



*Robert Sonnenschein, et. al. v. PVPE, LLC, et. al.*

*CV 2013-012420*

*Receivership Report*

*Of*

*Peter S. Davis*

*Court Appointed Receiver*

*January 7, 2015*

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## **1.0 Background**

On September 27, 2013, Lynne H. Anthony Revocable Trust dated 11/30/2001, Lynne H. Anthony as Trustee; Robert Sonnenschein, as an individual; Gerald R. Hale, as an individual; C. Scott Anthony, as an individual; Janie B. Hale, individually and as Trustee of Janie B. Hale Revocable Trust dated 11/4/1994; Carolyn Sue McMillon, as an individual; Larry McMillon, as an individual; James Stanley Powers, as an individual; and Patricia Ann Powers Trust, Patricia Ann Powers as Trustee (collectively the “Plaintiffs”) filed a Plaintiff’s Verified Complaint for Receivership (“Complaint”) against Palo Verde Capital, L.L.C., an Arizona limited liability company; PVPE, L.L.C., an Arizona limited liability company, Palo Verde Fund, L.P., a Delaware limited partnership; Palo Verde Private Equity Fund, L.P., a Delaware limited partnership; and Anthony R. Stacy, a married man (“Defendants”).

Plaintiffs alleged in both the Complaint and in the Amended Complaint (“Complaints”) for Receivership that they relied on and trusted Defendant Stacy as their investment advisor to properly manage monies entrusted to him, and that Defendant Stacy failed to do so.

## **2.0 Appointment of Receiver**

On October 9, 2013, Peter S. Davis (“Receiver”) of Simon Consulting, LLC (“Simon”) was appointed Receiver over PVPE, LLC (f.k.a. Palo Verde Capital, LLC, f.k.a. Paragon Capital Advisors, LLC); Palo Verde Fund, L.P.; and Palo Verde Private Equity Fund, L.P., (“the Fund”) with full power of an equity receiver. The appointment of the Receiver was by stipulation of the Plaintiffs and Defendants. The Receivership Order requires the Receiver to, among other things, identify, locate, recover, take control of and liquidate the Receivership Assets.

## **3.0 Previous Report**

The Receiver hereby incorporates the information contained in prior receivership reports in this report. The Receiver’s analyses are ongoing; therefore, information contained herein is preliminary and tentative, and subject to change.

## **4.0 Investor Committee**

Section 8.a of the Order requires the formation of an Investor Committee consisting of representatives of the following five limited partners of the Funds: Craig Jackson Trust, Robert Sonnenschein, C. Scott Anthony, Gerald R. Hale and Larry McMillon.

The Receiver is required to obtain Committee approval prior to employing any attorneys, accountants, contractors or other specialists in the administration of the Receivership. The Receiver is also required to consult with and gain approval of the Committee prior to becoming involved with other actions or proceedings in state, federal or foreign courts. Further, the Receiver must obtain Committee approval prior to undertaking any forensic accounting activities relating to the Receivership Defendants, their accountants, auditors or other advisors/agents.

The Receiver continues to maintain regular communication with the investor committee, and updates individual investors as necessary. To date, the Receiver has conducted six investor committee meetings, and continues to keep committee members apprised of events impacting the Receivership.

## **5.0 Fee Objection**

On July, 17, 2014 a group of five Palo Verde Fund, LP investors filed an objection with the receivership court, alleging in part that it is improper for the Receiver to seek payment from funds belonging to Palo Verde fund, LP for work performed in relation to Palo Verde Private Equity Fund, LP. The Receiver submitted a response and declaration to the Court on August 15, 2014. Since then, this group of investors has filed further objections to specific receivership bills and the October 7, 2014 Receiver's Report, while another investor filed a motion in support of payment of Receivership fees.

Oral arguments on this issue were heard on December 12, 2014. On December 18, 2014 the Court ordered payment of Receiver compensation and expenses be made from receivership assets. The Court noted that the ruling does not preclude a motion for reallocation of expenses at termination of the Receivership.

