

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

vs.

GLOBAL ONLINE DIRECT, INC.,
BRYANT E. BEHRMANN and
LARRY "BUCK" E. HUNTER,

Defendants.

Civil Action No. 1:07-CV-0767-WSD

**FIRST APPLICATION OF ALLEN MATKINS FOR
PROFESSIONAL FEES AND EXPENSES**

Allen Matkins Leck Gamble Mallory & Natsis LLP ("Allen Matkins") brings this First Interim Fee Application ("First Application") for professional fees and costs incurred from June 4, 2007 through April 30, 2008 ("First Period") in connection with legal services provided to Michael A. Grassmueck, the federal receiver (the "Receiver") appointed by this Court. Detailed billing statements of fees and expenses requested by Allen Matkins are attached hereto as Exhibit A and incorporated herein by this reference.

By this Application, Allen Matkins seeks recovery of fees in the amount of \$414,982.00 and costs of \$25,285.93. This figure reflects Allen Matkins' agreement to reduce its fees by write-offs of certain fees in the amount of \$12,454.

This is Allen Matkins' First Application, as counsel for the Receiver, but its third fee application for professional fees and costs filed in this action. Allen Matkins previously filed a First Interim Fee Application, as counsel for Michael A. Grassmueck, as the Court-appointed Monitor in this action, for the period from April 5, 2007 to April 30, 2007 (the "First Interim Period"), and a Final Fee Application, as counsel for the Monitor for the period from May 1, 2007 to June 4, 2007 (the "Final Monitor Period").

Allen Matkins requested, and this Court approved, the total of \$8,040 in fees and costs for Allen Matkins, during the First Interim period. Further, Allen Matkins requested, and this Court approved, the total of \$5,278.14 in fees and costs for Allen Matkins, during the Final Monitor Period.

In addition, the SEC has reviewed this Fee Application, along with the Fee Applications filed concurrently herewith by the Receiver, and the receivership estate's other professionals, and provided comments and requested changes to certain of the Fee Applications. The Receiver, Allen Matkins, and other professionals have responded to the comments and made the requested changes in the applicable Fee Applications. With the comments addressed, and requested changes made, the SEC has no objection to this Fee Application, and the other filed Fee Applications.

I. BRIEF INTRODUCTION.

By order of the Court on June 4, 2007 (the "Order"), Michael A. Grassmueck was appointed the permanent receiver of Defendant Global Online Direct, Inc. and its subsidiaries and affiliates (the "Receivership Entities").

The Order identifies the Receiver's duties and responsibilities as falling within the following categories: (i) securing, protecting and recovering assets, including tangible and intangible assets and choses in action; (ii) preparing an accounting and investigating the basis for the receivership proceeding;

(iii) analyzing claims and developing, with Court approval, a plan for allowing claims and the equitable distribution of assets to investors; (iv) liquidating assets; and (v) pursuing claims for the benefit of the receivership estate (the "Receivership Estate").

During this period, the Receiver and his professionals, including Allen Matkins, have worked diligently to investigate the business practices of the defendant Receivership Entities and individual defendants, to locate and marshal assets, to ascertain what happened to the approximately \$42 million of funds raised by the Defendants, to respond to and successfully dismiss various investor lawsuits filed against the Receiver and the Securities and Exchange Commission (the "Commission"), in respect to the validity and legality of the receivership proceedings, and to value and sell assets for the benefit of the Receivership Estate.

Over the past year, the Receiver, with the assistance of Allen Matkins and Financial Forensics, have also focused on complying with their duties under the Order to prepare an accounting, to preserve assets and commence such litigation as may be required to recover Receivership Estate assets held by third parties. In this instance, the Receiver determined that an action for fraudulent conveyance was needed in order to recover certain real properties and moneys transferred by the Defendants to third parties.

As the Court is aware, this receivership involves a business whereby the Defendants used friends and family networks as well as a group of seasoned promoters to aggressively promote an investment program. These promoters used the internet, promotional meetings and conference calls to promote a so-called loan program whereby investors provided money to the Receivership Entities in exchange for fanciful investment returns of interest and principal.

In addition to the litigation that was also commenced against third parties, following the completion of the accounting, a significant effort was made to

investigate the viability of claims against third-party promoters and insiders who were the recipients of millions of dollars of cash from this enterprise.

