### 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,	) ) ) Case No. 4:12-CV-00080-CEJ )
Defendants, and	)
MORRISS HOLDINGS, LLC,	)
Relief Defendant.	) ) )

## RECEIVER'S REPLY IN SUPPORT OF MOTION TO STRIKE REPLY OF HANY TEYLOUNI

### <u>AND</u>

# RECEIVER'S OPPOSITION TO MOTION NUNC PRO TUNC OF HANY TEYLOUNI FOR PERMISSION TO FILE REPLY IN SUPPORT OF MR. TEYLOUNI'S OBJECTION TO RECEIVER'S NOTICE OF DETERMINATION

Claire M. Schenk (the "Receiver"), the Receiver for Defendants Acartha Group, LLC ("Acartha Group"), Acartha Technology Partners, LP ("ATP"), MIC VII, LLC ("MIC VII"), and Gryphon Investments III, LLC ("Gryphon Investments") (collectively, the "Receivership Entities"), respectfully replies to Mr. Teylouni's opposition to her *Motion to Strike Mr. Teylouni's Reply* (ECF No. 348) and opposes Mr. Teylouni's *Motion Nunc Pro Tunc for Permission to File Reply in Support of Mr. Teylouni's Objection to Receiver's Notice of Determination* (ECF No. 350).

Mr. Teylouni's opposition to the Receiver's Motion to Strike and his concurrent motion nunc pro tunc for leave to submit a reply in derogation of the procedures for court-filed objections outlined in the Order on Motion to Establish Claims Bar Date, Approve Manner and

Form of Notice of Claims Bar Date and Approve Process for Submitting Claims ("Claims Bar Date Order") (as amended) (ECF Nos. 234, 278) rely on two principles arguments. First, Mr. Teylouni claims a right to reply to "new" arguments advanced by the Receiver in her response to his court-filed objection (and the documentary evidence submitted in support thereof). Second, Mr. Teylouni argues that the Receiver's reliance on the procedures of the Claims Bar Date Order does not merit granting the Receiver's request to strike Mr. Teylouni's unauthorized filing. Mr. Teylouni's arguments are without merit.

1. The Arguments Advanced by Mr. Teylouni in the Unauthorized Reply Could Have Been Addressed by Mr. Teylouni in His Initial Court-Filed Objection and In Fact Were Addressed by Mr. Teylouni in His Objection Filed with the Receiver.

By reference to Mr. Teylouni's unauthorized reply, Mr. Teylouni claims that the Receiver did not make him aware that she would argue that (1) Mr. Teylouni's Change of Status Form resulted in a waiver of any alleged right to deferred compensation<sup>1</sup> and (2) the conditions precedent to any alleged right to payment of deferred compensation were not satisfied (ECF No. 347 at 2-3).<sup>2</sup>

Contrary to Mr. Teylouni's assertions, Mr. Teylouni was aware of these bases for the Receiver's denial of Mr. Teylouni's claim. The Receiver expressly relied on the language of the Change of Status Form in her Final Notice of Determination to assert that Mr. Teylouni waived

<sup>&</sup>lt;sup>1</sup> Notably, Mr. Teylouni's unauthorized reply references a Change of Status Forms dated June 15, 2008, but does not mention the other Change of Status Forms which Mr. Teylouni now complains were never produced to him and result in his need to file the unauthorized reply (*see* ECF No. 347 at 2-3; ECF No. 349 at 1-2). Mr. Teylouni, however, never affirmatively requested copies of any documents during the parties' discussions.

<sup>&</sup>lt;sup>2</sup> Mr. Teylouni advances a third argument in his unauthorized reply. He did not, however, reference this argument in his most recent filings and does not contend that documentary evidence filed in connection with the Receiver's Response to Mr. Teylouni's court-filed objection required advancement of the third argument in the unauthorized reply.

any claim to deferred compensation (Exhibit F to Receiver's Response to Claim Objection, ECF No. 344-6 at 3), and Mr. Teylouni responded to the Receiver's waiver arguments in his initial objection to the Receiver's determination (Exhibit G to Receiver's Response to Claim Objection, ECF No. 344-7 at 1-2). Further, Mr. Teylouni was aware that the Receiver denied his claim on the separate basis that the triggering condition to Mr. Teylouni's alleged right to the payment of deferred compensation never occurred (Exhibit F to Receiver's Response to Claim Objection, ECF No. 344-6 at 3-4). Mr. Teylouni responded to this argument in his initial objection as well (Exhibit G to Receiver's Response to Claim Objection, ECF No. 344-7 at 2). In both instances, Mr. Teylouni's arguments in his unauthorized reply substantially mirror the arguments submitted to the Receiver and to this Court in Mr. Teylouni's objection (*see* Exhibit B to Mr. Teylouni's court-filed objection, ECF No. 337-2). If Mr. Teylouni desired to expand on these arguments, he could have done so in his initial court-filed objection. His failure to do so does not justify consideration of his unauthorized reply.

2. Mr. Teylouni's Failure to Abide by the Claims Bar Date Order's Specific Procedures for the Filing of Objections with the Court Alone Merits Striking Mr. Teylouni's Unauthorized Reply.

Additionally, Mr. Teylouni argues that the Receiver's sole reliance on the procedures for filing claim objections with the Court is not enough to justify striking his unauthorized reply because the Receiver does not argue prejudice. In so doing, Mr. Teylouni implicitly argues that he will be prejudiced, i.e., not have the opportunity to present and explain his claims fully to the Court, if he is forced to abide by the Claims Bar Date Order procedures (see ECF No. 349 at 2-3). As set forth above, Mr. Teylouni knew the bases for the Receiver's denial of his claim. Mr. Teylouni could have expanded his responses to the Receiver's arguments outlined in the Final Notice of Determination when he filed his objection with the Court. Instead, Mr. Teylouni chose

to rely solely on his proof of claim filing and initial objection filed with the Receiver as the means by which he would explain his claim to the Court (*see* ECF Nos. 337-2 and 337-3).

Further, the Court established the streamlined procedures for claim determination objections to promote judicial economy in the Court's consideration of such objections, among other things. The procedures and any derogation therefrom establish precedent to which future claimant-objectors will expect to be held. As such, absent overwhelming justification and in the interest of preserving judicial economy in this and future claim objection matters, the Court should not authorize Mr. Teylouni's requested dispensation from the Claims Bar Date Order procedures.

**WHEREFORE**, the Receiver respectfully renews her request that the Court strike Mr. Teylouni's Reply as an unauthorized filing under the Claims Bar Date Order and further requests that the Court deny Mr. Teylouni's *nunc pro tunc* motion for leave to file an unauthorized reply.

Dated: September 23, 2014 Respectfully Submitted,

#### THOMPSON COBURN LLP

By /s/ Kathleen E. Kraft\_

Stephen B. Higgins, #25728MO Brian A. Lamping, #61054MO

One US Bank Plaza

St. Louis, Missouri 63101

Phone: (314) 552-6000

F (214) 552 5000

Fax: (314) 552-7000

shiggins@thompsoncoburn.com blamping@thompsoncoburn.com

Kathleen E. Kraft, #58601MO 1909 K Street, NW, Suite 600 Washington, DC 20006

Phone: (202) 585-6922 Fax: (202) 508-1035

kkraft@thompsoncoburn.com

### **CERTIFICATE OF SERVICE**

I hereby certify that on September 23, 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 all parties receiving CM/ECF service.

/s/ Kathleen E. Kraft\_\_\_\_