

# UNITED STATES BANKRUPTCY COURT EASTERN DISTRICT OF TEXAS SHERMAN DIVISION

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IN RE:	
RICHLAND RESOURCES CORP.,	
DEBTOR.	

CASE NO. 13-42925 CHAPTER 11

# MEMORANDUM OPINION AND ORDER REGARDING ALBERT C. BLACK III'S REQEUST FOR ALLOWANCE OF ADMINISTRATIVE CLAIM

This case is before the Court on a request for the allowance of an administrative claim filed by Albert C. Black III. Mr. Black seeks payment for his pre-petition and post-petition work as a state court receiver as well as compensation for the expenses he has incurred, including storage fees and costs, in the total amount of \$247,313.39. The chapter 11 trustee and the official unsecured creditors' committee for the debtor object to the application, and various individual creditors joined in those objections. The Court conducted a hearing on the application on October 23, 2014 and, at the conclusion of the hearing, took the matter under advisement in order to prepare this detailed written ruling.

# BACKGROUND

1. Prior to bankruptcy, Richland Resources Corp. d/b/a RRCH Corp. ("<u>RRCH</u>") was engaged in the business of developing and exploring oil reserves in Texas. Investors raised concerns regarding RRCH's use of funds in and around February 2013.

2. On June 12, 2013, Steadfast Resources, Inc. initiated a case in the 193<sup>rd</sup> Judicial District Court for Dallas, County, Texas, styled and numbered *Steadfast Resources, LLC v. Kenneth A. Goggans, Richland Resources Corp. d/b/a RRCH Corp., Richland Resources Corporation d/b/a Richland International Resources Corporation, Manek Energy Pressure Pumping, LLC, Manek Energy, Inc., Manek Exploration, Inc., Manek Energy Holdings, Inc.,* 

*Manek Equipment, Inc., Oilman Supply Co., LLC, Max Elghandour, Kristoffer R. Goggans and Kimberly Goggans*, Cause No. DC-13-06467. Steadfast alleged that investors had entrusted funds to Kenneth Goggans to invest in RRCH and Richland Resources Corporation d/b/a Richland International Resources Corporation ("<u>RIRC</u>"). Steadfast further alleged that, over time, Mr. Goggans had diverted millions of dollars to his family members and other companies.

3. At a hearing on September 23, 2013, Steadfast requested that the state court issue an injunction to prevent the diversion of additional assets. The state court, acting *sua sponte*, went beyond Steadfast's requested relief. The state court issued an order on September 26, 2013 immediately appointing Mr. Black as the receiver for eight corporate defendants, namely, RRCH, RIRC, Manek Energy Pressure Pumping, Manek Energy, Manek Exploration, Inc., Manek Energy Holdings, Manek Equipment, and Oilman Supply.

4. Mr. Black had never heard of Steadfast or the corporate defendants prior to his appointment. He is an employee of On-Target Supplies & Logistics, Inc. ("<u>On-Target</u>"). He learned of his appointment from communications with the state court. At the hearing in this Court on October 23, 2014, he testified that it is common for court-appointed receivers to be drawn from a list or panel maintained by the state court.

5. In its receivership order, the state court found and concluded that it appeared the receivership defendants had misappropriated at least \$4.1 million from Steadfast and diverted those funds among themselves. The state court authorized the receiver "to do any and all acts necessary to the proper and lawful conduct of the receivership..." These authorized activities expressly included the following:

a. Take charge of the property and assets of the Receivership Defendants from all individual and entities in possession, insure same against hazards and risks, and attend to their periodic maintenance;

b. Operate and conduct the business of the Receivership Defendants;

c. Take possession and control of any money, deposits, securities, accounts, or other properties and assets of any Receivership Defendants, legally and/or beneficially owned, from any banks, brokerage houses, or other institutions in possession; and

d. Remove and take possession of and receive from any bank or similar institutions all property and assets kept in safety deposit boxes by, for and/or on behalf of any Receivership Defendants.

6. After his appointment, the receiver quickly identified RRCH as the only corporate receivership defendant with any substantial value. He testified that the other corporate receivership defendants appeared to be shell companies through which Mr. Goggans moved assets. The receiver began trying to find and follow the paper trail left my Mr. Goggans when he transferred assets from and through RRCH.