Overall, the Receiver has successfully recovered approximately \$2 million since the inception of the case. Most recently, the Receiver, with the assistance of the professionals, concluded a successful auction of the personal property inventory, generating net recovery to the Receivership Estate of approximately \$700,000. The Receiver, also with assistance of professionals, have obtained Court approval of the sale of several Receivership Estate real properties, which sales in aggregate, have generated a net recovery to the Receivership Estate of approximately \$900,000.

The Receiver and Allen Matkins direct the Court to the Receiver's Reports filed in July 2007 and January 2008, in which the Receiver has provided the Court detailed information concerning the activities and the progress of the receivership. In addition, the Financial Forensics accountants' report dated March 31, 2008, details the historical transactions for the Receivership Entities and provides the foundational basis for the Receiver to pursue fraudulent conveyance and disgorgement claims against third parties. In addition to these reports, the Court filings in this case also reflect the product of Allen Matkins' work.

II. SUMMARY OF ALLEN MATKINS' WORK.

Allen Matkins has accounted for its work by subject matter based upon categories identified at the outset of the case. The categories of work are as follows: (1) general receivership matters; (2) employment/fees; (3) investigation and reporting; (4) investor issues; (5) asset recovery/disposition; (6) sale of assets, (7) investor lawsuits, (8) claims; and (9) fraudulent conveyance claims. Allen Matkins has recorded its time under these general categories as reflected in Exhibit A.

Allen Matkins has also retained the services of local counsel in Atlanta, Georgia (Arnall Golden & Gregory LLP) who Allen Matkins has used as necessary to coordinate filings and address local court issues. As detailed below and herein, Allen Matkins' services to date have involved conducting an extensive investigation and analysis of legal issues, reviewing thousands of documents, securing and assisting in the valuation of assets, developing processes for sale of assets, seeking and obtaining the approval of sale of such assets, responding to and successfully dismissing investors lawsuits challenging the validity and legality of the receivership proceedings, and conducting extensive investigation of third-party claims and commencing litigation concerning fraudulent conveyances. In addition, Allen Matkins has assisted the Receiver as necessary to respond to investor concerns and inquiries, as well as, where necessary, enforcing the Order against individual Defendants.

The following sections outline the work performed under each of the billing categories.

A. General Receivership Matters.

Allen Matkins spent time in this category assisting the Receiver in establishing and monitoring the www.grassmueckgroup.com/global_online.php website. This was to ensure that notices and communications to investors and creditors were updated on the website, and material orders entered in this case were posted on the website for review.

Allen Matkins has further spent time in this category preparing pleadings, and conducting research in support thereof, to seek Court authority to provide e-mail notice of pleadings and material events in this case to investors and creditors. The Receiver proposed certain e-mail procedures, which were approved by the Court, and which the Receiver has implemented in respect to notices of certain

pleadings filed in this action, and material events, including those related to sale of Receivership Estate assets.

Finally, Allen Matkins has spent time reviewing, researching, and drafting pleadings in respect to the necessity of re-appointment of the receiver in this case. The re-appointment would be necessary to the extent other assets are found in jurisdictions in which the Order and SEC Complaint were not initially registered. The re-appointment would authorize the Receiver to register the Order and SEC Complaint in any other jurisdiction in which Receivership Estate assets are located, within the certain statutory period set forth in 28 U.S.C. § 754, and confer this Court the necessary jurisdiction over any receivership lawsuits related to seeking recovery of those assets.

The amount of reasonable and necessary fees and costs in this category is \$8,817.50 in fees and \$1,089.36 in costs.

B. Employment/Fees.

The time in this task is preliminary work related to preparing invoices and assisting the Receiver and other professionals with billing issues. Some time also concerns the preparation of this First Application, however, since the cutoff for work for this First Application is April 30, 2008, the majority of time devoted to preparing this First Application will appear in a subsequent fee application.

The amount of reasonable and necessary fees in this category is \$3,296.00. There were no costs incurred in this category.

C. Investigation and Reporting.

As detailed in the attached bills and filed Receiver reports, Allen Matkins provided a significant amount of assistance to the Receiver in implementing the Order which called for the Receiver to take control and custody of the Receivership Entities' businesses and their assets.

To that end, Allen Matkins worked with the Receiver to investigate the Receivership Entities' corporate structure, affiliates and related parties and prepared the 28 U.S.C. § 754 local filings. In addition, Allen Matkins was called upon to address legal issues concerning the recovery and marshalling of assets, preservation and securing of assets, and other related tasks. In connection with the Receiver's investigation, Allen Matkins provided legal and strategic advice to the Receiver regarding third-party claims to assets and counterclaims against third parties. This work included addressing leases for property where inventory was stored, security at various facilities and third-party contract issues.