## **6.0 Forensic Accounting**

The Receiver solicited and received permission from the Investor Committee to perform a limited forensic accounting analysis on the receivership entities. Multiple requests for information have been issued, and documentation is being produced by the various entities involved in the accounting and banking functions for the Fund. The analysis of this information is ongoing.

## **7.0 Update on Asset Liquidation**

Five Fund assets have been liquidated to date: Empire Financial Services LLC; Acumen Energy Solutions, Inc.; Palo Properties, LLC; Beesfree, Inc.; and AF-1, LLC. In addition, funds have been recovered from other investments for a variety of reasons. Exhibit 1 outlines recoveries to date by investment. Further details regarding specific investments are provided below.

### **7.1 Empire Financial Services, LLC**

As noted in prior reports the Fund became the 100% equity shareholder in Empire Financial Services of Tulsa, LLC ("EFS"), a Tulsa Oklahoma based equipment leasing and finance company, in July 2009. The Receiver entered into negotiations with Greenway Capital Markets ("GWCM") in early in 2014 to sell this interest to NewCo LLC, which was to be formed specifically for this transaction.

To that end, the parties finalized an Asset Purchase Agreement ("APA") on June 17, 2014 whereby the Fund was to sell certain assets of EFS to the newly formed Empire Finance, LLC<sup>1</sup> ("EFLLC") for \$655,000; \$500,000 was to be paid in cash into an escrow account and a promissory note was executed for the \$155,000 balance. Additionally, the Receiver executed a consulting agreement that allowed GWCM, upon deposit of the \$500,000 cash payment, to assume management control of EFS while the court considered the motion.

The Court approved the sale on July 31, 2014. Despite assertions to the contrary, EFLLC had not made the \$500,000 payment at the time of court approval, and had not therefore assumed

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<sup>1</sup> Empire Finance LLC is a Texas limited liability corporation formed by members of GWCM for this asset purchase.

control of EFS. Additionally, the first two interest payments on the \$155,000 promissory note were not paid when due.

In fact, no monies were transferred to the Fund for this sale until \$400,000 was received in October 2014, \$100,000 less than the originally agreed upon \$500,000 cash payment. In an effort to finalize sale of this asset for the Fund the Receiver agreed to cancel the original \$155,000 note and execute a new note for \$255,000, incorporating the \$100,000 outstanding from the agreed upon cash payment. On October 24, 2014 the Receiver executed a promissory note with EFLLC in the amount of \$255,000. The terms of the note require monthly payments of principal and interest in the amount of \$3,135 beginning on December 15, 2014 and ending on October 15, 2017 when a balloon payment encompassing the remaining principal and interest is due. In addition, two balloon payments of \$50,000 each are due on March 15 and October 15, 2015. This promissory note is guaranteed by both EFLLC and GWCM. On October 28, 2014 an interest payment was made in the amount of \$4,374.44, representing the past due interest on the original \$155,000 note. The first interest payment on the new note was received on December 15, 2014.

In previous reports the Receiver noted that monies appeared to have been taken out of Empire for use on other investments and/or to enrich Tony Stacy. The Receiver is conducting a forensic analysis of these items; see Section 8.0 for further detail.

## **7.2 Acumen Energy Solutions, Inc. (formerly American Energy Solutions, Inc.)**

The Receiver executed a binding letter of intent (“LOI”) in June 2014 with Brightergy, LLC whereby Brightergy was to acquire the assets of Acumen Energy Solutions, Inc. (“Acumen”) for approximately \$2,500,000. This sum was to be comprised of a \$300,000 up-front cash payment; assumption of \$1,050,000 in liabilities; and the potential to receive approximately \$1,150,000 in deferred payments (subject to the post-sale financial performance of Acumen).