7. The receiver did not seek to use Steadfast's attorney to assist him in administering the receivership. Instead, in early October 2013, the receiver retained the law firm of Crouch and Ramey, LLP, to represent him in his role as receiver. In addition, on or about October 21, 2013, the receiver engaged the services of On-Target to provide the receivership with business support, consulting services, logistical support, and related asset protection services.

8. Over a three-day period beginning on or about October 22, 2013, the receiver removed all the property of the corporate receivership defendants from their offices, including, without limitation, books and records, computers, office furnishings, cabinets and televisions. On-Target provided the personnel and logistical support necessary to remove, categorize, sort and store all of the removed items. The property has been stored in a secure, climate-controlled environment since its removal, and On-Target has charged the receiver the same rental rate that it charges all of its customers.

9. Crouch & Ramey, as counsel for the receiver, filed a motion to employ their firm and On-Target in the state court. The receiver explained that it was necessary to retain counsel

to sue the individual receivership defendants in order to recover any funds and property they had misappropriated.

10. Crouch & Ramey, as counsel for the receiver, also filed a motion seeking to compel Mr. Goggans to provide the receiver with full and unfettered access to the financial records of the corporate receivership defendants. The receiver sought to modify the receivership order to expressly compel Mr. Goggans to cooperate with his investigation.

11. Crouch & Ramey incurred the bulk of their fees in October and November 2013.

12. The state court set the receiver's motions for hearing on December 9, 2013.

13. On December 9, 2013, Kenneth Goggans filed bankruptcy petitions in this Court for all of the corporate receivership defendants. In particular, (i) RRCH filed a chapter 11 case; (ii) RIRC filed a chapter 11 case, which was subsequently converted to a chapter 7 case; (iii) Manek Energy Pressure Pumping, LLC filed a chapter 7 case; (iv) Manek Energy, Inc. filed a chapter 7 case; (v) Manek Exploration, Inc. filed a chapter 7 case; (vi) Manek Energy Holding, Inc. filed a chapter 7 case; (vii) Manek Equipment, Inc. filed a chapter 7 case; and (viii) Oilman Supply Co., LLC filed a chapter 7 case.

14. Counsel for RRCH also served as bankruptcy counsel for all of the other corporate receivership defendants. The corporate receivership defendants paid their bankruptcy counsel \$114,448.00 for purposes of satisfying pre-petition invoices and filing fees. After satisfying the pre-petition invoices, counsel placed the balance of \$76,806.00 in his trust account as a pre-petition retainer for continuing to represent RRCH in this chapter 11 case.

15. On February 7, 2014, the chapter 7 trustee filed reports of no distribution in four of the bankruptcy cases filed by the corporate receivership defendants – in particular, the chapter 7 trustee filed no distribution reports in the bankruptcy cases of Manek Exploration, Manek

Energy Holdings, Manek Equipment, and Oilman Supply. In the bankruptcy case of RIRC, the chapter 7 trustee filed a report of no distribution on April 7, 2014. The trustees stated in their reports that none of these debtors had any assets to distribute to creditors.

16. In two other cases, the chapter 7 debtors appear to possess potential assets that may be liquidated and distributed to creditors. In particular, Manek Energy lists a \$14,000 tax refund from the Internal Revenue Service in its bankruptcy schedules, and Manek Energy Pressure Pumping lists a possible refund from a pre-petition insurance policy.

17. Thus, of the eight corporate receivership defendants who filed for bankruptcy on December 9th, the only debtor with significant assets was RRCH.

18. RRCH's case has not been substantively consolidated with the cases filed by the other receivership defendants. However, on the same day RRCH filed for bankruptcy, RRCH removed the entirety of the receivership litigation to this Court. RRCH also demanded that the receiver immediately turnover all the property in his possession. RRCH represented that the property held by the receiver was critical to its operations as well as its ability to comply with the reporting requirements of the Bankruptcy Code.

19. The receiver challenged the authority of Mr. Goggans to file bankruptcy petitions for the corporate defendants and, thereby, evade the receivership order. The receiver filed motions to dismiss the chapter 11 cases of RIRC and RRHC on December 20, 2013. He also entered into an agreed order that required him to continue to safeguard the property in his possession pending the resolution of his motion to dismiss.

20. The Court conducted a hearing on the receiver's motions on January 21, 2014. At the conclusion of the hearing, the Court denied the motions on the record. The Court entered an amended order denying the receiver's motions on January 23, 2014.

21. After the hearing, Mr. Goggans retrieved significant documents from the receiver. However, RRCH did not take any action to recover its property from the receiver.