Allen Matkins has spent time also coordinating efforts with the Commission, including the exchange of information and review of existing documents so as to avoid a duplication of effort and expense in connection with the accumulation of documents and bank records.

Considerable time in this category was also devoted to working with the Receiver's financial accountants, Financial Forensics, to accumulate the documents necessary for Financial Forensics to conduct its accounting. As reflected in the Receiver reports, this has been somewhat of a Herculean task because the company had no financial records and the approximately \$42 million of investor funds passed through innumerable bank accounts at 13 banks. As such, significant time was spent to subpoena bank records and pursue the banks' compliance.

It is notable that, of the \$42 million that passed through these accounts, less than \$600,000 remained at the time the Receiver was appointed. As such, Allen Matkins expended significant time to obtain documents, both with the use of the Order as well as subpoenas to obtain any bank records, or any other business records, which would assist Financial Forensics in completing its accounting. This accounting would also serve to assist the Receiver in identifying the transfer of any assets to third parties which may be subject to recovery. Additionally, the records

sought included those from title companies concerning transfer of Receivership Entities' real properties to various insiders and other individuals.

The difficulty in the banks producing the requested records was caused by, among other things, several bank mergers, extensive tracing issues, and overall dilatory, and in some instances, no, responses to the documents requests of the banks. This required Allen Matkins to expend considerable time in following-up with the banks, on multiple occasions, and to communicate in writing with the banks to demand production and compliance with the Order and the subpoenas. If applicable, Allen Matkins would also demand that the banks freeze any Receivership Estate accounts pursuant to the Order and follow-up to obtain confirmation that the accounts were frozen. All of this required substantial legal skill and effort.

In addition, Financial Forensics developed a list of potential targets consisting of approximate 20 or 30 individuals and entities that received significant distributions of cash, including Pantera San Francisco Pure Trust Organization and Private Plan ("Pantera"), of which Stephan L. Wakefield, was the trustee and/or principal. Allen Matkins assisted the Receiver and Financial Forensics in pursuing discovery as to these individuals and evaluating legal strategies to recover on such claims.

In respect to Wakefield and Pantera, Allen Matkins expended considerable time seeking the production of documents related to Wakefield and Pantera from a bank, which refused to produce such documents due to an objection to production served by Wakefield and Pantera. Allen Matkins successfully obtained a Court Order in Central District of California, the District in which the subpoenas were issued, compelling the bank to produce documents related to Pantera and Wakefield to the Receiver.

Finally, Allen Matkins spent time drafting, reviewing and editing the Receiver's reports filed in connection with this case.

The amount of reasonable and necessary fees and costs in this category is \$85,649.50 in fees and \$6,475.50 in costs.

D. Investor Issues.

The Receiver's and Allen Matkins' work in connection with this category involved reviewing investor letters and e-mails, responding to investor calls, and advising the Receiver on investor issues.

The amount of reasonable and necessary fees in this category is \$412.00. There were no costs incurred in this category.

E. Asset Recovery and Disposition.

The work reflected herein above crosses over into the category of Investigation and Reporting in Section C, in respect to accumulating documents necessary for Financial Forensics to conduct its accounting, and in identifying transferred assets subject to recovery. So to avoid repeating the narrative on the time spent related to these two (2) categories, Allen Matkins refers the Court to Section C (Investigation and Reporting) above.

For the work in this category related to Asset Disposition, Allen Matkins' time and services here included legal work associated with the recovery, preservation and sale of real and personal property.

As reflected in the Receiver reports, the Defendants purchased a significant number of real property assets, many of which are located in Union County, Oregon. Allen Matkins assisted the Receiver as to legal issues related to preserving the assets and addressing mortgage and default issues.

The amount of reasonable and necessary fees and costs in this category is \$68,332 in fees and \$10,044.98 in costs.

F. Sale of Assets

In anticipation of the sale of the real property, work was performed to retain brokers, to obtain Court approval of the broker agreements, including the appropriate sales commissions from the sales of the properties, and for a sale process.

Allen Matkins prepared and filed several sale motions for the real property sales, and obtained, in each instance, Court approval of the sale motions. Allen Matkins assisted the Receiver and Broker in the closing process for the sales of the properties, and addressed any legal issues in connection with the sale closings. Approximately \$1.6 million in net cash for the Receivership Estate has been generated from the sale of the real and personal properties.

