

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

UNITED STATES SECURITIES)
AND EXCHANGE COMMISSION,)
)
Plaintiff,) Cause No. 1-15-cv-00659-JMS-MJD
)
v.)
)
VEROS PARTNERS, INC.)
MATTHEW D. HAAB,)
JEFFERY B. RISINGER,)
VEROS FARM LOAN HOLDING LLC,)
TOBIN J. SENEFELD,)
FARM GROWCAP LLC, and)
PINCAP LLC,)

**VEROS PARTNERS, INC.’S MOTION TO MODIFY
PRELIMINARY INJUNCTION**

(EXPEDITED CONSIDERATION REQUESTED)

Defendant Veros Partners, Inc. (“Veros”) moves for an order modifying the Court’s preliminary injunction and authorizing Veros to enter into two asset sale transactions that are outside the ordinary course of its business. In support of its motion, Veros states:

1. On April 22, 2015, the Securities and Exchange Commission (“SEC”) filed suit against Veros and other defendants, alleging violations of the Securities Act, the Exchange Act, and asserting other claims. Veros denies these allegations and has been defending against them.

2. Concurrently with the filing of its complaint, the SEC moved for the entry of a temporary restraining order and a preliminary injunction.

3. On April 23, 2015, the Court entered a 14-day temporary restraining order [Doc. 12] freezing certain of Veros' assets and appointing a receiver over certain of Veros' assets.

4. On May 7, 2015, the temporary restraining order was superseded by a preliminary injunction (the "Injunction") [Doc. 48] that remains in effect.

5. The SEC contends that, in pertinent part, the Injunction freezes Veros' assets and prevents Veros from entering into any transaction for the sale, assignment, or transfer of any assets except as modified by separate order of the Court.

6. Veros has received written offers from Trueblaze, LLC ("Trueblaze") and from MW Banks Consulting, LLC ("Banks"), for the purchase of certain assets related to Veros' consulting business (the "Assets").

7. Trueblaze has offered to pay \$215,000.00 for certain assets used in Veros' business consulting and accounting business (the "Business"), as follows:

(a) All rights to provide business planning and strategy consulting, accounting and finance, individual tax services, business tax planning and compliance, bookkeeping and bill pay services, and start up planning services (collectively, the "Business Consulting Services") to enumerated Veros consulting clients ("the Clients"), including all paper and electronic files and records of the Clients which are in the possession of Seller and all rights to perform Business Consulting Services for the Clients under Client Services Agreements entered into between Seller and the Clients (the "Client Services Agreements").

(b) The goodwill of the Business; Seller's Veros Dental proprietary systems, tools and trademarks described on Schedule 1(b); the URL www.verosdental.com and the Veros Dental website; the telephone number (317) 452-4580; and permanent copies of Seller's internal operational manuals and administrative tools, forms, processes and systems and the perpetual right to use each of them.

(c) Certain office equipment, office furniture and fixtures, and computer hardware and software (including all licenses, codes and passwords);

(d) All rights of Seller under the restrictive covenant agreements entered into between Seller and the employees of Seller listed on Schedule 1(d), including the right to enforce said restrictive covenant agreements.

(e) Office supplies of Veros used in the Business.

8. Banks has offered to pay \$90,000.00 for certain assets used in Veros' business consulting and accounting business (the "Business"), as follows:

(a) Veros' client relationships with respect to certain enumerated Veros consulting clients and prospective clients, and all documents and information related to those clients;

(b) certain office equipment and office supplies

(c) a prepaid Indianapolis District Dental Society golf outing sponsorship;

(d) Veros' relationship and position in the dental South Side Study Club.

9. Neither the Trueblaze offer nor the Banks offer is related in any way to Veros' investment business, and no investor funds or other investor assets are involved in either planned transaction.

10. Veros believes the Trueblaze and Banks offers are fair and reasonable, and Veros wishes to enter into the proposed transactions.