22. On January 23, 2014, the U.S. Trustee appointed an official unsecured creditors' committee. On January 28, 2014, the committee filed a motion seeking an appointment of a chapter 11 trustee. RRCH did not oppose the motion for a chapter 11 trustee.

23. On February 4, 2014, the Court entered an order appointing a chapter 11 trustee to oversee RRHC's reorganization pursuant to § 1104(a) of the Bankruptcy Code. RRHC was not doing business at the time of the trustee's appointment.

24. Counsel for the receiver contacted the chapter 11 trustee about turning over the items in the receiver's possession. In a letter dated March 31, 2014, counsel stated that the receiver remained in possession of numerous boxes, file cabinets and computer equipment, among other things, belonging to RRCH. Counsel explained that time was of the essence as the receiver was incurring \$4,750 each month in storage and security costs.

25. The chapter 11 trustee did not take any immediate action to recover RRCH's property from the receiver.

26. On July 18, 2014, bankruptcy counsel for RRCH filed an application seeking an award of his post-petition fees in the total amount of \$95,846.

27. In July 2014, the chapter 11 trustee, Steadfast, and others reached a settlement regarding the dispute over Mr. Goggans' use of the funds provided by investors to RRCH. The settlement contemplated payments of more than \$2 million to the bankruptcy estate of RRCH.

28. The chapter 11 trustee still had not responded or taken possession of RRCH's property when the receiver filed his application for a priority administrative claim against

RRCH's bankruptcy estate on August 28, 2014. In the application, the receiver requests an administrative priority claim in the total amount of \$247,313.39.

29. The chapter 11 trustee finally contacted On-Target about removing the property approximately a week before the hearing on the receiver's request for an administrative expense.

30. The receiver, who goes by the first name "Tre," has formed a business called TreCo, Ltd. ("<u>TreCo</u>"). The receiver is the only employee of the business. His application for an administrative expense attaches monthly statements from TreCo for the time he personally spent acting as a receiver. His entries begin on September 26, 2013, end on December 20, 2013, for a total amount of \$58,369. His application also attaches invoices from On-Target totaling \$134,204 as well as invoices for attorneys' fees and expenses from his legal counsel totaling \$54,740.92. The receiver states in his application that he is not requesting reimbursement for legal fees relating to his opposition to the bankruptcy filing or the motion to dismiss.

#### DISCUSSION

1. Once a bankruptcy proceeding is commenced, the Bankruptcy Code provides for

the return of property held by a custodian, as follows:

(b) A custodian shall—

(1) deliver to the trustee any property of the debtor held by or transferred to such custodian, or proceeds, produce, offspring, rents, profits of such property, that is in such custodian's possession, custody, or control on the date that such custodian acquires knowledge of the commencement of the case; and
(2) file an accounting of any property of the debtor, or proceeds, product, offspring, rents, or profits of such property, that, at any time, came into the possession, custody, or control of such custodian.

# 11 U.S.C. § 543(b)(1) and (2).

2. Compensation for a superseded custodian for pre- and post-petition activities is governed by two provisions of the Bankruptcy Code. Section 503(b) governs pre-petition activities and § 543(c) governs post-petition activities. In particular, § 503(b) confers

administrative status on the "actual, necessary expenses ... incurred by a custodian superseded under section 543 of this title, and compensation for the services of such custodian...." 11 U.S.C. § 503(b)(3)(E).<sup>1</sup> Section 543(c)(2) of the Bankruptcy Code provides that the "court, after notice and hearing, shall provide for the payment of reasonable compensation for services rendered and costs and expenses incurred by such custodian...."

3. It is the burden of the party requesting an administrative expense to prove benefit to the estate. *See, e.g., In the Matter of Bodenheimer, Jones, Szwak and Winchell, LLP*, 592 F.3d 664, 674 (5<sup>th</sup> Cir. 2009). In *Bodenheimer,* the Fifth Circuit described a state court receiver whose receivership has been terminated by a bankruptcy filing as a "superseded custodian." The Fifth Circuit explained that while pre-petition services are governed by § 503(b)(3)(E) for "actual, necessary expenses," and post-petition services by § 543(b), the same "benefit-to-the estate" standard is applicable to both. This explanation is summarized by the Court's statement, "[i]f it was of no 'benefit', it cannot have been 'necessary'." *Id.* at. 672.