The Receiver and his team worked closely with Brightergy representatives throughout June and July to close the sale. Despite these efforts the sale collapsed in late July 2014 due to Brightergy’s concerns about the future viability of the business (see previous report for details). Notwithstanding the failure of the sale of Acumen assets on the whole, the Receiver was able to sell two of Acumen’s business lines:

- 1) Energy Management - energy management contracts, including the management of client utility bills and energy procurement related services, plus all accounts receivable earned on the identified contracts beginning August 1, 2014 associated with the purchased contracts.
- 2) Sales Commissions - energy services agent and utility tax consulting services agreements, plus all commissions received from the identified agreements after August 1, 2014;

Brightergy agreed to pay Acumen a deferred payment amounting to the EBITDA generated by the purchased assets for the twelve-month period following closing of the sale for the Energy Management piece.<sup>2</sup> \$10,000 was paid up front and the balance is due no later than the end of the fourteenth month following closing.<sup>3</sup> For the Sales Commission piece, Brightergy agreed to pay

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<sup>2</sup> July 31, 2014 Asset Purchase Agreement; Article II, Section 2.1. This amount excludes EBITDA generated by a July 2014 contract between Acumen and Kinder Morgan Energy Partners.

<sup>3</sup> Ibid

Acumen \$350,000 in cash up front plus fifty percent of aggregate contract commissions collected in excess of a commission threshold, set at \$600,000.<sup>4</sup> Approximately \$189,701 of the up-front payment was utilized to satisfy Acumen's secured debt with CrossFirst Bank. A further \$53,768 was owed to Brightergy, representing amounts collected, by Acumen, from the purchased assets after August 1, 2014. Acumen has received a net \$106,531 to date from the sale of this asset.

Palo Verde Fund, LP is also a secured creditor of Acumen in second position to CrossFirst Bank. In late August, the Receivership filed appropriate UCC financing statements in Arizona, Kansas and Missouri memorializing this position. Since the satisfaction of the CrossFirst debt in September 2014 the Receiver has and continues to take steps to secure Acumen assets for the Fund. To date, the Fund has recovered \$224,358 in cash from Acumen.<sup>5</sup> The Receiver is working to ensure that deferred proceeds from the asset sales outlined above are distributed to the Fund. Additionally, the Receiver is working with counsel to assign other Acumen assets to the Fund.

The Receiver continues to investigate Brightergy's allegations of impropriety on the part of Paul Ross and four senior-level Acumen managers. To that end, the Receiver directed his counsel to issue subpoenas to these individuals in December, 2014.

As noted previously, Paul Ross was terminated effective June 30, 2014. Subsequent to his termination, Mr. Ross filed a Breach of Contract lawsuit in Kansas naming both Acumen Energy and the Receiver as defendants. The Receiver engaged a Kansas attorney to represent both himself and Acumen in this matter. On November 11, 2014 a Notice of Receivership and Motion to Dismiss was filed with the Kansas court; the Receiver awaits further information from the court on the matter.

### **7.3 Palo Properties, LLC**

In May 2009, Palo Verde Fund, L.P. purchased a residential property located in a North Scottsdale master-planned community commonly known as DC Ranch for approximately \$1.1M.<sup>6</sup> According to documents provided to the Receiver the home was purchased with the intent of holding for a three to five-year period before selling ("hold period"), and there was a projected double-digit return on investment after sale.<sup>7</sup>

The Receiver engaged a real-estate broker and placed the property on the market in November 2013. Few viable offers were received on the property from November 2013 to the expiration of the broker contract in August 2014. Upon contract expiration a new broker was hired. Within three weeks an offer was received; the Receiver negotiated a final sales price of \$877,500 for the home. A motion to approve this sale was filed with the Court on September 8, 2014, and approved on November 4, 2014. The sale officially closed on November 5, 2014, and the Fund received net proceeds of \$176,332.45 from the sale. See Table 1 below for a summary of the sale.

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<sup>4</sup> August 27, 2014 Asset Purchase Agreement; Article II, Section 2.1.

