

# American Eagle Mortgage Funds Receiverships

May 30, 2019



# Agenda

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- Why are the AEM LLCs in Receivership?
- The Receivership Process
- Proof of Claim Procedures
- Communication & Information
- Assets and Liabilities of the AEM LLCs
- Costs Receivership
- Forensic Accounting
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# Introductions

- Hamstreet & Associates – Receiver
  - Clyde Hamstreet
  - Hannah Schmidt
  - Jeff Anspach
- Miller Nash Graham & Dunn – Receiver’s Counsel
  - David Foraker
  - John Knapp
- Forensic Accountant
  - Paul Artley

# What is a Receivership?

A Receivership is a judicial process in which a court-appointed official—the receiver—takes custody and control of a company's assets and business operations for the purposes set forth in one or more court orders.

A Receiver is an officer of the court that has a fiduciary obligation to act in the best interest of the receivership estate for the benefit of creditors generally.

# Why are the AEM LLCs in Receivership?

- Lawsuits were brought by certain AEM investors against certain AEM funds
- The AEM funds were insolvent and could not meet their obligations
- Decision was made by the AEM funds' manager, American Equities, Inc., to put the assets of the AEM funds under the control of an independent manager subject to court supervision

# The Receivership Process

Hamstreet, as receiver, will:

1. Take control of assets and records of the 15 AEM funds that are in receivership.
2. Meet with the AEM management company's staff to learn about the past practices, procedures, and information systems utilized in the operation and management of the AEM funds.
3. Identify the funds' assets, categorize them, and examine them for risk of loss (e.g., tax lien foreclosure, uninsured assets, etc.).
4. Perform a preliminary valuation of the assets and prepare a report for both the Court and investors.

# The Receivership Process (continued)

Hamstreet, as receiver, will:

5. Investigate how the funds were managed, including transactions between funds and/or transactions with affiliates of the management company. Identify any claims or causes of action against other entities.
6. Liquidate the assets in a thoughtful manner, balancing maximum recovery with prompt resolution.
7. Develop a plan to distribute the proceeds to investors and other creditors.
8. Submit the plan to investors for comment, and to the Court for approval.

# Proof of Claim Procedures

- A document each creditor must file to indicate they are owed a debt
- Supporting documentation is important

SUPERIOR COURT OF WASHINGTON FOR CLARK COUNTY

In re:

<input type="checkbox"/>	AMERICAN EAGLE MORTGAGE 100, LLC
<input type="checkbox"/>	AMERICAN EAGLE MORTGAGE 200, LLC
<input type="checkbox"/>	AMERICAN EAGLE MORTGAGE 300, LLC
<input type="checkbox"/>	AMERICAN EAGLE MORTGAGE 400, LLC
<input type="checkbox"/>	AMERICAN EAGLE MORTGAGE 500, LLC
<input type="checkbox"/>	AMERICAN EAGLE MORTGAGE 600, LLC
<input type="checkbox"/>	AMERICAN EAGLE MORTGAGE MEXICO 100, LLC
<input type="checkbox"/>	AMERICAN EAGLE MORTGAGE MEXICO 200, LLC
<input type="checkbox"/>	AMERICAN EAGLE MORTGAGE MEXICO 300, LLC
<input type="checkbox"/>	AMERICAN EAGLE MORTGAGE MEXICO 400, LLC
<input type="checkbox"/>	AMERICAN EAGLE MORTGAGE MEXICO 500, LLC
<input type="checkbox"/>	AMERICAN EAGLE MORTGAGE MEXICO 600, LLC
<input type="checkbox"/>	AMERICAN EAGLE MORTGAGE I, LLC
<input type="checkbox"/>	AMERICAN EAGLE MORTGAGE II, LLC
<input type="checkbox"/>	AMERICAN EAGLE MORTGAGE SHORT TERM, LLC

