

1 **RAINES FELDMAN LLP**  
2 KATHY BAZOIAN PHELPS (SBN 155564)  
3 *kphelps@raineslaw.com*  
4 1800 Avenue of the Stars, 12th Floor  
5 Los Angeles, California 90067  
6 Telephone: (310) 440-4100

7 *Successor Receiver*

8 **UNITED STATES DISTRICT COURT**  
9 **NORTHERN DISTRICT OF CALIFORNIA**  
10 **SAN FRANCISCO DIVISION**

11 SECURITIES AND EXCHANGE  
12 COMMISSION,

13 Plaintiff,

14 v.

15 JOHN V. BIVONA; SADDLE  
16 RIVER ADVISORS, LLC; SRA  
17 MANAGEMENT ASSOCIATES,  
18 LLC; FRANK GREGORY  
19 MAZZOLA,

20 Defendants, and

21 SRA I LLC; SRA II LLC; SRA III  
22 LLC; FELIX INVESTMENTS, LLC;  
23 MICHELE J. MAZZOLA; ANNE  
24 BIVONA; CLEAR SAILING  
25 GROUP IV LLC; CLEAR SAILING  
26 GROUP V LLC,

27 Relief Defendants.  
28

Case No. 3:16-cv-01386-EMC

**ADMINISTRATIVE MOTION BY  
RECEIVER KATHY BAZOIAN  
PHELPS PURSUANT TO LOCAL  
CIVIL RULE 7-11 FOR ORDER  
APPROVING SUBSTITUTION OF  
COUNSEL AND EMPLOYMENT OF  
RAINES FELDMAN LLP**

Date: No Hearing Set  
Time: No Hearing Set  
Judge: Edward M. Chen

**I. INTRODUCTION AND BASIS FOR THE MOTION**

Kathy Bazoian Phelps, the successor receiver herein (the “Receiver”), files this Motion to Employ Raines Feldman LLP in light of her recent change of firms and the change in firms of her primary counsel. The Receiver wishes to substitute in her new firm, Raines Feldman LLP (“Raines Feldman” or the “Firm”), as her general counsel in this case, and to deem the

1 employment of Diamond McCarthy as terminated as of April 23, 2021. The Receiver also  
2 requests authority to adjust the professional rates as set forth herein.

3 The Receiver has conferred with counsel for the Securities and Exchange Commission,  
4 for the SRA Investor Group and for Progresso Ventures, and is advised that they do not oppose  
5 the Motion. A stipulation with all parties was deemed impractical given, among other things,  
6 the entry of judgment against the defendants and pending bankruptcy of defendant John  
7 Bivona. (L.R. 7-11 1(a)).

8 The Receiver has determined that, in order to perform her duties and obligations under  
9 the Receiver Order, she continues to require the assistance of counsel. The Receiver and her  
10 primary counsel, David Castleman, have recently joined the firm of Raines Feldman LLP, and  
11 she believes that Raines Feldman will be best suited to serve as her general counsel going  
12 forward in this case to cause the least amount of disruption in the case. This administrative  
13 motion is supported by the Declarations of Kathy Bazoian Phelps and David Castleman.

14 **II. RECEIVER'S CONTINUED NEED FOR COUNSEL**

15 The Receiver's duties and responsibilities under the Receiver Order depend  
16 significantly upon her ability to manage and liquidate securities and to implement the complex  
17 distribution plan in this case. The Distribution Plan involves complex issues involving  
18 securities and different classes of claimants, and the Receiver will continue to need the  
19 assistance of counsel to provide advice and assistance with respect to implementation of the  
20 Plan.

