

## Overview of Distribution Calculation.

As you may already know, the Court recently approved the Receiver's proposed distribution plan.

This order approves each payment distribution to consist of 50%/50% split between "rising tide" methodology and "pro-rata" ("net investment") methodology.

"Rising tide" approach (the first 50% split) prioritizes the payment of claims by reimbursing first to those investors who had the lowest % return on their principal investment. "Pro-rata" methodology reimburses all claimants on a pro-rata basis after the "rising tide" portion.

The receiver is estimating to distribute a total of between \$6 and \$8 million. The first distribution total \$3 million, which was processed according to the 50%/50% split described above: \$1.5 million was calculated as "rising tide" and \$1.5 million as "pro-rata".

The second distribution will duplicate the first unless the total combined distribution exceeds \$6 million.

If the total combined distribution exceeds \$6 million, the receiver will process the third distribution in the same fashion as described above, including a true-up between the methods within each claim, if necessary.

Example of "rising tide" approach, assuming that total available fund to be distributed between claimants is \$10,800: below is a list of claimants and total amount of funds transferred into Essex (pre-receivership) which is Money In (MI). Money Out (MO), or funds, received by claimant from Essex during Essex operations (also pre-receivership) is also listed along with Return on Investment (ROI), which is calculated by total MO divided by total MI. The first portion of the payment would go to claimant #1 to get him to the same ROI as the next highest claimant (16%), through a payment of \$600. Now, that both Claimant #1 and Claimant #2 are at 16% ROI, the lowest in the pull of all claimants. The next payment will be calculated to bring both equally lowest ROI claimants #1 and #2 (both at 16% ROI) to the same ROI as claimant #3 with 20% ROI: claimant #1 receives additional \$400, and claimant #2 receives his first \$400. Now claimants #1, #2 and #3 are at the same ROI of 20%. Rising tide approach will continue until 50% of the total available funds are distributed between the claimants with lowest ROI.

Claim	MI	MO	ROI (pre-receivership)	Rising Tide Payments	ROI post "rising tide"
Claim 1	\$10,000	\$1,000	10%	\$600+\$400+\$1,000	30%
Claim 2	\$10,000	\$1,600	16%	\$400+\$1,000	30%
Claim 3	\$20,000	\$4,000	20%	\$2,000	30%
Claim 4	\$5,000	\$1,500	30%	\$0	30%
Total				\$5,400	

Next, "pro-rata" approach takes place, where total available funds (the second 50% of total distribution, which is \$5,400 for "pro-rata" in this example) is divided by the sum of remaining claims (pot-rising tide calculation), arriving at 17.143%, which means that each claimant will receive 17.143% of his remaining claim as "pro-rata" payment.

Claim	MI	MO	Total "rising tide" payment"	Claim post "rising tide"	ROI post "rising tide"	"Pro-rata" payment 17.143%
Claim 1	\$10,000	\$1,000	\$2,000	\$7,000	30%	\$1,200
Claim 2	\$10,000	\$1,600	\$1,400	\$7,000	30%	\$1,200
Claim 3	\$20,000	\$4,000	\$2,000	\$14,000	30%	\$2,400
Claim 4	\$5,000	\$1,500	\$0	\$3,500	30%	\$600
Total			\$5,400	\$31,500		\$5,400

Below is calculation of total distribution between claimants:

Claim	Total "rising tide" payment"	"Pro-rata" payment 17.143%	Total payment
Claim 1	\$2,000	\$1,200	\$3,200
Claim 2	\$1,400	\$1,200	\$2,600
Claim 3	\$2,000	\$2,400	\$2,400
Claim 4	\$0	\$600	\$600
Total	\$5,400	\$5,400	\$10,800

If you have any questions, the [Order Approving Distribution](#) and the [Receiver's Proposed Distribution Plan](#) can be found by clicking the link for each document. You can also contact the Receiver's office at (855) 880-0100 or email at [info@americanfiduciaryservices.com](mailto:info@americanfiduciaryservices.com).