



Small Company

Transaction of the Year

Lighthouse Management Group, Inc.

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First United loaned—or purported to loan—more than \$700 million to borrowers funded by participations involving more than 60 banks. In reality, First United was a \$4 million Ponzi scheme. Once the scheme collapsed in 2009, Lighthouse Management Group was appointed receiver and retained counsel.

The result of the receivership, which concluded this year, was an almost unprecedented success. A lengthy investigation revealed that nearly 20 banks were owed around \$92 million. The victims of the First United scheme have received approximately \$91 million—99 percent of their claims. To reach this result, Lighthouse essentially recreated and recorded years of fraudulent, undocumented financial transactions totaling billions of dollars. Lighthouse proactively shared information with constituents, in particular the victims, seeking to establish common ground and agreement with parties throughout the case, and minimizing time and expenses for all involved. Lighthouse pursued more than 70 actions across the country, including lawsuits against borrowers and guarantors, and other parties that received millions of ill-gotten gains from the scheme.

In doing so, Lighthouse established new law on many issues, including on the methods for calculating and distributing assets in receiverships. The Minnesota Supreme Court also entered an important decision concerning the right to recover fraudulent transfers that will impact claims in Minnesota, other states, and bankruptcy courts for years.