

Regarding the first category of objections – arguments for immediate payouts upon sale of the properties – the lenders ignore that there are competing claims to priority by the defrauded investors who never released their mortgages and were not paid in connection with any release. The lenders likewise ignore that the Court has repeatedly directed that the competing claims of priority be resolved through an orderly claims process.

To address similar objections the lenders raised for earlier tranches, the Receiver and the Court have already implemented procedures to ensure the proceeds of any sales are safeguarded: segregating the sales proceeds, on a property-by-property basis, into separate sub-accounts until the Court adjudicates the competing claims. (*See, e.g.*, ECF No. 633, p. 5 ¶ 5). The Court can thus satisfy the lenders' objections by continuing to include in its sales approval orders the directive that the Receiver segregate sales proceeds until the competing claims are resolved for the properties at issue.

The lenders' second category of objections voices concerns about specific aspects of the proposed sales process. The lenders complain about the media in which the Receiver has chosen to publicize the sales, the commission to be paid to the Receiver's broker, the length of time the Receiver proposes to market the properties, and the Receiver's credit bidding procedures. (ECF No, 628, pp. 12-15, 22-28). While the lenders identify minutia of the Receiver's marketing and sales proposal that they believe are not optimal, the lenders do not and cannot show that the Receiver is acting contrary to his reasonable business judgment or the wide discretion afforded him in determining how to liquidate properties. And, as for the credit bidding aspects of their objections, that issue has already been heavily litigated. Indeed, the Receiver's proposal does not differ materially from the credit bid procedures already approved by the Court.

Finally, the lenders' objections should be overruled because they will lead to further delay and increased costs. Such costs include those associated with the Receiver maintaining negative-cash flowing properties that he seeks to liquidate in order to eliminate ongoing expenditures by the Receivership. Despite their objections, the lenders recognize, and even complain of, the ongoing costs associated with properties that the Receiver has yet to sell. (ECF No. 628, p. 19 (discussing "costs to the estate, including tax liabilities, insurance premiums, property management fees, and maintenance and repairs costs, which continue to accrue for each day a property is held in the estate.")). Sustaining the lenders' objections would only bring increased delays and costs that all parties believe should be avoided.

Accordingly, the Court should grant the Receiver's motion and allow him to continue liquidating the Receivership estate.

Dated: March 3, 2020

Respectfully submitted,

/s/ Benjamin Hanauer
Benjamin J. Hanauer (hanauerb@sec.gov)
Timothy J. Stockwell (stockwellt@sec.gov)
U.S. Securities and Exchange Commission
175 West Jackson Blvd., Suite 1450
Chicago, IL 60604
Phone: (312) 353-7390
Facsimile: (312) 353-7398

CERTIFICATE OF SERVICE

I hereby certify that I provided service of the foregoing Reply, via ECF filing, to all counsel of record and Defendant Shaun Cohen, on March 3, 2020. I further certify that I caused the foregoing Response to be served on Defendant Jerome Cohen, via email at jerryc@reagan.com.

/s/ Benjamin Hanauer

Benjamin J. Hanauer
175 West Jackson Blvd., Suite 1450
Chicago, IL 60604
Phone: (312) 353-7390
Facsimile: (312) 353-7398

One of the Attorneys for Plaintiff