

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

|                                      |   |  |
|--------------------------------------|---|--|
| SECURITIES AND EXCHANGE COMMISSION,  | ) |  |
|                                      | ) |  |
| Plaintiff,                           | ) |  |
| v.                                   | ) |  |
|                                      | ) |  |
| BURTON DOUGLAS MORRISS,              | ) |  |
| ACARTHA GROUP, LLC,                  | ) |  |
| MIC VII, LLC,                        | ) |  |
| ACARTHA TECHNOLOGY PARTNERS, LP, and | ) |  |
| GRYPHON INVESTMENTS III, LLC,        | ) |  |
|                                      | ) |  |
| Defendants, and                      | ) |  |
|                                      | ) |  |
| MORRISS HOLDINGS, LLC,               | ) |  |
|                                      | ) |  |
| Relief Defendant.                    | ) |  |
| _____                                | ) |  |

Case No. 4:12-CV-00080-CEJ

**RECEIVER’S MOTION FOR ENTRY OF AN ORDER  
APPROVING AND CONFIRMING THE RECEIVER’S  
TENTH INTERIM STATUS REPORT**

By Order entered January 17, 2012, the Court appointed Claire M. Schenk as Receiver (the “Receiver”) over Acartha Group, LLC, MIC VII, LLC, Acartha Technology Partners, LP and Gryphon Investments III, LLC (collectively, the “Receivership Entities”).

The Receiver herein moves this Court for entry of the proposed Order Approving and Confirming her Tenth Interim Status Report of Receiver, filed simultaneously herewith as Exhibit A to this Motion.

This motion is administrative and not adversarial in nature.

Respectfully Submitted,

THOMPSON COBURN LLP

Dated: May 22, 2014

By           /s/ Kathleen E. Kraft            
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Brian A. Lamping, #61054MO  
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**CERTIFICATE OF SERVICE**

I hereby certify that on May 22, 2014, 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:

John R. Ashcroft, Esq.  
Ashcroft Hanaway LLC  
222 South Central Ave., Suite 110  
St. Louis, Missouri 63105  
*Counsel for Defendant Burton Douglas Morriss*

Robert K. Levenson  
Brian T. James  
Securities and Exchange Commission  
801 Bricknell Avenue, Suite 1800  
Miami, Florida 33131  
*Attorneys for Plaintiff*

          /s/ Kathleen E. Kraft

UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF MISSOURI  
EASTERN DIVISION

SECURITIES AND EXCHANGE COMMISSION, )  
)  
Plaintiff, )  
v. )  
)  
BURTON DOUGLAS MORRISS, )  
ACARTHA GROUP, LLC, )  
MIC VII, LLC, )  
ACARTHA TECHNOLOGY PARTNERS, LP, and )  
GRYPHON INVESTMENTS III, LLC, )  
)  
Defendants, and )  
)  
MORRISS HOLDINGS, LLC, )  
)  
Relief Defendant. )  
\_\_\_\_\_ )

Case No. 4:12-CV-00080-CEJ

**TENTH INTERIM STATUS REPORT OF RECEIVER**

Claire M. Schenk (the “Receiver”), the Receiver for Defendants Acartha Group, LLC (“Acartha Group”), Acartha Technology Partners, LP (“ATP”), MCI VII, LLC (“MCI VII”), and Gryphon Investments III, LLC (“Gryphon Investments”) (collectively, the “Receivership Entities”), submits this **Tenth Interim Status Report** to update the Court on the activities of the Receiver occurring since March 10, 2014:

**A. Claims Process**

The Receiver’s Ninth Interim Status Report provided a detailed summary as to the numbers of claims submitted, the Receiver’s process of review and documentation of the claims, and the Receiver’s recommendations regarding the allowance of certain claims and disallowance as to others as set forth and explained in the Receiver’s Notices of Determination. Since March 10, 2014, these totals have varied slightly so that at this point, the Receiver has recommended that 115 claims be allowed, at least in part, and that 16 claims be disallowed in their entirety.



