
v. )  
 ) Case No. 4:12-cv-00080-CEJ  
BURTON DOUGLAS MORRISS, et al., )  
 )  
Defendants, and )  
 )  
MORRISS HOLDINGS, LLC, )  
 )  
Relief Defendant. )  
 )

**RECEIVER’S MOTION FOR AUTHORIZATION TO DISTRIBUTE FUNDS HELD BY  
INTEGRIEN ACQUISITION, LLC AND INTEGRIEN ACQUISITION II, LLC**

Receiver Claire M. Schenk (“Receiver”) hereby respectfully moves the Court for an Order approving the Receiver’s distribution of certain funds, described in the accompanying *Memorandum* as the (i) remaining First Escrow Funds and (ii) the Final Escrow Funds, to the identified Distributees (as defined in the *Memorandum*), in keeping with the distribution analysis prepared by Timothy S. O’Shaughnessy, CPA, Partner, CliftonLarsonAllen, LLP. Mr. O’Shaughnessy’s analysis was prepared based upon the provisions of relevant corporate governance documents and other pre- and post-Receivership accounting data pertinent to investor interests and relevant expenses. The Receiver relies on the *Memorandum of Law in Support of Receiver’s Motion for Authorization to Distribute Funds Held By Integrien Acquisition, LLC and Integrien Acquisition II, LLC* and accompanying exhibits to support her request, which Memorandum is being contemporaneously filed herewith.

Respectfully submitted,

THOMPSON COBURN LLP

By /s/ Kathleen E. Kraft

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**CERTIFICATE OF SERVICE**

I hereby certify that on May 3, 2013, I electronically filed the foregoing with the Clerk of the Court through the Court's CM/ECF system which will send a notice of electronic filing to the following:

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Robert K. Levenson  
Brian T. James  
Securities and Exchange Commission  
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*Attorneys for Plaintiff*

I further certify that on May 3, 2013, I served the above document with exhibits via electronic mail and/or U.S. mail, postage prepaid on the following:

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/s/ Kathleen E. Kraft

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF MISSOURI  
EASTERN DIVISION

|                                     |   |                            |
|-------------------------------------|---|----------------------------|
| SECURITIES AND EXCHANGE COMMISSION, | ) |                            |
|                                     | ) |                            |
| Plaintiff,                          | ) |                            |
|                                     | ) |                            |
| v.                                  | ) |                            |
|                                     | ) | Case No. 4:12-cv-00080-CEJ |
| BURTON DOUGLAS MORRISS, et al.,     | ) |                            |
|                                     | ) |                            |
| Defendants, and                     | ) |                            |
|                                     | ) |                            |
| MORRISS HOLDINGS, LLC,              | ) |                            |
|                                     | ) |                            |
| Relief Defendant.                   | ) |                            |
|                                     | ) |                            |

**MEMORANDUM OF LAW IN SUPPORT OF  
RECEIVER’S MOTION FOR AUTHORIZATION TO DISTRIBUTE FUNDS HELD BY  
INTEGRIEN ACQUISITION, LLC AND INTEGRIEN ACQUISITION II, LLC**

In keeping with the Receiver’s duties to act as sole and exclusive managing member and/or partner of the Receivership Entities (as defined below) and administer and manage the business affairs, funds, assets, choses in action and other property of the Receivership Entities, the Receiver respectfully requests that the Court enter an Order that, among other things, (A) lifts the asset freeze<sup>1</sup> with respect to certain funds received by Integrien Acquisition, LLC (“IA”) and Integrien Acquisition II, LLC (“IAII” and together with IA, the “Integrien SPVs”), as more fully defined herein, (B) directs Reliance Bank to grant the Receiver control over the IA Reliance Bank Account (as defined herein) and the funds and assets of such account and to distribute such

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<sup>1</sup> On January 17, 2012, this Court entered its Asset Freeze Order and Other Emergency Relief (“Asset Freeze Order”) (Dkt. No. 17). In paragraph 1.B., the Court froze funds and assets held “in the name, for the benefit or under the control of [the Receivership Entities], directly or indirectly.” To the extent that the Court’s asset freeze extends to the funds described in this Motion, the Receiver requests that the asset freeze be lifted so that the Receiver can execute the authority requested in this Motion with respect to such funds.

funds as directed by the Receiver, and (C) authorizes the Receiver to distribute funds received by the Integrien SPVs, after payment of or reservation for fees and expenses, to (i) investors in the Integrien SPVs, (ii) Acartha Merchant Partners, LLC (“AMP”) and Integrien Acquisition Capital II, LLC (“IA Capital II”) as the managing members of IA and IAI, respectively, and (iii) investors in and managing member of AMP and IA Capital II, in keeping with the Schedule of Proposed Distribution (**Exhibit A-1** hereto; Redacted) attached to the Declaration of Timothy O’Shaughnessy (the “O’Shaughnessy Declaration”) (**Exhibit A** hereto; Redacted).<sup>2</sup>

## **I. Background**

### **A. The Receivership**

On January 17, 2012, the United States Securities and Exchange Commission (the “SEC”) filed its *Complaint for Injunctive and Other Relief* (the “Complaint”) (Dkt. No. 1) against Burton Douglas Morriss (“Morriss”), Acartha Group, LLC (“Acartha Group”), Acartha Technology Partners, L.P. (“ATP”), MIC VII, LLC (“MIC”), Gryphon Investments III, LLC (“Gryphon” and together with Acartha, ATP and MIC, the “Receivership Entities”) and Morriss Holdings, LLC (“Morriss Holdings”) <sup>3</sup> in this Court as Case No. 4:12-cv-00080-CEJ (the “SEC Case”). *See* Complaint. In the Complaint and other papers filed by the SEC on January 17, 2012, the SEC alleges various securities laws violations by the SEC Defendants.

Also, on January 17, 2012, the SEC moved for the immediate appointment of a receiver over the Receivership Entities to (i) administer and manage the business affairs, funds, assets,

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<sup>2</sup> The Receiver is filing redacted copies of Exhibits A and A-1. The Receiver will file unredacted copies of Exhibits A and A-1 under seal with the Clerk of the Court, in accordance with E.D. Mo. Local Rule 5-2.17(B). Also, the Receiver will provide unredacted copies of Exhibits A and A-1 to all investors served with a copy of this Motion.

