

# eOriginal Executes Transfer of Control and Risk Management for Comvest

## Situation

In the wake of a March 2016 lawsuit from the U.S. Securities and Exchange Commission (SEC) against Aequitas Management, LLC and related companies, as well as three former executives, the company's assets and related entities and subsidiaries were placed into receivership. The SEC claimed that Aequitas concealed the company's insolvency for two years to continue raising capital from investors.

Aequitas and its affiliates owe \$110 million to various lenders and \$600 million to investors. Among its debts, the company purchased consumer installment loans from Freedom Financial Asset Management. Using the Freedom Financial portfolio as collateral, Aequitas borrowed and estimated \$65 million from Comvest Capital. Comvest claimed Aequitas defaulted on the loan and sought to repossess the Freedom loan portfolio.<sup>1</sup>

## Solution

Comvest's Electronic Collateral Control Agreement (ECCA) allowed the company to take control of the Freedom Financial portfolio if Aequitas defaulted. Under the ECCA, eOriginal was the designated electronic vault for the assets in question and executed a seamless assumption of exclusive control of the Freedom Financial portfolio by Comvest.

## Results

eOriginal provides the only licensable eAsset<sup>®</sup> Management Solution in high volume production today that fully complies with all authoritative copy criteria of Revised UCC Article 9-105 for control of electronic chattel paper as well as the transferable records criteria of the federal ESIGN Act and the Uniform Electronic Transaction Act (UETA) state legislation.

- eOriginal provided account provisioning, technical training services, as well as advanced authoritative copy management to address the assumption of exclusive control and enable restructuring of the vault configuration to the exclusion of Aequitas.
- Since the Freedom Financial portfolio originated with eOriginal, the integrity of the documents was able to be defended with proven legal enforceability.
- Through the eOriginal vault, Comvest was able to establish exclusive control over 7,862 assets from Aequitas, mitigating their risk and protecting their vested interest.

<sup>1</sup> Greenspan, R. Oregon Live. Aequitas receiver's daunting task: Fill a \$710 million hole. Accessed June 15, 2016. [http://www.oregonlive.com/business/index.ssf/2016/04/aequitas\\_obligations\\_to\\_invest.html](http://www.oregonlive.com/business/index.ssf/2016/04/aequitas_obligations_to_invest.html)