During the most recent period of time, the Receiver and her counsel have focused their efforts upon the claimants providing notice to the Receiver of their Objections to the Receiver's Notices of Determination. While none of the objecting claimants has yet filed an objection with the Court, four claimants have filed objections with the Receiver, while one claimant continues to work with the Receiver to provide the requisite documentation. The Receiver and her professionals are working with the objectors in order to ascertain the appropriate handling of these matters. The Receiver has been in communication with these parties regarding the basis for her determinations and to explore and better understand the position of the objecting parties. Pursuant to this Court's order amending the claims deadlines (Dkt. No. 278), the objectors are allowed to file objections with the Court between May 13, 2014 and June 12, 2014.<sup>1</sup>

**B. Sale of Equity in Pollen, Inc.**

On April 2, 2013, the Court approved the Receiver's November 14, 2013 motion for the sale of the preferred and common shares of Pollen, Inc. In the Order (Dkt. No. 321), the Court stated that "[t]he pool of potential buyers of the Pollen shares is very limited. As a private company, Pollen is under no obligation to provide the information and diligence a serious potential buyer would require. Thus, only current shareholders and the company itself are in a position to make a genuine offer. The accounting firm CliftonLarsonAllen LLP evaluated Pollen's offer and concluded that the share prices offered by Pollen would give the receivership 'a rate of return commensurate with the expected returns of venture capitalists in start-up and

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<sup>1</sup> The Claims Bar Date Order (Dkt. No. 234) and the order amending the Claims Bar Date Order (Dkt. No. 278) both provide that a claimant and the Receiver may stipulate to informally resolve their dispute and may extend by agreement without leave of Court the deadline for either party to file a motion to have the Court rule on the objection and determination.

early development companies. Further, the purchase provides liquidity for what would otherwise be an illiquid long-term investment.” As a result, the Court found that sufficient grounds existed to authorize the sale proposed by the Receiver and that the offer by Pollen represented the best price for the preferred and common stock under the circumstances. The Order provided the Receiver with the authority to sell 1,656,299 preferred shares for \$2.25 per share and 31,764 common shares for \$1.00 per share.

Following receipt of the Order, counsel for the Receiver and Pollen worked to finalize and effectuate the documentation allowing the sale. Subsequent to complete execution of the documents, on April 9, 2014, the sum of \$3,758,436.75 was transferred by wire into the account of the Receiver at East West Bank.

**C. Tax Matters**

Following the closing of the books of the Receivership Entities by Segue for fiscal year 2013, the Receiver has continued to work with its tax accounting firm, CliftonLarsonAllen, to update and renew the engagement previously submitted for the approval of the Court to ensure that state, local, and federal tax requirements are handled in a timely and appropriate manner. This engagement was finalized on April 10, 2014 and a true and correct copy is attached here to as Exhibit 1. Although much of the work pertinent to the tax filings for 2013 has been completed, following discussions with CLA, extensions were filed, as necessary, on or about April 14, 2014 in order to further develop and reconcile the handling of a number of open items.

The Receiver has also worked to update and satisfy payments owed to CT and the state of Delaware for active entities and to address outstanding and historic tax compliance issues in an appropriate manner. The Receiver, working with CLA, has resolved the bulk of these tax issues

and has objected to the taxing authority in the remaining matter since a claim was not received in pursuant to the notice was provided under the Claims Bar Date Order.

**D. Update in Proceedings Involving Burton Douglas Morriss**

**(1) Criminal Matter**

As reported in greater detail in prior reports, Morriss entered a guilty plea in the criminal matter, United States of America v. Burton Douglas Morriss, 4:13-CR-341-RWS. Subsequently, he was sentenced to 60 months' imprisonment and was directed to pay criminal monetary penalties in the amount of \$5,559,386.00 in restitution to the Internal Revenue Service. The Receiver understands that Morriss is currently incarcerated.