<sup>3</sup> Morriss, Acartha, ATP, MIC, Gryphon and Morriss Holdings are collectively referred to as the “SEC Defendants.”

choses in action and other property of the Receivership Entities, (ii) act as sole and exclusive managing member or partner of the Receivership Entities, (iii) maintain sole authority to administer any and all bankruptcy cases in the manner determined to be in the best interests of the Receivership Entities' estates, (iv) marshal and safeguard all of the assets of the Receivership Entities, and (v) take whatever actions are necessary for the protection of investors. The Court entered the requested relief by order dated January 17, 2012 (the "Receivership Order"). *See* Receivership Order (Dkt. No. 16). As established in the Receivership Order, the Receiver is "authorized, solely and exclusively, to operate and manage the businesses and financial affairs of [the Receivership Entities] and the Receiver Estates." Receivership Order, p. 8.

B. The Integrien Sale

In connection with her appointment as receiver and through information provided to her by former management, the Receiver learned that sometime after 2006, MIC, ATP, IA and IAI invested in Integrien Corporation, an Irvine, California-based IT analytics start-up ("Integrien").<sup>4</sup> In August 2010, VMware, Inc. acquired Integrien (the "Integrien Sale") pursuant to an Agreement and Plan of Merger (the "VMware-Integrien Merger Agreement"). At the time of the Integrien Sale, IA held 4,292,490 shares of Integrien Series B stock and IAI held 3,125,000 shares of Integrien Series D stock. IA and IAI surrendered their shares of stock in exchange for a cash payout as calculated under the VMware-Integrien Merger Agreement. A portion of the cash payout (\$15,000,000.00 in total) was deposited into an escrow fund as security for the surrendering stockholders' indemnification obligations under the VMware-Integrien Merger Agreement. IA and IAI received proceeds from the Integrien Sale as follows:

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<sup>4</sup> ATP and MIC also invested in Integrien. Because ATP and MIC are Receivership Entities, the proceeds that ATP and MIC from the Integrien Sale are assets of the Receivership Estate and are not the subject of the relief requested in this Motion.

|             | Stock Proceeds | Escrow Amount | Stock Proceeds<br>Payable Post-<br>Escrow | First Escrow<br>Distribution | Second (Final)<br>Escrow<br>Distribution |
|-------------|----------------|---------------|---|------------------------------|--|
| <b>IA</b>   | \$4,919,358.54 | \$761,287.41  | \$4,158,071.13                            | \$345,167.71                 | \$381,065.08                             |
| <b>IAII</b> | \$1,500,000.00 | \$232,130.08  | \$1,267,869.92                            | \$105,247.78                 | \$116,193.53                             |

In September 2010, former management received the distribution of stock proceeds payable post-escrow for the Integrien SPVs (the “Stock Proceeds Funds”). Former management distributed the Stock Proceeds Funds to the investors in the Integrien SPVs on or about September 2010 pursuant to the distribution provisions of the relevant corporate documents of the Integrien SPVs. In September 2011, former management received the first partial distribution of escrowed funds (the “First Escrow Funds”). Former management distributed the First Escrow Funds to the investors in IAI and to most of the investors in IA pursuant to the distribution provisions of the relevant corporate documents of the Integrien SPVs. Former management withheld from distribution a portion of the First Escrow Funds payable to certain investors in IA. In February 2012, the Receiver received the second (final) distribution of escrowed funds (the “Final Escrow Funds”) on behalf of the Integrien SPVs.

As a result of former management’s withholding of the First Escrow Funds from certain IA investors and the payment of the Final Escrow Funds, the Receiver is in possession of or as managing member of the Integrien SPVs is authorized to assert control over the following funds:

| <u>Approximate Amount</u> <sup>5</sup> | <u>Source</u>   |
|--|---|
| \$193,481                              | First Escrow Funds, withheld by former management from certain IA investors |
| \$381,942                              | Final Escrow Funds distributed to IA  |
| \$116,478                              | Final Escrow Funds distributed to IAI                                       |

<sup>5</sup> Because the Final Escrow Funds are held in interest-bearing accounts, the Final Escrow Funds have accrued, and continue to accrue, interest.



The remaining First Escrow Funds (which were received pre-Receivership by former management) are held in an account at Reliance Bank in the name of IA (the “IA Reliance Bank Account”). The Receiver holds the Final Escrow Funds for the Integrien SPVs as managing member of the Integrien SPVs.

For the reasons set forth herein, the Receiver requests that this Court (A) lift the asset freeze with respect to the remaining First Escrow Funds and the Final Escrow Funds, (B) direct Reliance Bank to grant the Receiver control over the IA Reliance Bank Account and the funds and assets of such account and to distribute such funds as directed by the Receiver, (C) authorize the Receiver to distribute the remaining First Escrow Funds withheld by former management from the intended investor distributees in IA, (D) approve the Receiver’s payment of, or reservation for, fees and expenses<sup>6</sup> of the Integrien SPVs, AMP and IA Capital II from the Final Escrow Funds, and (E) authorize the Receiver to distribute the Final Escrow Funds, minus fees and expenses, to (i) the investors in IA and IAIL, (ii) AMP and IA Capital II (for carried interest) and (iii) the investors in and managing member of AMP and IA Capital II,<sup>7</sup> all in accordance with the Schedule of Proposed Distribution and the O’Shaughnessy Declaration.

## **II. Argument**

The Receiver seeks an Order from this Court authorizing the distribution of the remaining First Escrow Funds and the Final Escrow Funds, minus fees and expenses, to the Distributees. Such an Order is consistent with the Receiver’s authority and obligations under the Receivership Order and this Court’s broad discretion in supervising the Receivership.

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<sup>6</sup> The fees and expenses listed on the Schedule of Proposed Distribution are estimates only. To the extent that additional expenses arise prior to distribution, the Receiver reserves the right to pay or reserve for such additional expenses from the Final Escrow Funds.

<sup>7</sup> AMP, IA Capital II and the investors in IA Capital II are collectively referred to as the “Distributees.”

Pursuant to the Receivership Order, the Court authorized the Receiver to, among other things, administer and manage the businesses and financial affairs of the Receivership Entities and take all actions necessary for the protection of investors. *See* Receivership Order, p. 1. The Court gave the Receiver sole authority to operate and manage the businesses and financial affairs of the Receivership Entities. Receivership Order, p. 8. The Receiver succeeded to all rights and powers of the managing member and/or managing partner of the Receivership Entities -- including Acartha Group -- and has the sole and exclusive authority to take all actions necessary in such capacity. *Id.* As managing member of Acartha Group, the Receiver also is the managing member of IA and IAI<sup>8</sup> and is authorized and empowered to make decisions with respect to the management and control of IA and IAI, including determining when distributions shall be made.