4. Here, the chapter 11 trustee and the unsecured creditors' committee object to the receiver's request for an administrative priority claim. They raise the following specific objections: (a) TreCo was not authorized to serve as a receiver and may not recover for Mr. Black's time; (b) the receivership order does not allow the receiver to "subcontract" his duties to others; (c) the receiver and his counsel spent time resisting RRCH's bankruptcy filing, which was of no benefit to RRCH's estate; (d) the receiver is only billing one of the receivership defendants, RRCH, for all of his services; (e) Crouch & Ramey cannot recover any of their fees

<sup>&</sup>lt;sup>1</sup> This standard is similar to the standard for evaluating attorneys' applications for fees under § 330 of the Bankruptcy Code. In the context of an application for attorneys' fees under § 330(a), the standard is "reasonable compensation for actual, necessary services rendered by the trustee, examiner, ombudsmen, or attorney and by any paraprofessional person employed by such person." The Fifth Circuit set forth an "identifiable, tangible, and material benefit to the estate" standard for determining the allowability of applications under § 330(a). *Pro–Snax. Andrews & Kurth L.L.P. v. Family Snacks Inc. (In re Pro–Snax)*, 157 F.3d 414, 425 (5th Cir. 1998). This standard is currently under en banc review by the Fifth Circuit in *Barron and Newburger, P.C. v. Texas Skyline, Ltd. et al. (In re Woerner)*, 771 F.3d 820 (5<sup>th</sup> Cir. 2015).

because this Court did not approve their retention as professionals; (f) the chapter 11 trustee has determined that the property the receiver is holding has no value to RRCH's estate; (f) the receiver was leasing too much space from On-Target; (h) Bankruptcy Code § 503(b)(3) does not allow the award of an attorney's fee as an expense; and (i) the legal fees the receiver incurred were not necessary to preserve the bankruptcy estate. The Court will address each of these arguments in turn.

## (A) The Receiver's Use of "TreCo"

5. First, the chapter 11 trustee and the creditors' committee object to the receiver's use of TreCo as the entity through which he bills his time. Their argument ignores that the invoices from TreCo include only Mr. Black's time. The trustee and creditors' committee do not cite any authority to support their bare assertion that Mr. Black cannot bill the time he spent personally acting as receiver through TreCo. The Court, therefore, concludes that this objection to the receiver's application for an administrative claim for his fees should be overruled.

#### **(B)** The Receiver's Retention of Professionals

6. Second, the chapter 11 trustee and creditors' committee object that the receivership order did not authorize the trustee to "subcontract" his duties to counsel or On-Target. Under Texas law, however, the authority of a receiver to incur expenses necessary for the preservation and use of the property may be implied from the appointment and from the nature of the required duties. *See* 64 TEX. JUR. 3d *Receivers* § 104 (citing *Roberts v. Howe*, 125 S.W.2d 617 (Tex. Civ. App. -- Dallas 1939); *Kansas City, M. & O. Ry. Co. of Texas v. Weaver*, 191 S.W. 591 (Tex. Civ. App. -- El Paso 1917, writ refused)). In this case, the state court appointed Mr. Black, an individual who is not an attorney, as receiver for eight corporate entities with the authority to operate their businesses and gather their assets. One person, particularly a

non-lawyer, acting alone, could not accomplish these responsibilities. Legal counsel and the logistical services provided by On-Target were essential to the receiver's duties under the receivership order. Accordingly, the receivership order impliedly authorized Mr. Black to seek help from third parties, including counsel, in discharging his duties. *See Roberts v. Howe*, 125 S.W.2d at 618 (explaining that, even without a court order, a receiver may incur expenses essential to the preservation and use of the property). The Court concludes that the second objection to the receiver's application for an administrative claim for his fees and expenses should be denied.

### (C) The Receiver's Motion to Dismiss

7. Third, the chapter 11 trustee and creditors' committee object that the receiver and his counsel spent time resisting RRCH's bankruptcy filing, which was of no benefit to RRCH's bankruptcy estate. The receiver states in his application that he is not seeking reimbursement for time spent seeking dismissal of the bankruptcy case. Although the chapter 11 trustee and creditors' committee have not identified any specific time entries to which they object, the Court's own review of the application revealed that it includes entries by Crouch & Ramey totaling \$7,138 for time relating to the motion to dismiss the bankruptcy cases. The Court, therefore, concludes that the third objection of the chapter 11 trustee and creditors' committee should be sustained as to the \$7,138 for these reasons and as discussed more fully below.

