

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

<p>UNITED STATES SECURITIES AND EXCHANGE COMMISSION,</p> <p>Plaintiff,</p> <p>v.</p> <p>EQUITYBUILD, INC., EQUITYBUILD FINANCE, LLC, JEROME H. COHEN, and SHAUN D. COHEN,</p> <p>Defendants.</p>

Case No. 1:18-cv-5587

Hon. Manish S. Shah

**ORDER APPROVING DISTRIBUTION OF PROCEEDS FROM THE SALES OF
PROPERTIES 49 (7300-04 S ST LAWRENCE AVE) AND 52 (310 E 50TH ST)**

WHEREAS, this matter came before the Court in the Group 5 Claims Resolution Process (Dkt. 941, 1551) and pursuant to this Court’s Order (Dkt. 1671) accepting the Receiver’s recommendations for the distribution of proceeds from the accounts held for 7300-04 S. St. Lawrence Ave. (“7300 St. Lawrence” or “Property 49”) and 310 E 50th Street (“310 E 50th” or “Property 52”) (collectively, the “Subject Properties”);

WHEREAS, on July 24, 2020, with the Court’s approval, the Receiver sold the property located at 7300 St. Lawrence free and clear of all liens (Dkt. 715), and the net proceeds of sale in the amount of \$283,239.84 were deposited into a separate interest-bearing account for the property. On May 26, 2021, with the Court’s approval, the Receiver sold the property located at 310 E 50th free and clear of all liens (Dkt. 979), and the net proceeds of sale in the amount of \$348,986.84 were deposited into a separate interest-bearing account for the property. Subsequently, additional deposits and withdrawals have been made into and out of these property account pursuant to Court orders, as reported in the Receiver’s quarterly status reports. (Dkt. 839, 930, 985, 1017, 1077, 1164, 1243, 1280, 1328, 1379, 1448, 1516, 1535, 1589, 1652)

WHEREAS, the Court approved a claims process as to which fair and adequate notice was provided to all potentially interested persons and all were provided a full and fair opportunity to submit claims and supporting information. (*E.g.*, Dkt. 941) The Court also determined that a summary process for adjudication of allegedly competing secured claims as to those properties, addressing claims against groups of properties on a seriatim basis, was necessary, appropriate, and afforded due process to all claimants and interested persons. (*Id.*)

WHEREAS, the Court initiated the summary process for the resolution of Group 5 claims in November, 2023. (Dkt. 1551) Pursuant to that process, on March 20, 2024, the Receiver filed his Submission on Group 5 Claims, which included recommendations as to each of the claims asserting an interest in the Subject Properties. (Dkt. 1626)

WHEREAS, on April 10, 2024, Midland Loan Services, a Division of PNC Bank N.A., as servicer for Wilmington Trust, N.A., as Trustee for the Benefit of Corevest American Finance 2017-1 Trust Mortgage Pass Through Certificates filed a position statement with respect to 7300 St. Lawrence (Dkt. 1644), and Midland Loan Services, a Division of PNC Bank N.A., as servicer for Wilmington Trust, N.A., as Trustee for the Benefit of Corevest American Finance 2017-2 Trust, Mortgage Pass Through Certificates filed a position statement with respect to 310 E 50th (Dkt. 1643). (These two entities are collectively referred to as “Midland” herein.) Midland’s position statements each indicated that Midland accepted the Receiver’s recommendations in order to resolve its claims against the Subject Properties. (Dkt. 1643 at 3, 5; Dkt. 1644 at 3, 6)

WHEREAS, no other claimants asserting an interest in the Subject Properties filed or submitted to the Receiver a position statement or objections to the Receiver’s recommendations;

WHEREAS, on May 31, 2024, the Court entered an order accepting the Receiver’s recommendations for Properties 49 and 52. (Dkt. 1671)

NOW, THEREFORE, the Court, having considered the submissions of the Parties and the record of this receivership case and being otherwise duly advised in the premises, hereby finds and ORDERS:

1. The distribution plan submitted by the Receiver is fair, reasonable, and in the best interests of the Receivership Estate.

2. Adequate and fair notice has been provided to all interested and potentially interested parties (including but not limited to all lienholders in the chain of title) of the claims process for the resolution of disputed claims and determination of secured interests, the Receiver's fees and proposed fee allocations, and the Receiver's Group 5 submission and recommendations, and each interested or potentially interested party has had a full and fair opportunity to participate in the claims process and to assert its interests and any objections.