The requested Order also is consistent with this Court's broad discretion in supervising an equity receivership and in determining how the receivership will proceed. *See SEC v. Black*, 163 F.3d 188, 199 (3d Cir. 1998) (“[W]here there is a receiver with equitable power in a proceeding before it, the District Court has wide discretion as to how to proceed.”); *FDIC v. Bernstein*, 786 F. Supp. 170, 177 (E.D.N.Y. 1992) (“[O]ne common thread keeps emerging out of the cases involving equity receiverships-that is, a district court has extremely broad discretion in supervising an equity receivership.”). Here, the Court should exercise its broad discretion to authorize the Receiver's distribution of the remaining First Escrow Funds and the Final Escrow Funds to the Distributees in accordance with the Proposed Schedule of Distribution. The Receiver has oversight of the remaining First Escrow Funds and the Final Escrow Funds because

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<sup>8</sup> According to documents and other information made available to the Receiver, Acartha Group is the managing member of AMP, which in turn is the managing member of IA. Therefore, as the managing member of Acartha Group, the Receiver also is the managing member of IA. Similarly, Acartha Group is the managing member of IA Capital II, which in turn is the managing member of IAI. Therefore, as the managing member of Acartha Group, the Receiver also is the managing member of IAI.

of her position as managing member of the Receivership Entities and the corporate structures that were in place prior to her appointment as Receiver. The First Escrow Funds and the Final Escrow Funds, however, are funds that do not belong to the Receivership Entities and may be released from the asset freeze in place under the Court's Asset Freeze Order.<sup>9</sup> *See SEC v. Black*, 163 F.3d 188, 198 (affirming release of assets from the asset freeze of the receivership estate that were not property or deemed to be property of a defendant or culpable third party). The distribution of the remaining First Escrow Funds and the Final Escrow Funds to the Distributees, minus expenses, will allow the Receiver to wind down IA and IAI and eliminate future costs associated with managing IA and IAI, and also allow the Distributees to receive the distribution of funds in keeping with the relevant corporate documents. Therefore, an order authorizing the distribution of these funds is a proper subject of the Court's discretionary power.<sup>10</sup>

### **III. Proposed Distribution**

The Schedule of Proposed Distribution attached to the O'Shaughnessy Declaration is based upon (i) the corporate governance documents of IA, IAI, IA Capital II and AMP, (ii) the prior, actual distribution of funds from IA and IAI, (iii) former management's prior distribution calculations; (iv) the business records of IA, IAI, IA Capital II and AMP (including, but not limited to, the schedules of investors); (v) bank records; (vi) general ledger entries; and (vii) documentation pertinent to the expenses. Accordingly, the Receiver requests authorization from

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<sup>9</sup> The portion of the Final Escrow Funds that is to be paid to Acartha Group as carried interest under the relevant corporate documents is property of the Receivership Estate. The Proposed Schedule of Distribution provides for the payment of the carried interest to Acartha Group.

<sup>10</sup> The authorization requested in this Motion is similar to the authorization requested by the Receiver last year when she sought to return a discrete pool of funds to a small number of investors. *See Receiver's Motion for Return of Funds to Investors in Acartha Special Situations Funding, LLC and accompanying Memorandum in Support* (Dkt. Nos. 120, 121; filed Apr. 10, 2012).

the Court to distribute the remaining First Escrow Funds and the Final Escrow Funds as outlined in the Proposed Schedule of Distribution.<sup>11</sup> See Exhibit A-1.

As noted on the service list, the Receiver is providing to each IA, IAI and IA Capital II investor (or such investor's counsel to the extent that the Receiver knows of such representation) and to other interested parties a copy of this filing along with unredacted copies of all accompanying exhibits.

#### **IV. Conclusion and Request for Relief**

For all the foregoing reasons, the Receiver requests that the Court enter an Order, substantially in the form attached hereto as **Exhibit B**,

(A) lifting the asset freeze of the Asset Freeze Order with respect to the First Escrow Funds and the Final Escrow Funds;

(B) directing Reliance Bank to grant the Receiver control over the IA Reliance Bank Account and the funds and assets of such account and to distribute such funds as directed by the Receiver;

(C) authorizing the Receiver to distribute the remaining First Escrow Funds withheld by former management from the intended investor distributees of IA in accordance with the Schedule of Proposed Distribution attached to the O'Shaughnessy Declaration;

(D) approving the Receiver's payment of, or reservation for, fees and expenses of the Integrien SPVs, AMP and IA Capital II from the Final Escrow Funds in accordance with the Schedule of Proposed Distribution attached to the O'Shaughnessy Declaration;

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<sup>11</sup> The Court and the interested parties are advised that there may be some variation from the current numbers at the time of the payout of the funds for several reasons. For one, monies are maintained in interest-bearing accounts. Interest will continue to accumulate until the final payout of funds. Additionally, expenses are estimated and actual expenses may exceed or fall below the number listed in the summary distribution analysis.

(E) authorizing the Receiver to distribute the Final Escrow Funds, minus fees and expenses, to (i) the investors in IA and IAI, (ii) AMP and IA Capital II (for carried interest) and (iii) the investors in and managing member of AMP and IA Capital II in accordance with the Schedule of Proposed Distribution attached to the O'Shaughnessy Declaration; and

(F) granting such other and further relief as is just and appropriate under the circumstances.