Case No. 19-2-01458-06  
PROOF OF CLAIM

*Please check the box next to the name of the LLC to which your claim relates.*

<p><b>Name of Creditor:</b></p> <p>Address</p>	<p><input type="checkbox"/> Check box if you are aware that anyone else has filed a proof of claim relating to your claim.</p> <p><input type="checkbox"/> Check box if the address differs from the address on the envelope sent to you with this form.</p> <p>Check here if this claim  <input type="checkbox"/> amends <input type="checkbox"/> replaces a previously filed claim dated _____</p>
<p>Account or Other Number By Which Creditor Identifies LLC:</p>	



# Proof of Claim Procedures

- Proof of Claim form (copies available at registration table)
  - Required for all investors
  - One form for each investor in each fund
    - Jane Doe invested in Fund 200 as Jane Doe and JD LLC, and invested in Fund 600 as Jane Doe
    - 3 proof of claims are required
      - Fund 200 Jane Doe
      - Fund 200 JD LLC
      - Fund 600 Jane Doe
  - Claim amount as of May 10, 2019
  - Include supporting documentation, especially a copy of the promissory note
  - June 21 deadline for submitting proofs of claim
  - Send to John Knapp

# Communication & Information

- Updates will be posted on the website at [www.AEMinvestors.com](http://www.AEMinvestors.com)
- Hamstreet office
  - Phone number: 971.279.5546
  - Email: [AEMReceiver@hamstreet.net](mailto:AEMReceiver@hamstreet.net)
- Receiver's quarterly reports will be filed with the Court and posted on the website
- Investor Survey

# Assets and Liabilities of the LLCs

- Assets
  - Real estate contracts
  - Real estate owned (REOs)
  - Receivables from other funds
  - Possible litigation claims
- Liabilities
  - Notes payable to investors
  - Property taxes, utilities, property management fees, and similar obligations relating to REOs
  - Other (?)

**Summary of Receivership Schedules**

<b>Entity Name</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Difference</b>
American Eagle Mortgage I LLC	\$ 300,326	\$ 546,202	\$ (245,876)
American Eagle Mortgage II LLC	205,777	350,688	(144,911)
American Eagle Mortgage 100, LLC	3,970,325	14,119,201	(10,148,877)
American Eagle Mortgage 200, LLC	1,438,336	4,031,166	(2,592,830)
American Eagle Mortgage 300, LLC	441,450	611,091	(169,640)
American Eagle Mortgage 400, LLC	379,826	728,814	(348,988)
American Eagle Mortgage 500, LLC	401,367	782,366	(380,999)
American Eagle Mortgage 600, LLC	13,613,613	26,489,382	(12,875,769)
American Eagle Mortgage Mexico 100 LLC	2,120,333	5,367,730	(3,247,398)
American Eagle Mortgage Mexico 200 LLC	1,857,097	3,811,963	(1,954,867)
American Eagle Mortgage Mexico 300 LLC	1,973,080	4,224,749	(2,251,668)
American Eagle Mortgage Mexico 400 LLC	3,357,801	9,177,721	(5,819,920)
American Eagle Mortgage Mexico 500 LLC	637,425	1,756,872	(1,119,447)
American Eagle Mortgage Mexico 600 LLC	3,428,943	4,881,170	(1,452,227)
American Eagle Mortgage Short Term LLC	224,945	346,682	(121,737)
<b>TOTALS:</b>	<b>\$ 34,350,644</b>	<b>\$ 77,225,797</b>	<b>\$ (42,875,153)</b>

# Cost of Receivership

- Receiver's Fees
- Attorneys' Fees
- Forensic Accountants' Fees
- Property Taxes
- Foreclosure Expenses
- Ongoing Staff
- Insurance
- Office Rent

# Forensic Accounting

Michael Ueltzen and Paul Artley will review records to:

- Determine extent of commingling of assets between AEM funds
- Look for preferential treatment among investors
- Investigate transactions with affiliated entities
- Determine approximately when each AEM fund became insolvent

# Questions