**(2) Personal Bankruptcy**

Pursuant to the extension previously granted, the Receiver was allowed until August 8, 2014 to object to discharge or dischargeability. Also, once again, the Meeting of Creditors was continued and is now set for June 13, 2014. To date, the requisite schedules of assets and liabilities has not been filed by Morriss. Counsel for the debtor has previously indicated that the schedules will be filed.

**E. Document Analysis and Receivership Claims**

The Receiver continues to analyze and search through the voluminous documents made available since the Receiver's appointment in order to consider the appropriate handling of existing affirmative Receivership claims. Many of these documents have been made available for the use of retained counsel, Spencer Fane Britt & Brown LLP. As previously reported, counsel was engaged to pursue Receivership claims against UHY Advisors MO, Inc. Counsel for the Receiver and counsel for UHY have entered into a tolling agreement and have engaged in preliminary discussion regarding these claims.

Similarly, the Receiver and counsel have continued analysis of these documents for the potential pursuit of other affirmative claims and as part of the claims resolution process.

**F. Business Operations and Administrative Matters**

As in previous reporting periods, the Receiver has continued to monitor and participate in matters involving the portfolio investments held by the Receivership Entities. This activity includes periodic review of updates provided to the Receiver regarding operations and financial matters and participation as an observer in Board meetings. The financing needs of the portfolio concerns are a continuing concern and the Receiver has continued to facilitate contact with investors as appropriate. In particular, the Receiver and her investment fund manager, Segue Partners, have been actively involved during this reporting period in facilitating the communication of information to investors regarding a scheduled financing, the pertinent documentation, pro rata shares, and other relevant information.

**Conclusion**

The Receiver will continue to update this Report on a periodic basis to summarize relevant Receivership activities.

Dated: May 22, 2014

Respectfully submitted,

/s/ Claire M. Schenk

Claire M. Schenk, Receiver



THOMPSON  
COBURN LLP

EXHIBIT 1

Claire M. Schenk  
P 314.552.6152  
acantha.receivership@  
thompsoncoburn.com

April 10, 2014

VIA ELECTRONIC & FIRST CLASS MAIL

Marion Hecht  
Principal, Fraud & Forensic Investigations, Receivership & Litigation  
CliftonLarsonAllen LLP  
4250 North Fairfax Drive, Suite 1020  
Arlington, VA 22203

Re: *Securities and Exchange Commission v. Burton Douglas Morriss, et al.*  
No. 4:12-cv-00080-CEJ

Dear Marion:

This letter will serve to supplement and amend the fully executed June 26, 2012 engagement letter pertaining to services to be rendered by CliftonLarsonAllen LLP ("CLA") in the above-referenced matter ("the engagement letter"). As stated in the engagement letter, CLA fees were outlined in CLA's proposal of June 15, 2012. The fees stated in CLA's proposal included flat fee arrangements pertaining to the various tax filings which were completed for the 2011 tax year. Subject to the approval of the Court and pursuant to our discussions, there will be a \$200 increase in the flat fee ceiling limitation pertaining to CLA's preparation of the 2013 returns for the various Receivership and related entities subject to Receivership management, so that the fixed fee (not to exceed) amount for each entity filing will become \$3,000. CLA will continue to bill at the lower rate of either actual or not to exceed in keeping with the June 26, 2012 engagement.

Hourly rates for other matters will be subject to the terms of the June 26, 2012 engagement letter which is based upon CLA's June 15, 2012 proposal made in response to the Receiver's May 25, 2012 Request for Proposal with the exception that hourly rates are to be billed as set out in Attachment A effective January 1, 2014, subject to such approvals as may be required.

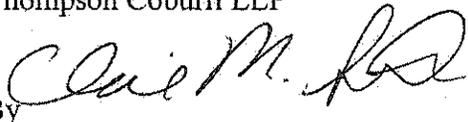
April 10, 2014

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Thanks once again for your assistance with the Acartha Receivership matters.