Respectfully submitted,

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**CERTIFICATE OF SERVICE**

I hereby certify that on May 3, 2013, I electronically filed the foregoing with the Clerk of the Court through the Court's CM/ECF system which will send a notice of electronic filing to the following:

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*Counsel for Defendant Burton Douglas Morriss*

Adam L. Schwartz  
Robert K. Levenson  
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Securities and Exchange Commission  
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Miami, Florida 33131  
*Attorneys for Plaintiff*

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/s/ Kathleen E. Kraft



REDACTED

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF MISSOURI  
EASTERN DIVISION

|                                 |   |                            |
|---------------------------------|---|----------------------------|
| SECURITIES AND EXCHANGE         | ) |                            |
| COMMISSION,                     | ) |                            |
|                                 | ) |                            |
| Plaintiff,                      | ) |                            |
|                                 | ) |                            |
| v.                              | ) | Case No. 4:12-cv-00080-CEJ |
|                                 | ) |                            |
| BURTON DOUGLAS MORRISS, et al., | ) |                            |
|                                 | ) |                            |
| Defendants, and                 | ) |                            |
|                                 | ) |                            |
| MORRISS HOLDINGS, LLC,          | ) |                            |
|                                 | ) |                            |
| Relief Defendant.               | ) |                            |

**DECLARATION OF TIMOTHY S. O’SHAUGHNESSY  
IN SUPPORT OF RECEIVER’S MOTION FOR AUTHORIZATION TO DISTRIBUTE  
FUNDS HELD BY INTEGRIEN ACQUISITION, LLC  
AND INTEGRIEN ACQUISITION II, LLC**

I, Timothy S. O’Shaughnessy, being duly sworn, declare:

1. I am the partner-in-charge of tax services for the St. Louis region of CliftonLarsonAllen LLP (“CLA”). I specialize in business and individual tax planning and compliance and have more than 13 years of public accounting experience.

2. In June 2012, CLA was retained by Claire M. Schenk, the Receiver for Acartha Group, LLC (“Acartha Group”), Acartha Technology Partners, L.P. (“ATP”), MIC VII, LLC (“MIC”), Gryphon Investments III, LLC (“Gryphon” and together with Acartha, ATP and MIC, the “Receivership Entities”), to provide external accounting and tax services, including bookkeeping and tax planning and preparation, for the Receivership Entities and the approximately thirteen entities managed by Acartha Group (collectively, the “Managed Entities”).

**EX. A**

3. Following CLA's retention by the Receiver and the Court's approval of the engagement, the Receiver requested that I prepare a distribution analysis pertinent to funds held in the accounts of Integrien Acquisition, LLC ("IA") and Integrien Acquisition II, LLC ("IAII" and together with IA, the "Integrien SPVs").

4. In order to prepare this distribution schedule, I reviewed investor schedules, documents relating to the Integrien Sale,<sup>1</sup> information supplied by investors and interested parties, back-up documentation pertaining to expense items, corporate documentation outlining corporate governance matters, and former management's distribution calculations and history of distributions following the Integrien Sale. All calculations significantly rely upon information provided by prior management. Only limited verification was performed, no audit or attestation procedures were completed.

5. In response to the Receiver's request for a distribution analysis pertaining to IA and IAII to distribute the remaining First Escrow Funds and the Final Escrow Funds to the investors in the Integrien SPVs, I prepared the Schedule of Proposed Distribution, a copy of which is attached to this Declaration as Exhibit A-1.

6. The Schedule of Proposed Distribution contains four calculation sheets, one for each of IA, IAII, IA Capital II, and AMP. The calculation sheets contain (i) the previous distributions of Integrien Sale funds, (ii) the fees and expenses attributable to the specific entity, and (II) the proposed distribution of the First Escrow Funds and the Final Escrow Funds.

6. As shown on the Schedule of Proposed Distribution, the remaining First Escrow Funds to certain investors in IA are allocated as follows:

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<sup>1</sup> All capitalized terms not defined herein shall have the meaning ascribed to them in the Receiver's *Memorandum in Support of Receiver's Motion For Authorization To Distribute Funds Held By Integrien Acquisition, LLC and Integrien Acquisition II, LLC* (the "Motion").

|               |                  |
|---------------|------------------|
| [REDACTED]    | \$64,398         |
| [REDACTED]    | \$64,398         |
| [REDACTED]    | \$32,199         |
| [REDACTED]    | \$32,199         |
| <b>Total:</b> | <b>\$193,194</b> |

7. As shown on the Schedule of Proposed Distribution, the Final Escrow Funds attributable to IA's interest in Integrien are allocated as follows:

|  |                  |
|--|------------------|
| [REDACTED]                                   | \$79,549         |
| [REDACTED]                                   | \$79,549         |
| [REDACTED]                                   | \$39,786         |
| [REDACTED]                                   | \$39,786         |
| [REDACTED] Financing Fee                     | \$27,942         |
| Carried Interest (Acartha Merchant Partners) | \$59,668         |
| Fees and Expenses                            | \$55,662         |
| <b>Total:</b>                                | <b>\$381,942</b> |

8. As shown on the Schedule of Proposed Distribution, the carried interest paid to Acartha Merchant Partners is allocated as follows:

|                                 |                 |
|---------------------------------|-----------------|
| Acartha Group (Managing Member) | \$49,353        |
| Fees and Expenses               | \$10,315        |
| <b>Total:</b>                   | <b>\$59,668</b> |

9. As shown on the Schedule of Proposed Distribution, the Final Escrow Funds attributable to IAII's interest in Integrien are allocated as follows:

|                                  |                  |
|----------------------------------|------------------|
| [REDACTED]                       | \$77,564         |
| Carried Interest (IA Capital II) | \$19,391         |
| Fees and Expenses                | \$19,523         |
| <b>Total:</b>                    | <b>\$116,478</b> |

REDACTED

10. As shown on the Schedule of Proposed Distribution, the carried interest paid to IA

Capital II is allocated as follows:

|                                 |                 |
|---------------------------------|-----------------|
| Acartha Group (Managing Member) | \$1,555         |
| [REDACTED]                      | \$1,555         |
| [REDACTED]                      | \$1,555         |
| [REDACTED]                      | \$1,555         |
| Fees and Expenses               | \$13,169        |
| <b>Total:</b>                   | <b>\$19,391</b> |

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. This Declaration was executed this 3<sup>rd</sup> day of May, 2013.