### (D) The Receiver's Claim against RRCH

8. In their fourth objection, the chapter 11 trustee and creditors' committee object that the receiver is billing only one of the eight entities for all of his services. They also object that not all of the property the receiver is holding belongs to RRCH and, therefore, RRCH should not bear all the costs associated with that property.

9. The receivership order in this case instructed the receiver to collect, inventory and safeguard the assets of all the corporate debtors. The receivership order created one receivership. Although the receivership order did not address how the receiver's expenses would be paid, under Texas law, the expenses of a receiver are generally payable out of the fund or the property in receivership. *See generally* 64 TEX. JUR. 3d *Receivers* § 157 (collecting authority). Notwithstanding this general rule, where a receiver is appointed, taxation of costs of the receivership and the manner of their collection are matters entirely within the sound discretion of the trial court. *See generally* 64 TEX. JUR. 3d *Receivers* § 159 (collecting authority).

11. In this case, as previously discussed, RRCH is the only one of the eight receivership debtors with any significant assets. Virtually every physical asset Mr. Black collected and stored belonged to RRCH. RRCH's assets – both physical assets and the proceeds of successful legal claims – would have provided the pool of assets from which the receiver could seek to recover his fees and expenses under state law. Furthermore, the receiver's decision to file his application for an administrative claim in RRCH's case is a natural consequence of RRCH's decision to remove the receivership litigation to its bankruptcy case. The Court, therefore, concludes that the fourth objection of the chapter 11 trustee and creditors' committee should be overruled.

#### (E) Crouch & Ramey's Retention as Professionals

12. Fifth, the chapter 11 trustee and the creditors' committee object that Crouch & Ramey cannot recover any of their fees because this Court did not approve their retention as professionals. In *In re Lagasse*, 228 B.R. 223 (Bankr. E.D. Ark. 1998), cited by the trustee and committee, a creditor sued the debtor post-petition and, after obtaining a settlement that enlarged the estate, filed a fee application seeking to recover the attorney's fees incurred by the creditor.

The bankruptcy court denied the fee application. Likewise, Judge Parker entered a Memorandum of Decision on August 23, 2005, in *In re Davis*, Case NO. 04-11015, denying a creditor's request for an administrative expense. The creditor in that case, like the creditor in *LaGasse*, had not obtained prior bankruptcy court approval to proceed with the services for which the creditor was seeking reimbursement.

13. The facts of the present case are distinguishable from *Lagasse* and *Davis*. The vast majority of Crouch & Ramey's services were rendered pre-petition in connection with the state court receivership. Crouch and Ramey could not have filed a motion seeking employment in a bankruptcy case that had not yet been filed to represent a bankruptcy estate that did not yet exist.

14. The receiver recognizes that services rendered by his counsel to challenge or oppose the bankruptcy filings are not reimbursable as administrative expense claims. It appears to the Court, as discussed above, that only \$7,138 of the \$51,317.22 billed by Crouch & Ramey involved the receiver's motion to dismiss and RRCH's motion to compel the receiver to return all of the property he had seized. Thus, the Court concludes that \$7,138 of Crouch & Ramey's fees are not reimbursable, and as to the balance of the receiver's expense for Crouch & Ramey's fees, the fifth objection of the chapter 11 trustee and creditors' committee should be overruled.

### (F) The Value of RRCH's Property

15. Sixth, the chapter 11 trustee and creditors' committee object to the receiver's claim, because the chapter 11 trustee has determined that the property the receiver is holding has no value to RRCH's estate. Their objection contradicts RRCH's prior representations to this Court. RRCH contended that the property in the receiver's possession was valuable and critical to its bankruptcy case. RRCH demanded turnover immediately after filing its bankruptcy

petition. The Court relied on RRCH's representations in approving and entering an agreed order granting the motion for turnover subject to the resolution of the receiver's motion to dismiss.

16. After filing for bankruptcy, and after the Court denied the receiver's motion to dismiss, Mr. Goggans recovered some of the books and records collected by the receiver to use in the chapter 11 trustee's post-petition litigation against Steadfast and others. That litigation resulted in a settlement of over \$2 million paid to the bankruptcy estate. Therefore, the receiver's actions benefitted the bankruptcy estate.

17. The trustee and committee now argue that the inventory of items remaining in the receiver's possession appear to be of inconsequential value and are not necessary for RRCH's operations or reorganization. It was the receiver's act of collecting the property of the debtors, examining the property, and creating an inventory that allows them to make this judgment.