11. The SEC contends that the Court's preliminary injunction prevents Veros from selling the assets in question to Trueblaze and/or Banks.

12. The assets that Veros plans to sell to Trueblaze and Banks are subject to a valid, perfected first-priority security interest held by MainSource Bank. Veros

presently owes MainSource Bank a total of approximately \$620,000.00 on a term loan and a fully funded line of credit that both must be paid in full on or about November 18, 2015. Veros currently is making monthly payments of approximately \$7,400.00 per month to MainSource, and must make a balloon payment on the maturity date in the approximate amount of \$604,500.00.

13. MainSource has agreed to a partial release of its security interest to allow the planned asset sales to Trueblaze and Banks to proceed, provided that the gross proceeds of the sale are applied toward the secured debt owed on Veros' debt to MainSource.

14. Veros wishes to honor MainSource's request, and Veros further believes that applying the sales proceeds (which total \$305,000.00) toward reducing its secured debt to MainSource is in the best interest of the company and all of its creditors for multiple reasons:

(a) MainSource has an unavoidable security interest in the assets at issue that is senior to all other claims, including any claims asserted by the SEC. Under Indiana law, MainSource is entitled to apply the proceeds from the planned transactions toward a reduction of Veros' debt to MainSource;

(b) A payment of \$305,000.00 to MainSource will substantially reduce the balloon payment that Veros would otherwise be required to make to MainSource on or about November 18, 2015;

(c) A payment of \$305,000 to reduce secured debt will immediately and substantially improve Veros' solvency.

15. The Trueblaze and Banks offers are time-sensitive and the contractual closing deadlines for both transactions have expired, meaning that either Trueblaze or Banks may withdraw their offers at any time. For the time being, both Trueblaze and Banks have affirmed their desire to move forward with their purchases of assets from Veros, but neither has any obligation to maintain those positions. Banks, in particular, advises that she may reduce or withdraw her offer in the very near future.

16. Further, the client relationships that are the heart of both transactions are, essentially, at-will relationships between Veros and its consulting clients. In light of this litigation and the media attention it has received, Veros fears that these consulting clients will leave of their own accord if the transaction is not closed soon, leading Trueblaze and/or Banks to withdraw their offers.

17. In hopes of presenting an agreed motion to the Court, Veros has been in extended negotiations with counsel for both MainSource and the SEC. Those negotiations have been unsuccessful.

18. The SEC objects to allowing the transaction to proceed if the proceeds are applied toward Veros' secured debt to MainSource.

19. Because Veros reasonably fears that either Trueblaze or Banks will withdraw their offers in the very near future, Veros asks for expedited consideration as follows:

(a) An interim order allowing the Trueblaze and Banks transactions to proceed immediately to closing, with the gross proceeds to be held in escrow in the IOLTA trust account of undersigned counsel until the Court makes a determination on this motion and provides instructions for the disbursement of the proceeds. MainSource consents to this interim relief, but the SEC does not.

(b) Alternatively, an expedited briefing schedule calling for responses to be filed by August 7 and a reply to be filed by August 11. If the Court sets this motion for hearing, then Veros requests that the hearing not take place on August 18, 19, or 20 due to unavoidable conflicts on undersigned counsel's schedule.

Veros submits two proposed orders with this motion; one setting an expedited schedule and the other providing for this interim relief.

WHEREFORE, Defendant Veros Partners, Inc. moves for an Order modifying the Court's preliminary injunction to allow the planned sales transactions to close and to allow Veros to apply the sales proceeds toward its debt to MainSource, together with all other just and proper relief.

Respectfully submitted,

/s/ F. Anthony Paganelli

F. Anthony Paganelli (IN 18425-53)
Counsel for Veros Partners, Inc.

CERTIFICATE OF SERVICE

I certify that on July 31, 2015, the foregoing document was filed using the Court's CM/ECF system, which will serve notice upon the following counsel of record:

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