  
 Timothy S. O'Shaughnessy, CPA

REDACTED

**INTEGRION ACQUISITION**

|  | Actual<br>Oct. 2010 | Actual<br>Sept./Oct. 2011 | Calculated<br>2013 | REF |
|--|---------------------|---------------------------|--------------------|-----|
| Gross Proceeds On Sale (Allocation of proceeds based on total B Series owned / total B Shares) | 4,919,359           |                           |                    |     |
| Less: Escrow Held (Ties to Integrien Distribution Summary)                                     | (761,287)           |                           |                    |     |
| Net To Bank Account (Ties to 9/30/10 Bank Statement)   | 4,158,072           |                           |                    |     |
| Escrow #1  |                     | 345,167                   |                    |     |
| Parkside Financial Cash Balance - 3/29/13 (Includes Portion Of Escrow #2)                      |                     |                           | 131,561            | A   |
| US Bank Cash Balance - 3/31/13 (Included Portion of Escrow #2)                                 |                     |                           | 250,094            | B   |
| Reliance Bank - Residual Cash Balance 3/31/13  |                     |                           | 287                |     |
| Undistributed Portion of Escrow #1   |                     |                           | 193,194            |     |
| Less: ██████████ (Ties Integrien Distribution Summary)   | (964,391)           | (23,178)                  | (27,942)           | C   |
| Less: Allocable Fees and Expenses (See Summary Below)  | (165,000)           | -                         | (55,662)           |     |
| Miscellaneous (Bank Fees, etc.)  | (113)               |                           |                    |     |
| Net Distributable To Integrien Acquisition Members   | 3,028,568           | 321,989                   | 491,532            |     |
| Less: Carried Interest   | (30,798)            | (64,398)                  | (59,668)           |     |
| Net Distributed To Members   | 2,997,770           | 257,591                   | 431,864            |     |
| <b>Less: Cash Held And Not Distributed</b>   |                     |                           |                    |     |
| ██████████   |                     | (64,398)                  |                    |     |
| ██████████   |                     | (64,398)                  |                    |     |
| ██████████   |                     | (32,199)                  |                    |     |
| ██████████   |                     | (32,199)                  |                    |     |
| <b>Total Cash Not Distributed In 2011 (Wires Held)</b>   |                     | <b>(193,194)</b>          |                    |     |
| Miscellaneous Difference   |                     | 4,636                     |                    |     |
| <b>Net Distributed Cash</b>  |                     | <b>133,431</b>            |                    |     |

**Cash Distribution Summary**

**Members**

|   |           |   |         |         |
|---|-----------|---|---------|---------|
| ██████████ (Ties to 10/31/10 Bank statement and T/R)                | 999,257   | B | -       | 79,549  |
| ██████████ (Ties to 10/31/10 Bank statement and T/R)                | 499,628   | B | -       | 39,786  |
| ██████████ (Ties to 10/31/10 Bank statement and T/R)                | 499,628   | B | -       | 39,786  |
| ██████████ (Ties to 10/31/10 Bank statement and T/R)                | 999,257   | B | -       | 79,549  |
| ██████████ (Undistributed Portion of Escrow #1)                     |           |   |         | 64,398  |
| ██████████ (Undistributed Portion of Escrow #1)                     |           |   |         | 64,398  |
| ██████████ (Undistributed Portion of Escrow #1)                     |           |   |         | 32,199  |
| ██████████ (Undistributed Portion of Escrow #1)                     |           |   |         | 32,199  |
| Acartha Merchant Partners, LP. (Carried Interest) (Managing Member) | 23,098    | A | 69,033  | 59,668  |
| Acartha Group (Carried Interest)                                    | 7,700     | A | -       | -       |
| Acartha Tech Partners (██████████)                                  |           |   | 64,398  |         |
| Total Cash Distribution   | 3,028,568 |   | 133,431 | 491,532 |

**Special Allocation Analysis**

|   |             |  |         |         |
|---|-------------|--|---------|---------|
| Net Distributable To IA Members   | 3,028,568   |  | 321,989 | 298,338 |
| Less: Allocation #1 - Return Of Capital Contributed (12/31/2009 Cost Basis) | (2,874,578) |  | -       | -       |
| Total   | 153,990     |  | 321,989 | 298,338 |
| Less: Allocation #2 - 20% Carried Interest to Managing Member               | 20%         |  | 20%     | 20%     |
| Carried Interest  | 30,798      |  | 64,398  | 59,668  |

**Summary of Allocable Fees and Expenses**

|  |  |  |  |               |
|--|--|--|--|---------------|
| Thompson Coburn Fees   |  |  |  | 4,511         |
| Actual CliftonLarsonAllen Fees - 2011 Tax Return Filing Fees (Invoice Outstanding) |  |  |  | 1,943         |
| Estimated CliftonLarsonAllen Fees - 2012 Tax Return Filing Fees                    |  |  |  | 2,500         |
| Estimated CliftonLarsonAllen Fees - 2013 Final Short Period Tax Return Filing Fees |  |  |  | 2,500         |
| Estimated CliftonLarsonAllen Fees - Final Dist. Analysis                           |  |  |  | 3,000         |
| DE LLC. Taxes For 2011 and 2012  |  |  |  | 754           |
| DE LLC. Taxes For 2013 due by 6/1/14   |  |  |  | 250           |
| Bank Fees - 2012   |  |  |  | 41            |
| Estimated Bank Fees - 2013   |  |  |  | 41            |
| Actual 2012 CSC Corp. Registration Fees  |  |  |  | 109           |
| Estimated 2013 CT Corp. Registration Fees  |  |  |  | 109           |
| Due To Acartha Group (Intercompany Account Payable From Prior Years)               |  |  |  | 38,804        |
| Due To Morriss Holdings (Intercompany Account Payable From Prior Years)            |  |  |  | 100           |
| "Wind-Down" Costs  |  |  |  | 1,000         |
| <b>Total Allocable Fees and Expenses</b>   |  |  |  | <b>55,662</b> |

**Footnote Disclosure**

- A - Amount Ties To Deposit Amount Per Parkside Financial Bank Statement 3/29/13
- B - Amount Ties To Deposit Amount Per US Bank Bank Statement 3/31/13
- C - Amount Per Escrow Distribution Analysis created by prior management

**General Disclosure**

All calculations significantly based on information provided by prior management. Only limited verification was performed, no audit or attestation procedures were completed.