<sup>5</sup> This represents the \$106,358 received from Brightergy plus other cash in Acumen's bank account at the time of transfer.

<sup>6</sup> Per MLS data; an investment summary document compiled by Ron Stone the Fund has a total of \$1.8M invested in the property, including furnishings.

<sup>7</sup> Per the Investment Summary document created by Ron Stone

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<b><u>Amounts Due Seller</u></b>	
Sale Price	\$877,500
HOA Proration	\$163
<b>Total Due Seller</b>	<b>\$877,663</b>
<b><u>Reductions in Amt. Due Seller</u></b>	
LESS Settlement Charges	(\$64,133)
LESS Loan Payoff	(\$628,753)
LESS Property Taxes & Title Insurance	(\$8,445)
<b>Total Reductions in Amt. Due Seller</b>	<b>(\$701,330)</b>
<b>Net Cash to Seller</b>	<b>\$176,332</b>

The property contained a variety of small furnishings and art pieces that belonged to the Fund as well.<sup>8</sup> These items were utilized to stage the property during the sale process, and after the sale was finalized were removed and sent to auction. Net proceeds from the sale of these assets was approximately \$1,500. See Exhibit 2 for details.

A \$600,000 loan taken was against the property in January 2013. As noted previously, Mr. Stacy has represented that this \$600,000 is recoverable; however, after repeated requests no further information has been provided.<sup>9</sup> The Investor Committee approved an investigation into the disposition of the \$600,000 mortgage proceeds; Table 2 below summarizes the disposition of the loan. An investigation into the distributions to the Palo Verde Fund and Empire Financial Services is ongoing.

Fees to Inca Capital	\$17,245
Fees to Downtown Associates	\$25
Fees to Chicago Title Agency	\$3,455
Property Taxes	\$3,500
Distribution to Empire Financial Services, LL	\$360,135
Distribution to Palo Verde Fund, LP	\$215,640
<b>Loan Proceeds</b>	<b>\$600,000</b>

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<sup>8</sup> See November 8, 2013 Receiver's Inventory Report.

<sup>9</sup> December 10, 2013 meeting at Simon Consulting offices between Tony Stacy, Ron Stone, Peter Davis, Paula Durham and Jessica Corn.

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#### 7.4 FF Arabian, LLC

FF Arabian, LLC (“FF-A”) was formed to develop, partially finance, and arrange domestic distribution for various Hollywood movies.<sup>10</sup> The Fund maintains an equity percentage in FF Arabian of 53.072%.<sup>11</sup>

Freedom Films filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code on April 16, 2014; the Fund is listed as an unsecured creditor of the estate. Pursuant to Section 1102(b) of the Code the United States Trustee appointed an Official Committee of Unsecured Creditors (“the Committee”) on May 22, 2014, which includes Palo Verde Fund, LP. The Fund was subsequently chosen to chair the Committee by its other members. The Receiver is hopeful that the bankruptcy proceeding will offer an opportunity for the Fund to determine whether recovery of invested monies is possible, and if so the best method for such a recovery. To that end, the Receiver’s staff expanded a prior analysis of FF Arabian bank statements to include all statements provided by Freedom Films in the bankruptcy matter and issued a short summary report. The Receiver continues to assist, in limited capacity, the Creditor Committee’s efforts to determine the disposition of monies flowing into the Freedom Films entities, including the investments made by the Fund into FF Arabian.

Freedom Films filed a proposed Chapter 11 reorganization plan with the presiding court in California on December 12, 2014. This plan among other things proposes the establishment of a Liquidation Trust which would be overseen by a trustee chosen by both the Creditor Committee and the Debtor. The Receiver is working with both Receivership and Committee counsel to determine next steps in this action.