18. The receiver incurred most of his own fees as well as his counsel's fees while gathering estate assets and attempting to locate and recover the \$4.1 million allegedly diverted by Mr. Goggans. This work benefitted the estate. Indeed, a chapter 11 trustee would violate his fiduciary duties by failing to gather and protect a debtor's assets or by failing to conduct an appropriate investigation and attempt to locate and recover the \$4.1 million allegedly misappropriated by Mr. Goggans. In this case, the receiver began the work that the chapter 11 trustee would have had to do in any case. This work was needed to provide back-up that the \$2 million settlement was appropriate.

19. The bankruptcy trustee had a duty to collect and preserve RRCH's assets, books and records, and the receiver's actions in doing so actually benefited the estate. For the foregoing reasons, the Court concludes that the sixth objection of the chapter 11 trustee and creditors' committee should be overruled.

### (G) The Amount of Space Leased from On-Target

20. Seventh, the chapter 11 trustee and creditors' committee object that the receiver is leasing too much space from On-Target. They failed to substantiate this objection at the hearing. The credible testimony established that the amount of space the receiver is leasing from On-Target is reasonable and appropriate. The Court, therefore, concludes that this objection to the receiver's application should be overruled.

# (H) The Receiver's Request for Reimbursement for Attorneys' Fees

21. Eighth, the chapter 11 trustee and creditors' committee object that Bankruptcy Code § 503(b)(3) does not allow the award of an attorney's fee as an expense. This objection appears to be based on the receiver's citation of the incorrect subsection of § 503(b) in his application. Any failure to cite the correct subsection of the Bankruptcy Code does not reduce the merit of the receiver's request. Section 503(b)(3)(E) grants the receiver an administrative claim for his actual, necessary costs and expenses, and for his compensation, and § 503(b)(4) covers the reasonable compensation payable to receiver's attorney or accountant. The Court, therefore, concludes that the eighth objection of the chapter 11 trustee and creditors' committee should be overruled.

#### (I) Reasonableness, Necessity and Benefit to RRCH's estate

22. Finally, the Court turns to the heart of the objections raised by the chapter 11 trustee and the creditors' committee. The chapter 11 trustee and the creditor's committee object that the receiver's fees did not benefit RRCH's estate and were not reasonable or necessary.

23. The receiver requests an administrative priority claim in the total amount of \$247,313.39. The receiver's own time entries begin on September 26, 2013 and end on December 20, 2013, for a total amount of \$58,369. His application also attaches invoices from

On-Target totaling \$134,204 as well as invoices for attorneys' fees and expenses from his legal counsel totaling \$54,740.92.

24. The Court has examined the records submitted by the receiver to determine the reasonableness of the amount of the administrative claim he is seeking. With respect to Mr. Black's own time, he kept time records contemporaneously with the work he was doing, and the nature of his activities are clear from the records he kept. Further, the time he spent was reasonable and necessary for him to discharge his obligations as receiver.

25. The receiver submitted detailed time records for Crouch & Ramey. As previously discussed, the receiver is not seeking to recover for the time spent by Crouch & Ramey seeking dismissal of the bankruptcy cases. Given the reduction, the time spent by Crouch & Ramey was reasonable and necessary for the receiver to discharge his obligations as receiver.

26. The invoices the receiver received from On-Target fall into three categories. The first category consists of the invoices for rent charged by On-Target.

27. With respect to rent, On-Target billed the receiver multiple times for October, November and December 2013. After reviewing the invoices and eliminating duplications, the Court finds that the receiver incurred storage costs in the amount of \$1,187.50 for part of October 2013 and \$4,750 per month from November 2013 through July 2014 for a total expense of \$43,937.50. The storage and safeguarding of property that belonged almost exclusively to RRCH benefitted the estate as previously discussed. The Court further concludes that the receiver has established that the storage charges were reasonable and necessary.

28. The receiver also incurred an expense of \$100.70 for the use of On-Target's vehicle in October 2013. The receiver has established that this expense was reasonable and necessary to move RRCH's assets into storage.