**INTEGRION ACQUISITION II**

|   | Actual<br>Sept. / 2010 | Actual<br>Sept. / 2011 | Calculated<br>2013 | REF |
|---|------------------------|------------------------|--------------------|-----|
| Gross Proceeds On Sale(Allocation of proceeds based on total D Series owned / total D Shares) | 1,500,000              |                        |                    |     |
| Less: Escrow Held (Ties to Integrien Distribution Summary)                                    | <u>(232,130)</u>       |                        |                    |     |
| Net To Bank Account (Ties to 9/30/10 Bank Statement)  | 1,267,870              |                        |                    |     |
| Escrow #1   |                        | 105,248                |                    |     |
| Parkside Financial Cash Balance - 3/31/13 (Includes Escrow #2)                                |                        |                        | 116,478            | A   |
| Less: Deal and Allocable Expenses (Paid To AG)(9/30/10 Bank Statement)                        | (51,000)               |                        |                    |     |
| Less: Allocable Fees and Expenses (See Summary Below)   | <u>(132)</u>           | -                      | <u>(19,523)</u>    |     |
| Net Distributable To Integrien Acquisition II Members   | <u>1,216,738</u>       | <u>105,248</u>         | <u>96,955</u>      |     |
| Less: Carried Interest  | (143,348)              | (21,050)               | (19,391)           |     |
| Net Distributed To Members  | <u>1,073,390</u>       | <u>84,198</u>          | <u>77,564</u>      |     |

**Cash Distribution Summary****Members**

|  |                  |                |               |
|--|------------------|----------------|---------------|
| Integrien Acquisition Capital II (Managing Member) | 1,073,390        | 84,198         | 77,564        |
| Acartha  | <u>107,511</u>   | <u>21,050</u>  | <u>19,391</u> |
|  | 35,837           | -              | -             |
| Total Cash Distribution                            | <u>1,216,738</u> | <u>105,248</u> | <u>96,955</u> |

**Special Allocation Analysis**

|   |                  |               |               |
|---|------------------|---------------|---------------|
| Net Distributable To IA II, LLC. Members                      | 1,216,738        | 105,248       | 96,955        |
| Less: Allocation #1 - Return Of Capital Contributed ( )       | <u>(500,000)</u> | -             | -             |
| Total   | 716,738          | 105,248       | 96,955        |
| Less: Allocation #2 - 20% Carried Interest to Managing Member | <u>20%</u>       | <u>20%</u>    | <u>20%</u>    |
| Carried Interest  | <u>143,348</u>   | <u>21,050</u> | <u>19,391</u> |

**Summary of Allocable Fees and Expenses**

|   |  |  |               |
|---|--|--|---------------|
| Thompson Coburn Fees  |  |  | 6,301         |
| Actual CliftonLarsonAllen Fees - 2011 Tax Return Filing Fees (Invoice Outstanding)        |  |  | 1,841         |
| <b>Estimated</b> CliftonLarsonAllen Fees - 2012 Tax Return Filing Fees                    |  |  | 2,500         |
| <b>Estimated</b> CliftonLarsonAllen Fees - 2013 Final Short Period Tax Return Filing Fees |  |  | 2,500         |
| <b>Estimated</b> CliftonLarsonAllen Fees - Final Dist. Analysis                           |  |  | 2,500         |
| Actual Progress Billing Related to Final Dist. Analysis (Invoice Outstanding)             |  |  | 1,326         |
| DE LLC. Taxes For 2011 and 2012   |  |  | 754           |
| DE LLC. Taxes For 2013 due by 6/1/14  |  |  | 250           |
| Bank Fees - 2012  |  |  | 21            |
| <b>Estimated</b> Bank Fees - 2013   |  |  | 21            |
| Actual 2012 CSC Corp. Registration Fees   |  |  | 109           |
| <b>Estimated</b> 2013 CT Corp. Registration Fees  |  |  | 109           |
| Due To Acartha Group (Intercompany Account Payable From Prior Years)                      |  |  | 291           |
| "Wind-Down" Costs   |  |  | <u>1,000</u>  |
| <b>Total Allocable Fees and Expenses</b>  |  |  | <u>19,523</u> |

**Footnote Disclosure**

A - Amount Ties To Parkside Financial Bank Statement 3-29-13

**General Disclosure**

All calculations significantly based on information provided by prior management. Only limited verification was performed, no audit or attestation procedures were completed.

**INTEGRIEN ACQUISITION CAPITAL II**

|   | <b>Actual<br/>2010</b> | <b>Actual<br/>2011</b> | <b>Calculated<br/>2013</b> | <b>REF</b> |
|---|------------------------|------------------------|----------------------------|------------|
| Carried Interest Distribution Received From Integrien Acquisition II                      | 107,511                | 21,050                 | 19,391                     |            |
| <b><u>Summary of Allocable Fees and Expenses</u></b>                                      |                        |                        |                            |            |
| Actual CliftonLarsonAllen Fees - 2011 Tax Return Filing Fees (Invoice Outstanding)        |                        |                        | 2,500                      |            |
| <i>Estimated</i> CliftonLarsonAllen Fees - 2012 Tax Return Filing Fees                    |                        |                        | 2,500                      |            |
| <i>Estimated</i> CliftonLarsonAllen Fees - 2013 Final Short Period Tax Return Filing Fees |                        |                        | 2,500                      |            |
| <i>Estimated</i> CliftonLarsonAllen Fees - Final Dist. Analysis                           |                        |                        | 1,500                      |            |
| DE LLC. Taxes For 2011 and 2012   |                        |                        | 754                        |            |
| DE LLC. Taxes For 2013 due by 6/1/14  |                        |                        | 250                        |            |
| Actual 2012 CSC Corp. Registration Fees   |                        |                        | 109                        |            |
| <i>Estimated</i> 2013 CT Corp. Registration Fees  |                        |                        | 109                        |            |
| Due To Acartha Group (Intercompany Account Payable From Prior Years)                      |                        |                        | 1,947                      |            |
| "Wind-Down" Costs   |                        |                        | 1,000                      |            |
| <b>Total Allocable Fees and Expenses</b>  |                        |                        | <b>13,169</b>              |            |
| <b>Net Distributable</b>  |                        |                        | <b>6,222</b>               |            |

**Cash Distribution Summary**

**Integrien Acquisition Capital II, LLC.**

**Members**

|                           |                |               |              |
|---------------------------|----------------|---------------|--------------|
| ████████████████████      | 35,837         | 5,263         | 1,555        |
| ██████████                | 35,837         | 5,262         | 1,555        |
| ████████████████████      | 35,837         | 5,263         | 1,555        |
| Acartha (Managing Member) | -              | 5,262         | 1,555        |
| Total Cash Distribution   | <u>107,511</u> | <u>21,050</u> | <u>6,222</u> |

**Acartha Group, LLC.**

|        |       |       |
|--------|-------|-------|
| 35,837 | 5,262 | 1,555 |
|--------|-------|-------|

**General Disclosure**

All calculations significantly based on information provided by prior management. Only limited verification was performed, no audit or attestation procedures were completed.