21 The Receiver recently changed law firms, as did her primary counsel on this case,  
22 David Castleman, and they are now partners in the firm of Raines Feldman LLP. The Receiver  
23 seeks to substitute in Raines Feldman as her general counsel in this case, and to deem the  
24 employment of Diamond McCarthy as terminated. Both firms have signed a Substitution of  
25 Counsel form which is attached to the Declaration of Kathy Bazoian Phelps as Exhibit "1."  
26 The Receiver has determined that, in order to perform my duties and obligations as defined by  
27 this Court's Receiver Order, she continues to require the assistance of counsel to aid in the  
28

1 implementation of the distribution plan in this case. She will need to administer the pre-IPO  
2 shares as well as the administrative stock reserves held in other securities. She will need to  
3 make further distributions which will require the assistance of counsel to address any legal  
4 issues that arise in the implementation of the Plan and any complexities that may arise with  
5 administering the securities or making distributions.

6 For these reasons, and to assist the Receiver with other legal issues that may arise in  
7 the administration of the receivership estate, she continues to require counsel in order to assist  
8 with the implementation of the Distribution Plan. David Castleman has been the lawyer  
9 primarily responsible for assisting the Receiver as counsel, and he too has changed firms and  
10 joined Raines Feldman. The Receiver believes that Raines Feldman's employment is  
11 appropriate and in the best interests of the receivership for several reasons. Mr. Castleman is  
12 not only well-qualified to serve as the Receiver's counsel, but he is also extremely  
13 knowledgeable about the facts of this case. This change in counsel will therefore not cost the  
14 estate anything extra as there is no risk of additional legal fees to learn about the case and no  
15 risk of duplication. Rains Feldman is able to act immediately without waiting until its  
16 employment is confirmed, understanding and assuming the attendant risks. Other counsel  
17 would have had to expend time to familiarize themselves with the facts in this case.

18 1. Raines Feldman has agreed to discount its regular hourly rates in this matter  
19 and will charge a maximum hourly rate for legal services of \$460.00 per hour. I anticipate  
20 primary legal services will be provided by David Castleman, a partner whose regular hourly  
21 rate is \$625.00 and will be discounted to \$460.00 per hour, and Bambi Clark, a paralegal  
22 whose regular rate is \$345 and will be discounted to \$276 per hour. Hourly rates for other  
23 partners or associates at the firm who may perform work on the matter will be discounted by  
24 20% and their hourly rates will be capped at \$460.00. A copy of the Firm's regular rates are  
25 attached to the Declaration of David Castleman as Exhibit "2." The rate for administrative  
26 services has been increased from \$130 per hour to \$145 per hour. The Receiver has conferred  
27 with the SEC regarding these rates, which have been adjusted since my appointment in  
28

1 February 2019 by less than 5% per year, and the SEC does not object to these rate adjustments.

2 Attached to the Declaration of David Castleman as Exhibit "3" is the resume of Raines  
3 Feldman and the biography of David Castleman, who is expected to perform the primary legal  
4 services on this matter.

5 **III. THE COURT HAS BROAD SUPERVISORY AUTHORITY TO APPROVE**  
6 **EMPLOYMENT OF RAINES FELDMAN**

7 The Court has broad powers to determine what is necessary for the administration and  
8 supervision of an equity receivership. *See SEC v. Capital Consultants, LLC*, 397 F.3d 733, 738  
9 (9th Cir. 2005) (“A district court’s power to supervise an equity receivership and to determine  
10 the appropriate action to be taken in the administration of the receivership is extremely broad”);  
11 *CFTC v. Topworth Int’l, Ltd.*, 205 F.3d 1107, 1115 (9th Cir. 1999) (“This court affords ‘broad  
12 deference’ to the [district] court’s supervisory role”).

13 **IV. CONCLUSION**

14 For these reasons, the Receiver respectfully requests that the Court approve the  
15 substitution in of Raines Feldman as her general counsel; to deem the employment of Diamond  
16 McCarthy as terminated as of April 23, 2021; and to approve the rate adjustments as set forth  
17 herein. The Receiver requests all other appropriate relief.

18  
19 Dated: April 28, 2021

By: /s/ Kathy Bazoian Phelps  
Kathy Bazoian Phelps,  
Receiver

20  
21  
22  
23  
24  
25  
26  
27  
28