29. The second category of invoices from On-Target consists of numerous invoices for "administrative services" and "professional services." These invoices, which total \$31,506.32, provide no detail regarding the referenced services. The Court concludes that the receiver failed to substantiate his request for an administrative claimed based on On-Target's invoices for "admin services" in the amount of \$5,450 for October 2013 (Invoice 149875), "professional services" in the amount of \$4,938.28 for October 2013 (Invoice 149874), "admin services" in the amount of \$5,450 for November 2013 (Invoice 149878), "professional services" in the amount of \$5,450 for November 2013 (Invoice 149878), "professional services" in the amount of \$4,986.98 for December 2013 (Invoice 150023), or "admin services" in the amount of \$5,450 for December 2013 (Invoice 150023), or "admin services" in the amount of \$5,450 for December 2013 (Invoice 150023), or "admin services" in the amount of \$5,450 for December 2013 (Invoice 150023), or "admin services" in the amount of \$5,450 for December 2013 (Invoice 150023), or "admin services" in the amount of \$5,450 for December 2013 (Invoice 150023), or "admin services" in the amount of \$5,450 for December 2013 (Invoice 150023), or "admin services" in the amount of \$5,450 for December 2013 (Invoice 150023), or "admin services" in the amount of \$5,450 for December 2013 (Invoice 150024). The Court further finds and concludes that the receiver has failed to establish the reasonableness and necessity of the services referenced in the invoices for administrative and professional services.

30. The third category of invoices from On-Target consists of invoices for "business and consultative services." At the hearing, the receiver presented testimony that On-Target supplied the personnel necessary to locate, move, catalogue and store all of the corporate debtors' property. In addition, at the hearing, the receiver provided detailed time records to support and explain four of the invoices for "business and consultative services" as examples of the types of services provided by On-Target.

31. In particular, On-Target billed the receiver for "business and support and consultative services" in the amount of \$2,450 for October 2013 (Invoice 149796). This invoice consists of seven hours spent by in-house counsel for On-Target meeting with the receiver, meeting with other counsel, and preparing a proposal describing the services On-Target would

provide. The Court finds and concludes that the receiver has failed to establish the reasonableness and necessity of the services referenced in this invoice as to the receivership.

32. On-Target billed the receiver a second time in October 2013 for "business and support & consultative services." This second invoice, which is in the amount of \$21,493 (Invoice 149876), is supported by records of time entries relating to the move of RRCH's assets into storage. However, many of the time entries are so insufficiently described as to effectively preclude the Court from determining the reasonableness of the hourly rates, which ranged from \$100 to \$250 per hour, or the time spent by employees of On-Target. The Court finds that the receiver has established the reasonableness and necessity of \$10,746.50 of the services described in this invoice.

33. On-Target sent the receiver an invoice for "business support and consultative services" in the amount of \$14,050 for November 2013 (Invoice 149880). The detailed records provided by the receiver to support the invoice reveals that On-Target incorrectly included \$3,500 in time spent by Mr. Black as if he were acting as an employee of On-Target rather than as receiver. The detailed records also reveal that staff at On-Target spent time in November boxing and storing RRCH's assets as well as sorting through all of the documents collected by the receiver from the receivership defendants. These services were reasonable and necessary and benefitted RRCH's estate. However, the Court finds that a reduction of \$3,500 is warranted for services which were incorrectly billed to the receiver.

34. Finally, On-Target sent the receiver an invoice for "business support and consultative services" in the amount of \$5,665 for December 2013 (Invoice 15022). The Court finds and concludes that charges for \$4,300 were either incorrectly billed to the receiver or are so insufficiently described as to effectively preclude the Court from evaluating the reasonableness

and necessity of such services. With respect to the remaining \$1,365, at the hearing, the receiver provided detailed time records showing in-house counsel for On-Target charged the receiver for the time he reviewing the chapter 11 trustee's motion to compel turnover and reviewing other bankruptcy documents. The Court finds and concludes that the receiver failed to establish that these services were reasonable or necessary – especially since he was already represented by Crouch & Ramey.

### CONCLUSION

For the foregoing reasons, it is **ORDERED** that Mr. Black's request for an administrative claim **is GRANTED IN PART AND DENIED IN PART**. It is further **ORDERED** that Mr. Black is hereby allowed an administrative claim in the total amount of \$171,255.20, which consists of \$58,369 for the time spent by Mr. Black as receiver, \$65,334.70 for the services provided by On-Target, \$44,179 for the services provided by Crouch & Ramey, and \$3,372.50 for the services provided by Wright Ginsburg.

Signed on 3/31/2015

, T. Rhoaded SR

HONORABLE BRENDA T. RHOADES, UNITED STATES BANKRUPTCY JUDGE