REDACTED

**ACARTHA MERCHANT PARTNERS, LLC**

|   | Actual<br>2010  | Actual<br>2011 | Calculated<br>2013 | REF |
|---|-----------------|----------------|--------------------|-----|
| Acartha Merchant Partners                           | 23,098          |                |                    |     |
| <b>Members</b>                                      |                 |                |                    |     |
| ██████████  | (11,549)        |                |                    |     |
| ██████████  | (11,549)        |                |                    |     |
| Total   | <u>(23,098)</u> |                |                    |     |
| <b>Acartha Group (None Distributed To Partners)</b> | 7,700           |                |                    |     |

|  | Actual<br>2010 | Actual<br>2011  | Calculated<br>2013   | REF |
|--|----------------|-----------------|----------------------|-----|
| Acartha Merchant Partners  |                | 69,033          | 59,668               |     |
| <b>Summary of Allocable Fees and Expenses</b>                                      |                |                 |                      |     |
| Actual CliftonLarsonAllen Fees - 2011 Tax Return Filing Fees (Invoice Outstanding) |                |                 | 2,500                |     |
| <b>Estimated</b> CliftonLarsonAllen Fees - 2012 Tax Return Filing Fees             |                |                 | 2,500                |     |
| <b>Estimated</b> CliftonLarsonAllen Fees - Final Dist. Analysis                    |                |                 | 500                  |     |
| DE LLC. Taxes For 2011 and 2012  |                |                 | 754                  |     |
| DE LLC. Taxes For 2013 due by 6/1/14   |                |                 | 250                  |     |
| Actual 2012 CSC Corp. Registration Fees  |                |                 | 109                  |     |
| <b>Estimated</b> 2013 CT Corp. Registration Fees                                   |                |                 | 109                  |     |
| Due To Acartha Group (Intercompany Account Payable From Prior Years) ***           |                |                 | 2,593                |     |
| "Wind-Down" Costs  |                |                 | <u>1,000</u>         |     |
| <b>Total Allocable Fees and Expenses</b>   |                |                 | <u><b>10,315</b></u> |     |
| <b>Net Distributable</b>   |                |                 | <b>49,353</b>        |     |
| <b>Members</b>   |                |                 |                      |     |
| ██████████***  |                | (25,888)        | -                    |     |
| ██████████***  |                | (25,888)        | -                    |     |
| Acartha Group (Managing Member)  |                | (17,258)        | (49,353)             |     |
| <b>Total</b>   |                | <u>(69,034)</u> | <u>(49,353)</u>      |     |
| <b>Acartha Group</b>   |                | 17,258          |                      |     |
| <b>Acartha Tech Partners</b>   |                | (64,398)        |                      |     |

\*\*\*Per analysis of Acartha Merchant Partners, LLC Operating Agreement, Dtd 10/14/03, the managing member is Acartha Group, LLC. Per paragraph 11, "Distributions shall be made to the Member at the times and in the aggregate amounts determined by the Member". Based on this, all 2013 distributions are being allocated to the Member.

**Footnote Disclosure**

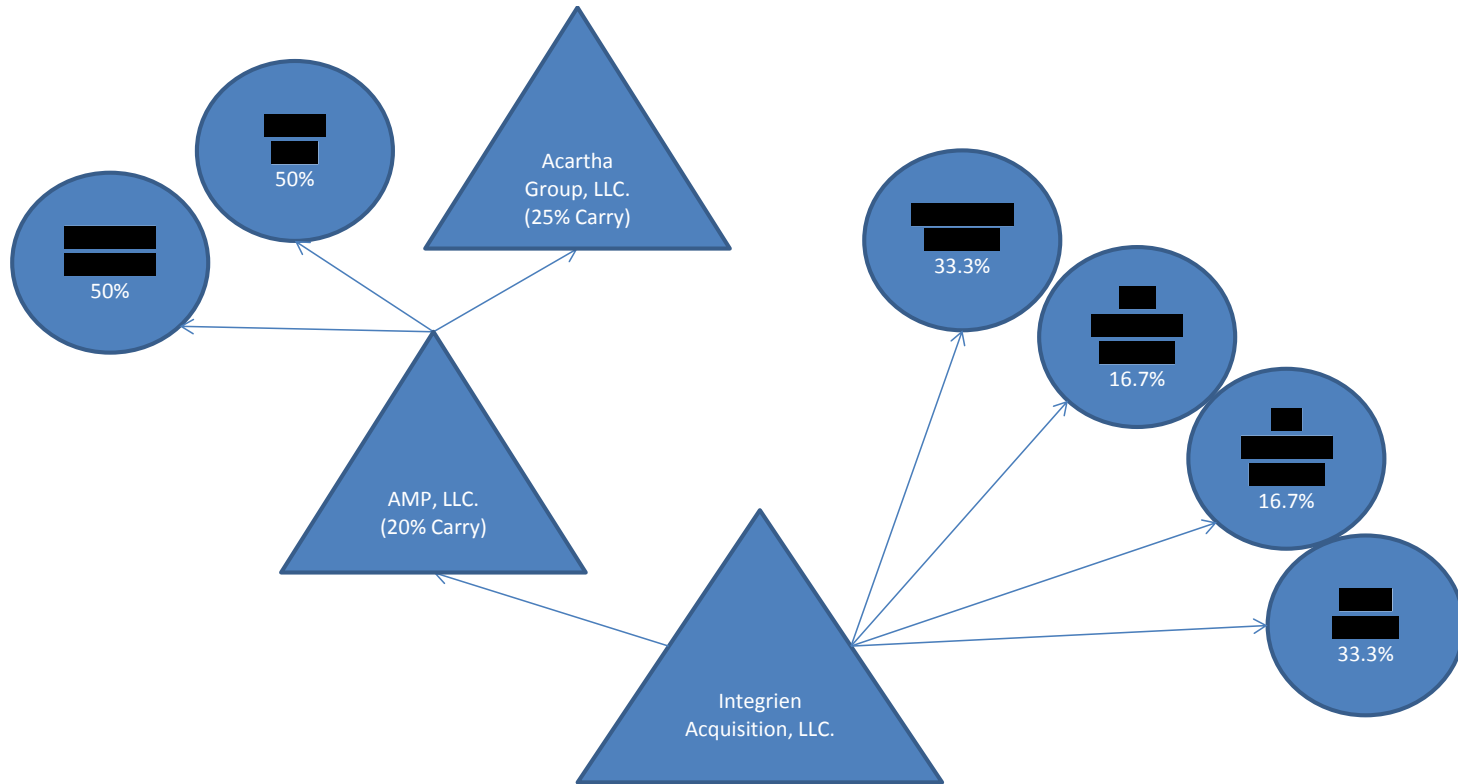
A - Amount Ties To Deposit Amount Per Parkside Financial Bank Statement 4-30-12