In addition to real property, as also reflected in the Receiver Reports, the Defendants had commenced an enterprise which they referred to as "Business in a Box." In connection with this enterprise, the Defendants had several warehouses full of what can only be described as a random collection of personal property. As fully documented in the Motion to Sell the Inventory by Auction and subsequent reports to this Court, Allen Matkins assisted the Receiver in the evaluation of bulk sale alternatives, including identifying and soliciting prospective purchasers, and assisted the Receiver throughout the auction process and advised on any related legal issues.

Allen Matkins drafted the auction sale motion, coordinated the notice of the auction to investors and creditors through e-mail notice procedures approved by the Court, and through the Receiver's website, consulted with the auctioneer on procedural and logistical issues related to the auction, and advised the Receiver of legal issues related to the conduct of the auction.

This auction was extraordinarily successful and generated well in excess of the originally estimated amount when compared with previously received bulk sale

proposals. As noted above, the Receiver generated approximately \$700,000 in net cash for the Receivership Estate (after payment of expenses).

It should be noted that the cost of the auction exceeded the Receiver's estimates in the motion to sell personal property. The Receiver estimated costs of \$230,000, however, the ultimate cost was higher. The Receiver has investigated this cost increase and found that it can be attributed to two primary factors: First, Receiver's auctioneer underestimated the amount of goods to be moved and sold. The additional goods required more trucking and more labor to move and sell. Second, fuel and trucking costs increased substantially over this period. On the positive side, the additional inventory was sold and the Receiver recovered twice as much as he estimated, even with the greater expenses.

To date, the sale of real and personal property has generated approximately \$1.6 million for the Receivership Estate.

The amount of reasonable and necessary fees and costs in this category is \$46,590.00 in fees and \$1,825.22 in costs.

G. Investor Lawsuits.

Allen Matkins responded to and successfully dismissed three (3) investor lawsuits filed against the Receiver and the Commission, in respect to the validity and legality of the receivership proceedings. Allen Matkins carefully monitored the status of the litigation filed against the Receiver, and filed appropriate motions to seek dismissal of the actions. After extensions granted by the Court to respond to the motions, the Court granted the Receiver's motions and dismissed the actions. Allen Matkins further coordinated with the SEC in preparing the motions to dismiss, and otherwise responding to the claims set forth by the investors in the lawsuits and in other intervention pleadings.

The amount of reasonable and necessary fees and costs in this category is \$12,795.50 in fees and \$129.89 in costs.

H. Fraudulent Conveyance Claims.

Again, as reported in the Receiver Reports, Allen Matkins assisted the Receiver in evaluation of fraudulent conveyance claims and the subsequent pursuit of such claims pursuant to a complaint for fraudulent transfer and conveyance, unjust enrichment, constructive trust and equitable lien. At the core of these fraudulent conveyance claims are nine (9) properties that were transferred without consideration or benefit to the Receivership Estate.

Discovery in the case is coming to a close and the Receiver and counsel are now turning to efforts to resolve this matter, either through settlement or through dispositive motions to be filed with this Court. Based upon the Receiver's evaluation of each of the subject properties, the Receiver continues to believe that the recovery pursuant to this litigation, currently estimated at \$500,000, will significantly exceed the amount of fees expended in the case. As such, it is expected that the litigation will yield significant benefit to the Receivership Estate.

The cost of this litigation can be attributed to, among other things, (a) the physical location of defendants (they are located in several states), (b) the required investigation and accounting required in advance of filing to substantiate the claims, (c) the filing of notices of *lis pendens* against properties in multiple jurisdiction concurrently with the commencement of the action, (d) the Defendants' objection to the Court's jurisdiction to this action and the Receiver's successful response to the objection, (e) the need to travel in order to obtain the necessary depositions, and (f) difficulties in obtaining documents and data from both defendants and third parties through the discovery process. Similarly, the location of documents and the use of multiple bank accounts by individual Defendants have resulted in a protracted discovery process on the part of the Defendants and caused significant time delay to obtain documents necessary to substantiate the Receiver's claims.

The Receiver is also analyzing the cost-benefit of pursuing a complaint for fraudulent transfer against Pantera and Wakefield. Allen Matkins has spent time assisting the Receiver in analyzing whether to commence a lawsuit against Pantera and Wakefield, based on whether the claims against Pantera and Wakefield for fraudulent transfer are substantiated, and recoverable assets are identified and located. Allen Matkins has further spent significant time attempting to depose and seek the production of documents from Pantera and Wakefield, and also attempting to contact Pantera and Wakefield. So far, Pantera and Wakefield have failed to comply with the discovery requests, and failed to respond to Allen Matkins' attempts to commence a dialogue with Pantera and Wakefield.