Best regards,

Thompson Coburn LLP

By 

Claire M. Schenk

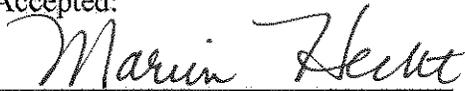
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Enclosure

**CONFIRMATION**

I agree to provide services under the terms of this Engagement Letter.

Accepted:



Marion Hecht, CPA  
Principal  
Clifton Larson Allen LLP

Dated:

4-10-14

**Acartha Receivership Tax & Accounting  
Proposed Rates Effective 1/1/14**

| <u>Name</u>         | <u>Title</u>     | <u>Current</u>                                     | <u>Current EL</u>                      | <u>Proposed</u>                                      | <u>CLA Rate</u><br>eff 1/1/14 |
|---------------------|------------------|--|--|--|-------------------------------|
|                     |                  | <u>Discounted</u><br><u>Rate</u><br><u>Charged</u> | <u>Discounted</u><br><u>rate range</u> | <u>Discounted</u><br><u>Rate Range</u><br>eff 1/1/14 |                               |
| Tim O'Shaughnessy   | Partner          | \$ 255.00  | 250-275                                | 250-300  | \$ 360.00                     |
| Dan Thieret         | Manager          | \$ 110.00  | 140-160                                | 140-190  | \$ 175.00                     |
| Elna Trost          | Senior           | \$ 110.00  | 90-110                                 | 100-180  | \$ 210.00                     |
| Chlebowski, Michele | Senior           | \$ 110.00  | 90-110                                 | 100-180  | \$ 170.00                     |
| Labelle, Michael    | Senior           | \$ 110.00  | 90-110                                 | 100-180  | \$ 145.00                     |
| Karen Marson        | Paraprofessional | \$ 70.00   | 60-70                                  | 70-80  | \$ 95.00                      |
| Logan Eader         | Associate        | \$ 70.00   | 60-70                                  | 70-80  | \$ 95.00                      |
| Mitchell Seward     | Associate        | \$ 70.00   | 60-70                                  | 70-80  | \$ 95.00                      |

| <u>Forensic Professional</u> | <u>Rate</u> |
|------------------------------|-------------|
| Partner / Managing Director  | 400         |
| Senior Manager               | 300         |
| Manager                      | 250         |
| Supervisor                   | 200         |
| Associate                    | 150         |
| Paraprofessional             | 100         |

No increase to forensic rates at this time

**ATTACHMENT A**

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

SECURITIES AND EXCHANGE COMMISSION, )  
 )  
 Plaintiff, )  
 v. )  
 )  
 BURTON DOUGLAS MORRISS, )  
 ACARTHA GROUP, LLC, )  
 MIC VII, LLC, )  
 ACARTHA TECHNOLOGY PARTNERS, LP, and )  
 GRYPHON INVESTMENTS III, LLC, )  
 )  
 Defendants, and )  
 )  
 MORRISS HOLDINGS, LLC, )  
 )  
 Relief Defendant. )  
 \_\_\_\_\_ )

Case No. 4:12-CV-00080-CEJ

**ORDER**

Upon the Receiver’s Motion for Entry of an Order Approving and Confirming the Tenth Interim Status Report of Receiver, filed by Claire M. Schenk, the court-appointed receiver (the “Receiver”) for Acartha Group, LLC, MIC VII, LLC, Acartha Technology Partners, LP and Gryphon Investments III, LLC in this action; and

Having fully considered the Motion and the Tenth Interim Status Report 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 Tenth Interim Status Report of Receiver for the period March 11, 2014 through May 22, 2014, and every act and transaction reported therein, are hereby approved and confirmed.

**SO ORDERED** this \_\_\_\_\_ day of \_\_\_\_\_ 2014

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THE HONORABLE CAROL E. JACKSON  
UNITED STATES DISTRICT COURT JUDGE