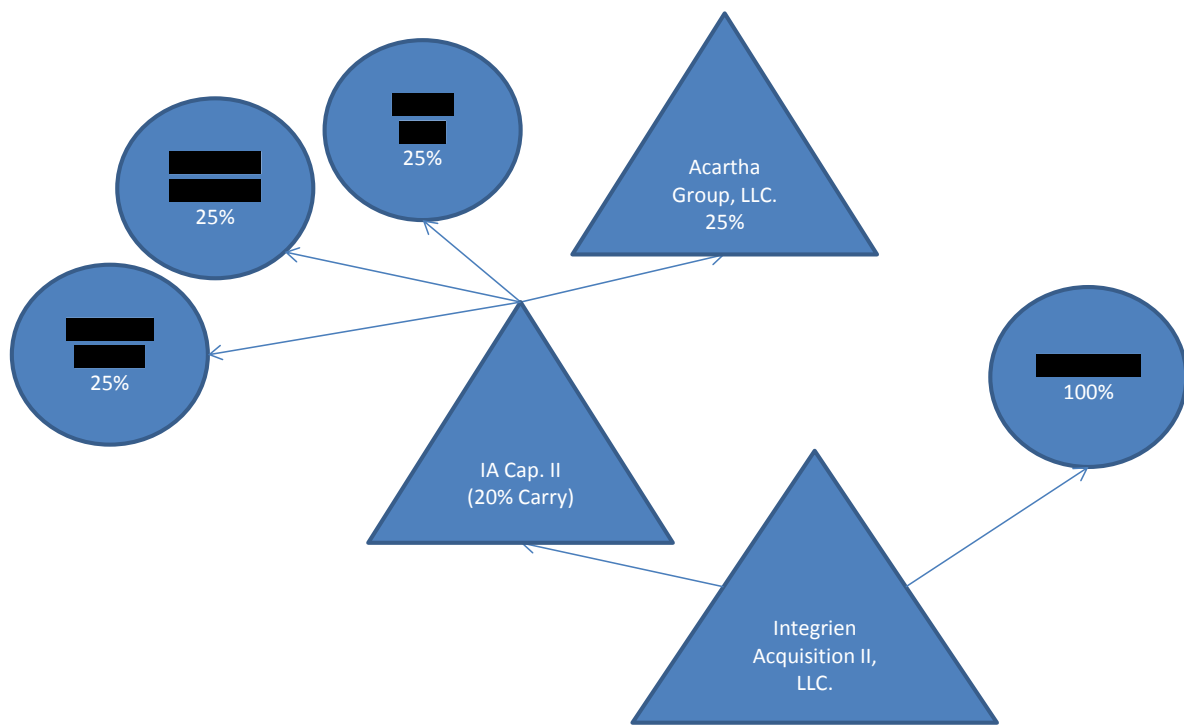
B - Amount Per Escrow Distribution Analysis created by prior management

**General Disclosure**

All calculations significantly based on information provided by prior management. Only limited verification was performed, no audit or attestation procedures were completed.







**UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF MISSOURI  
EASTERN DIVISION**

|                                 |   |                            |
|---------------------------------|---|----------------------------|
| SECURITIES AND EXCHANGE         | ) |                            |
| COMMISSION,                     | ) |                            |
|                                 | ) |                            |
| Plaintiff,                      | ) |                            |
|                                 | ) |                            |
| v.                              | ) | Case No. 4:12-cv-00080-CEJ |
|                                 | ) |                            |
| BURTON DOUGLAS MORRISS, et al., | ) |                            |
|                                 | ) |                            |
| Defendants, and                 | ) |                            |
|                                 | ) |                            |
| MORRISS HOLDINGS, LLC,          | ) |                            |
|                                 | ) |                            |
| Relief Defendant.               | ) |                            |

**ORDER**

This matter is before the Court on the *Receiver’s Motion for Authorization to Distribute Funds Held By Integrien Acquisition, LLC and Integrien Acquisition II, LLC* and Memorandum in Support (the “Motion”) filed by Claire M. Schenk, the court-appointed receiver (the “Receiver”) for Acartha Group, LLC, MIC VII, LLC, Acartha Technology Partners, L.P. and Gryphon Investments III, LLC in this action; and

Having fully considered the Motion and accompanying papers and being duly advised as to the merits,

**THE COURT DOES HEREBY ORDER THAT**

1. The Receiver’s Motion is granted in its entirety; and
2. The asset freeze of the Asset Freeze Order is lifted with respect to the First Escrow Funds and the Final Escrow Funds.

**Ex. B**

3. Reliance Bank is directed to grant the Receiver control over the IA Reliance Bank Account and the funds and assets of such account and to distribute such funds as directed by the Receiver.

3. The Receiver is authorized to distribute the remaining First Escrow Funds to intended investor distributees of IA in accordance with the Schedule of Proposed Distribution attached to the O'Shaughnessy Declaration.

4. The Receiver's payment of, or reservation for, fees and expenses (which expenses are only estimated at this time and may exceed or fall below the numbers listed in the Schedule of Proposed Distribution) of the Integrien SPVs, AMP and IA Capital II from the Final Escrow Funds in accordance with the Schedule of Proposed Distribution attached to the O'Shaughnessy Declaration is approved.

5. The Receiver is authorized to distribute the Final Escrow Funds, minus fees and expenses, to (i) the investors in IA and IAIL, (ii) AMP and IA Capital II (for carried interest) and (iii) the investors in and managing member of AMP and IA Capital II in accordance with the Schedule of Proposed Distribution attached to the O'Shaughnessy Declaration.

**SO ORDERED** this the \_\_\_\_ day of \_\_\_\_\_, 2013.

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THE HONORABLE CAROL E. JACKSON  
UNITED STATES DISTRICT JUDGE