Overall, the Receiver has diligently tracked the cost of the case and the benefits to the Estate from expending money to recover real properties, and other monies, that should yield several hundred thousand dollars to the Estate.

The amount of reasonable and necessary fees and costs in this category is \$188,162.50 in fees and \$5,720.78 in costs.

I. Claims.

Allen Matkins has initiated preparation of a claims process in connection with this case. This involves both the establishing a claims bar date and subsequent plans for claims processing.

The amount of reasonable and necessary fees in this category is \$927.00. There were no costs incurred in this category.

III. SUMMARY OF APPLICATION.

From June 4, 2007 through April 30, 2008, Allen Matkins' professional fees and costs were \$441,566.93. The Receiver currently has cash on hand of approximately \$1.5 million. The Receiver anticipates receiving approximately \$1.2 million of additional sale proceeds for the Receivership Estate.

The daily time records reflecting these services are detailed in Exhibit A attached hereto and incorporated by this reference. Exhibit B attached hereto is a summary of professional services to the Receiver, billing rates, experience levels and total hours and fees for each individual providing those professional services.

A summary of hours expended in fees billed, broken down by matter, is attached as Exhibit C and incorporated herein by this reference. Allen Matkins seeks reimbursement of expenses advanced on behalf of the Receiver in the sum of \$25,285.93, which is broken down and summarized in Exhibit D, Summary of Costs, which attached hereto and incorporated herein by this reference. Allen Matkins believes its compensation request is fair and reasonable, especially in light of the complexity of issues and reporting timeframe. The request is based on customary hourly rates which represent an average billing rate of \$384.81. Allen Matkins has also authorized the write-down of \$12,454.00 of fees and expenses, for the benefit of the Receivership Estate.

Allen Matkins is not a party to an agreement or understanding for sharing of compensation with respect to this matter.

IV. THE REQUEST FOR COMPENSATION IS REASONABLE AND SHOULD BE ALLOWED.

In determining the reasonableness of the fees and expenses requested, the Court should consider the complexity of the problems faced, the benefit of the services to the Receivership Estate, the quality of the work performed and the time records presented. *SEC v. Fifth Avenue Coach Lines, Inc.*, 364 F. Supp. 1220, 1222 (S.D.N.Y. 1973); *confer SEC v. Elliott*, 953 F.2d 1560, 1577 (11th Cir. 1992) (noting that, if a receiver reasonably and diligently discharges his duties, he is entitled to compensation, and that the circumstances surrounding the receivership, including the results, are relevant).

As set forth above, Allen Matkins has assisted the Receiver on numerous complex matters including, among other things, assistance to the Receiver in gathering information for the SEC accounting, the sale of numerous personal property and real property assets, and the prosecution of a fraudulent conveyance action against numerous defendants. Allen Matkins has also demonstrated that its services has benefited the Receivership Estate, based on the net return from the sales of the Receivership Estate assets, and the anticipated settlements from the fraudulent conveyance action. As noted above, Allen Matkins has also agreed to a voluntary write-down of its fees of \$12,454, for the benefit of the Receivership Estate. Finally, the Exhibits attached reflect the fair and reasonableness of the compensation request based upon the description of the quality of the work performed, the time records presented, and the necessity of such work and time spent in the noted categories.

In addition, the SEC has reviewed this Fee Application, along with the Fee Applications filed concurrently herewith by the Receiver, and the Receivership Estate's other professionals, and provided comments and requested changes to certain of the Fee Applications. The Receiver, Allen Matkins, and other professionals have responded to the comments and made the requested changes in the applicable Fee Applications. With the comments addressed, and requested changes made, the SEC has no objection to this Fee Application, and the other filed Fee Applications.

V. CONCLUSION.

WHEREFORE, Allen Matkins requests the Court to allow fees as follows:

1. Approving payment of professional fees to Allen Matkins for the period June 4, 2007 through April 30, 2008 in the amount of \$414,982.00;
2. Approving reimbursement of expenses to Allen Matkins in the amount of \$25,285.93;

3. Authorizing and directing the Receiver to pay Allen Matkins with funds out of assets of the Receivership Estate pursuant to the Order entered in this matter;

4. Granting such further and other relief as the Court deems just and proper.

Dated: July 23, 2008

Respectfully submitted,

By: 

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(Admitted Pro Hac Vice)
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