3. For 7300 St. Lawrence, the Court accepts the recommendations made in the Receiver's Group 5 submission and finds as follows: (a) claimants Bernadette Chen (Eleven St. Felix Street Realty Corp), Helen Boyd, Matthew Boyd and Paul N. Wilmesmeier agreed to relinquish their secured interest in the property by rolling their secured loan to either an equity position or an unsecured promissory note. These investor lenders will be treated as unsecured creditors and their claims against 7300 St. Lawrence will be considered at a later time along with all other unsecured claims against the Receivership Estate; (b) the City of Chicago's claim against 7300 St. Lawrence was paid in full from the closing of the Receiver's sale of the property, and no distribution from the liquidated proceeds held for this property is warranted; (c) the claim of SD Roth IRA Miss Property, LLC is partially secured and partially unsecured, and (d) Midland's claim is secured and should be reduced by the amount Midland is holding in reserve.

4. For 310 E. 50th, the Court accepts the recommendations made in the Receiver's Group 5 submission, as modified in open court on May 31, 2024 with respect to Paper Street

Realty LLC, and finds as follows: (a) the lien waiver of Paper Street Realty LLC DBA Rent Ready Apartments relinquished any secured claim against the property, and its claim against 7300 St. Lawrence will be considered at a later time along with all other unsecured claims against the Receivership Estate; (b) the claim of Kirk Road Investments, LLC was paid in full prior to the receivership, and no distribution from the liquidated proceeds held for this property is warranted; and (c) Midland's claim is secured and should be reduced by the amount Midland is holding in reserve.

5. The Court rejects claims for interest, fees, and penalties, and agrees that credits or setoffs should be applied for distributions previously received, because of the Ponzi-scheme nature of the fraud and the horizontal fairness and administrability achieved across claimants by accounting for distributions.

6. Because the Court intends that this be a final distribution, there will not be any holdbacks of professional fees or expenses associated with the Receiver's fee applications or fee allocation motions upon the distribution of proceeds to claimants. The Receiver may transfer the fees allocated to Properties 49 and 52 that were approved in the Receiver's Fee Applications 1-22 but held back from distribution pursuant to the Court's orders, and the full amount of fees allocated to Properties 49 and 52 in the Receiver's 23rd Fee Application, with no holdbacks. Additionally, the Court approves an additional \$2,000 per Property to cover estimated fees incurred after March 31, 2024.

7. Having determined the issue of priority, the Court approves the Receiver's recommended final distributions from the account held for 7300 St. Lawrence (Property 49), as set forth in Exhibit 1 to this Order, and the Court approves the Receiver's recommended final distributions from the account held for 310 E 50th (Property 52), as set forth in Exhibit 2 to this Order. These final distribution plans divide pro-rata the liquidated amounts currently available for

distribution to the claimants who have been determined to hold secured interests in these funds, as set forth in Exhibits 1 and 2.

8. Additionally, Midland is granted relief from the stay imposed in the Order Appointing Receiver (Dkt. 16) to the extent that it may liquidate any reserve or escrow accounts held with respect to the Subject Property and transfer any remaining balances to itself or its designee(s).

9. Following the distributions ordered herein, the net of the remaining balance of the property account for the Subject Property, including any interest hereafter accruing, shall be transferred to the Receiver's account for use in the administration of the Receivership Estate and/or as otherwise ordered by the Court.

Entered:



Manish S. Shah
United States District Court Judge

Date: June 10, 2024

Ex. 1 - 7300-04 S St. Lawrence (Property 49)
Final Distribution Plan

Claimant Name	Fiduciary Claim: Fiduciary Claim Name	Amount Claimed (Invested in Property)	Secured Claim Remaining	Unsecured Claim (This Investment)	Pre-Rollover Distributions	Distributions Received on Property	Source of Distribution	Total Distributions Recvd on Investment	Max Potential Dist (Proceeds of Sales)	Notes	Percentage of Total Claims	Final Distribution Amount
Bernadette Chen Eleven St. Felix Street Realty Corp.	49-2012	\$ 50,000.00	\$ -			\$ 10,250.06	POC; LSA	\$ 10,250.06	\$ -	- Claimant agreed to rollover this loan to 7927 S Essex	0.00%	\$ -
City of Chicago	49-693	\$ 1,182.83	\$ -			\$ -		\$ -	\$ -	- Claim paid from closing of Receiver's sale of property	0.00%	\$ -
Helen Boyd	49-2010	\$ 50,000.00	\$ -			\$ 11,583.27	LSA	\$ 11,583.27	\$ -	- Claimant agreed to rollover this loan to 7927 S Essex	0.00%	\$ -
SD ROTH IRA MissProperty, LLC	49-271	\$ 5,256.63	\$ 3,627.58	\$ 1,942.06		\$ 1,258.56	LSA	\$ 1,258.56	\$ 2,369.02	Partial rollover to unsecured promissory note; maximum distribution for unsecured claim is \$1,751.99	0.73%	\$ 2,022.07
Matthew Boyd	49-2060	\$ 259,302.00	\$ -			\$ 60,071.65	LSA	\$ 60,071.65	\$ -	- Claimant agreed to rollover this loan to 7927 S Essex	0.00%	\$ -
Paul N. Wilmesmeier	49-300	\$ 25,000.00	\$ -			\$ 5,990.21	POC	\$ 5,990.21	\$ -	- Claimant agreed to rollover this loan to 7927 S Essex	0.00%	\$ -
Midland Loan Services, a Division of PNC Bank N.A., as servicer for Wilmington Trust, N.A., as Trustee for the Benefit of Corevest American Finance 2017-1 Trust Mortgage Pass Through Certificates	49-1464	\$ 370,206.74	\$ 359,337.64			\$ 35,062.06		\$ 35,062.06	\$ 324,275.58		99.27%	\$ 276,784.61
		\$ 760,948.20	\$ 362,965.22	\$ 1,942.06					\$ 326,644.60		100%	\$ 278,806.68

Calculation of Funds Available for Distribution						
Property Address	Property #	Account balance as of 6/4/2024	Approved Fees Held Back (Fee Apps 1-22)	Approved Fee Allocations (Fee App 23)	Estimated Fees after 3/31/24	Amount Available for Distribution
7300-04 S. St. Lawrence Avenue	49	\$ 292,571.47	\$ 5,804.75	\$ 5,960.04	\$ 2,000.00	\$ 278,806.68

Ex. 2 - 310 E 50th Street (Property 52)
Final Distribution Plan

Claimant Name	Fiduciary Claim: Fiduciary Claim Name	Amount Claimed (Invested in Property)	Secured Claim Remaining	Unsecured Claim (This Investment)	Pre-Rollover Distributions	Distributions Received on Property	Source of Distribution	Total Distributions Recvd on Investment	Max Potential Dist (Proceeds of Sales)	Notes	Percentage of Total Claims	Final Distribution Amount
Paper Street Realty LLC DBA Rent Ready Apartments	52-1206	\$ 49,600.68	\$ -	\$ 49,600.68		\$ -		\$ -	\$ -	Maximum distribution for unsecured claim is \$49,600.68	0%	\$ -
irk Road Investments, LLC	52-755	\$ 193,750.00	\$ -			\$ 52,795.92	POC	\$ 52,795.92	\$ -	This loan was repaid in full	0%	\$ -
Midland Loan Services, a Division of PNC Bank N.A., as servicer for Wilmington Trust, N.A., as Trustee for the Benefit of Corevest American Finance 2017-2 Trust, Mortgage Pass Through Certificates	52-1466	\$ 333,761.51	\$ 326,017.12			\$ 22,074.82		\$ 22,074.82	\$ 303,942.30			
		\$ 577,112.19	\$ 326,017.12	\$ 49,600.68	\$ -	\$ 74,870.74	\$ -	\$ 74,870.74	\$ 303,942.30		100%	\$ 139,211.00

Calculation of Funds Available for Distribution						
Property Address	Property #	Account balance as of 6/4/2024	Approved Fees Held Back (Fee Apps 1-22)	Approved Fee Allocations (Fee App 23)	Estimated Fees after 3/31/24	Amount Available for Distribution
310 E 50th Street	52	\$ 151,927.27	\$ 5,369.04	\$ 5,347.23	\$ 2,000.00	\$ 139,211.00