#### 7.5 Palo Verde Energy Fund, LLC

Palo Verde Energy Fund, L.L.C. (“PVEF”) is wholly owned by Palo Verde Fund, L.P.<sup>12</sup> In October 2010, PVEF purchased an undivided 60% working interest in and to oil and gas leases owned by Par III Inc., located in Sebastian and Logan County, AR. The leases include approximately 450 producing wellbores plus development acreage (“the Wells”), and are operated by Denver Colorado based Forest Oil.<sup>13</sup> Par III, Inc., whose CEO is Paul Ross, controls the remaining 40% interest in these wells.

In early June 2014, citing concerns about the value of the property and the ability to gain enough from the sale to satisfy both the outstanding debt owing to the Bank of Oklahoma and provide a reasonable fee, the broker being considered to market these properties, Meagher Energy Advisors (“Meagher”), informed the Receiver that they were no longer interested in being engaged to sell the assets.<sup>14</sup>

In September 2014 the Receiver was contacted by a firm potentially interested in purchasing all or some of the wells; the Receiver provided requested information to this firm and is awaiting further action. As previously noted, the disposition of Par III’s 40% interest remains

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<sup>10</sup> April 2010 Limited Liability Company Agreement of FF Arabian

<sup>11</sup> October 1, 2011 Capital Table included with the Second Amendment to the Limited Liability Company Agreement of FF Arabian, LLC.

<sup>12</sup> February 2010 Articles of Organization for Arkoma Natural Gas Partners, LLC (“Arkoma”). Arkoma subsequently changed its name to Palo Verde Energy Fund, LLC.

<sup>13</sup> October 1, 2010 Purchase and Sale Agreement

<sup>14</sup> June 4, 2014 teleconference between matt Meagher and Paula Durham

unclear, and the Receiver is concerned about the sale of the Fund's 60% equity alone will satisfy the outstanding debt.

## **7.6 SDX Acquisition, LLC**

The Fund purchased membership interest in SDX Acquisition, LLC in October 2010 for \$500,000.<sup>15</sup> Subsequent to the initial investment the Fund executed two Promissory Notes. Currently, the Fund holds 1,571,522 units representing a 17.6% ownership percentage in the company.<sup>16</sup> The Receiver is currently working with counsel to devise a liquidation strategy for this investment.

## **7.7 Asian Investments**

The Fund holds interest in three Chinese based investments: BOAI (Asia Leechdom); Aviary II, LLC and Aviary III, LLC. The BOAI investment is with a Chinese pharmaceutical company while the Aviary investments are with a Chinese travel firm. More detailed information on each of the investments can be found in previous reports to the Court. There has been little change in the status of these three investments over the course of 2014. Regarding BOAI, another investor group continues to pursue the Chairman of that company in an effort to persuade her to buy out all foreign investors. The Receiver held discussions recently with those investors, who report slight progress in this effort. The Receiver remains very cautious regarding these investments.

## **7.8 Investments with Texas Capital Partners**

The Fund holds positions with three limited liability companies managed by Texas Capital Partners ("TCP"): TCP SuccessEd, LLC; TCP-GBS, LLC; and TCP-Apollo Brands, LLC.<sup>17</sup> The Receiver has had discussions with the Manager regarding liquidation; see prior reports for further detail. The Receiver is currently working with counsel to devise a liquidation strategy for this investment.

## **7.9 USDA Loan J00046**

The Fund paid \$236,520 to purchase an interest strip spread (the "Strip") on the USDA/Farmer Mac guaranteed portion of a \$3,285,000 promissory note in August 2009. The guaranteed balance of the loan was \$2,628,000; and the Strip provided for a 3.0% interest rate on this balance for the 20 year amortization of the loan.<sup>18</sup>

As previously noted, the fund recouped its initial investment in December 2012 and continues to receive payments, although sometimes sporadically, on the loan. Farmer Mac notified the Receiver in early November that the borrower was again delinquent on the underlying loan. Since Farmer Mac pays the interest in advance the Receivership will not receive any further interest payments unless the borrower brings the loan current. If the borrow defaults and the loan

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<sup>15</sup> SDX October 8, 2010 Subscription Agreement

<sup>16</sup> September 5, 2013 Agreement to Cancel Debt (executed by Tony Stacy only) but confirmed by Bill Giles, CEO of SDX. Also supported by capital table included in a January 23<sup>rd</sup> email from Bill Giles to Paula Durham.

