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SUPERIOR COURT OF WASHINGTON FOR CLARK COUNTY

In re:

AMERICAN EAGLE MORTGAGE 100, LLC; AMERICAN EAGLE MORTGAGE 200, LLC; AMERICAN EAGLE MORTGAGE 300, LLC; AMERICAN EAGLE MORTGAGE 400, LLC; AMERICAN EAGLE MORTGAGE 500, LLC; AMERICAN EAGLE MORTGAGE 600, LLC; AMERICAN EAGLE MORTGAGE MEXICO 100, LLC; AMERICAN EAGLE MORTGAGE MEXICO 200, LLC; AMERICAN EAGLE MORTGAGE MEXICO 300, LLC; AMERICAN EAGLE MORTGAGE MEXICO 400, LLC; AMERICAN EAGLE MORTGAGE MEXICO 500, LLC; AMERICAN EAGLE MORTGAGE MEXICO 600, LLC; AMERICAN EAGLE MORTGAGE I, LLC; AMERICAN EAGLE MORTGAGE II, LLC; and AMERICAN EAGLE MORTGAGE SHORT TERM, LLC.

Case No. 19-2-01458-06

RECEIVER’S NOTICE OF PROPOSED SETTLEMENT WITH KENNETH GEORGE MCQUHAE, IN HIS CAPACITY AS TRUSTEE OF THE KENNETH GEORGE MCQUHAE FAMILY TRUST AND IN HIS CAPACITY AS TRUSTEE OF THE DIANA CAROLINE MCQUHAE FAMILY TRUST, KENNETH GEORGE MCQUHAE, INDIVIDUALLY, AND DIANA CAROLINE MCQUHAE, INDIVIDUALLY

Clyde A. Hamstreet & Associates, LLC, the duly appointed general receiver herein (the “Receiver”), gives this notice in accordance with paragraph 1 of the Order Establishing Procedures for Seeking Approval of Proposed Settlements dated March 5, 2021 (the “Settlement Procedures Order”).

The Receiver proposes to enter into a Settlement Agreement (the “Agreement”)

1 with Kenneth George McQuhae (the “Trustee”), in his capacity as trustee of the Kenneth George
2 McQuhae Family Trust (the “Kenneth Trust”) and in his capacity as trustee of the Diana
3 Caroline McQuhae Family Trust (the “Diana Trust”), Kenneth George McQuhae, individually,
4 and Diana Caroline McQuhae, individually, in order to resolve the case known as *Clyde*
5 *Hamstreet & Associates, LLC v. Ken McQuhae, in his capacity as Trustee of the Kenneth George*
6 *McQuhae Family Trust; Ken McQuhae, in his capacity as Trustee of the Diana Caroline*
7 *McQuhae Family Trust*, Clark County Superior Court Case No. 20-2-01770-06 (the
8 “Litigation”).

9 The following information regarding the proposed settlement is provided pursuant
10 to the Settlement Procedures Order:

11 1. **Description of the Relationship.** On May 10, 2019, the Receiver was
12 appointed as the general receiver for the above-captioned Washington limited liability companies
13 (the “Pools”) pursuant to the terms of the Order Appointing General Receiver dated May 10,
14 2019 (as amended to date, the “Receivership Order”). The Receiver contends that the Pools are
15 insolvent and have been insolvent since at least January 1, 2007. In the Litigation, the Receiver
16 has alleged that, after January 1, 2007, the Pools made cash transfers to the Kenneth Trust of
17 \$816,825.70 and the Diana Trust of \$1,886,212.00 and that such transfers should be avoided and
18 judgment entered in favor of the Receiver for such amounts under RCW 19.40.041(1)(a).

19 2. **Relationship to the Pools, American Equities, Inc., or Ross Miles.** Mr.
20 McQuhae, a Trustee of the Kenneth Trust and the Diana Trust, has provided a declaration to the
21 Receiver that until April 2019 he did not have knowledge of intermingling or commingling of
22 assets between the Pools or use of new investor funds to pay down notes of earlier investors and
23 that he does not currently know if such allegations are true. The Kenneth Trust had a prior
24 investment with American Equities, Inc., and the Kenneth Trust and the Diana Trust are
25 investors in certain other entities in which Ross Miles has an interest.

1 3. **Amounts to Be Received by the Receiver.** The Trustee will pay the
2 Receiver \$95,605.00 on behalf of the Kenneth Trust and \$163,125.00 on behalf of the Diana
3 Trust. The Receiver believes that settlement for these amounts is fair and reasonable under the
4 circumstances. The Trustee has alleged certain defenses in the Litigation, and an award of those
5 amounts to the Receiver is within the range of potential outcomes were the matter to go to trial.

6 4. **Summary of the Material Terms and Conditions of the Settlement.**
7 The material terms and conditions of the settlement, as set forth more fully in the Agreement,
8 include the following:

9 a. Payments to be made by the Trustee to the Receiver by wire
10 transfer within five business days after entry of an order of Clark County Superior Court
11 approving the Agreement;

12 b. Release to be granted by the Trustee, the Kenneth Trust, the Diana
13 Trust, Mr. McQuhae, and Mrs. McQuhae of the Receiver, the Pools, and the Estate (as defined in
14 the Receivership Order), along with any and all of the Receiver's present and former members,
15 managers, employees, attorney, and other agents, subject to the limitations set forth in the
16 Agreement, upon court approval;

17 c. Release to be granted by the Receiver of the Trustee, the Kenneth
18 Trust, the Diana Trust, Mr. McQuhae, and Mrs. McQuhae, subject to the limitations set forth in
19 the Agreement, upon receipt of the payments following court approval;

20 d. The Kenneth Trust's proofs of claims to be deemed amended in the
21 total amount of \$805,771.67 and the Diana Trust's proofs of claim to be deemed amended in the
22 total amount of \$975,625.00, subject to allowance and treatment pursuant to further order of the
23 court in this proceeding;

24 e. The Receiver to move to dismiss the Litigation with prejudice
25 within five business days after the Receiver's receipt of payment; and

26 f. Agreement to become effective only upon court approval.

1 YOU ARE NOTIFIED that unless a creditor or other party in interest notifies the
 2 Receiver and the Receiver’s attorneys, in writing within 14 calendar days after the date of this
 3 notice, that such party objects to the proposed settlement, the Receiver will apply for an *ex parte*
 4 order approving the settlement described above. Objections to the proposed settlement must
 5 refer to this notice and be delivered or sent, so as to be actually received by the Receiver within
 6 14 calendar days after the date of this notice, as follows:

7 AEM Receiver
 8 c/o Miller Nash Graham & Dunn LLP
 9 Attn: John R. Knapp, Jr.
 10 2801 Alaskan Way, Suite 300
 Seattle, Washington 98121
 11 Email: john.knapp@millernash.com
 Email: AEMReceiver@Hamstreet.net

11 DATED this 8th day of March, 2021.

12 MILLER NASH GRAHAM & DUNN LLP

13 /s/ John R. Knapp, Jr.
 14 John R. Knapp, Jr., P.C., WSB No. 29343

15 Attorneys for Receiver
 16 Clyde A. Hamstreet & Associates, LLC