<sup>17</sup> Note that this investment was purchased as TCP-Mach Speed; the company executed a rebranding strategy in Q4 2012 and changed its name to Apollo Brands, LLC.

<sup>18</sup> September 8, 2009 Confirmation of Trade

is foreclosed the Receivership will receive nothing further from this asset. Based on this the Receiver is not working to sell this asset as the cost to sell would likely exceed the proceeds.

#### **7.10 Aeromedical Collection Services**

The Fund loaned \$250,000 to Aeromedical Collection Services (“ACS”) in 2009.<sup>19</sup> ACS is a medical reimbursement management company specializing in EMT billing/collection services, with an emphasis on air ambulance providers. The loan terms require 7% interest per annum, and was underwritten by a personal guarantee from Dan Newman, owner of ACS.<sup>20</sup>

Mr. Newman filed for Chapter 11 bankruptcy on September 3, 2013 and Palo Verde Fund was listed as an unsecured creditor in the case.<sup>21</sup> Palo Verde’s creditor status stems from an August 2013 judgment against AES, MMA and Dan Newman in the amount of \$163,781, plus accrued and unpaid interest and daily per diem. On December 23, 2013 the Receiver filed a claim against the bankruptcy for \$215,857.79, representing the amount of the original judgment plus applicable interest and per diem amounts.

In July 2014 Mr. Newman circulated a Chapter 11 reorganization plan for approval.<sup>22</sup> This plan provides for distribution of \$11,790 on a pro-rata basis to all unsecured creditors in the identified class until the outstanding amounts owed are paid in full. The Receiver has voted to approve this plan; court approval is still pending.

#### **7.11 HPCG Hospital Investments, LLC (“HHI”)**

HHI was formed to provide financing in the form of loans to HMC/CAH (“HMC”) for the purpose of providing capital for operations; hospital acquisition and renovation; and the building of new hospitals. HMC acquires and operates acute care hospitals in rural areas throughout the Midwest that have been certified as Critical Access Hospitals (“CAH”) by the Center for Medicare and Medicaid Services.<sup>23</sup> The Fund contributed a combination of \$1,000,000 in common equity and a \$1,000,000 term note to HHI in March 2009.<sup>24</sup> A second term note for \$660,000 was executed in December 2009.

HMC filed for Chapter 11 bankruptcy protection in October 2011. HHI emerged from this bankruptcy with \$5,000,000 in secured debt and approximately \$10,000,000 in preferred & common equity. The Fund is due \$11,154 per month against its portion of the debt, and received 1,122,933 and 513,341 Series B and C shares of HMC, respectively.<sup>25</sup> HHI’s manager, David Harbour, has stated that HHI will not be charged fees, nor will it have any dilution of debt or equity due to amounts paid by Harbour and/or his entities.

HMC began making payments to HHI on this secured debt in January 2013, however those payments were captured by HHI’s bankruptcy counsel and applied directly to outstanding legal fees. Once legal fees were satisfied (in March 2014) HHI began making pro-rata distributions to

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<sup>19</sup> July 13, 2009 Agreement between Palo Verde Fund, L.P./Paragon Capital Advisors and ACS/MMA

<sup>20</sup> ACS/MMA contract

<sup>21</sup> Case No. 13-12245, US Bankruptcy Court, Western District of Louisiana Shreveport Division

<sup>22</sup> The plan was amended in August 2014, however there were no changes to the amendment that materially affected the Fund.

<sup>23</sup> August 2008 HHI Operating Agreement

<sup>24</sup> March 27 2009 Subscription & March 31, 2009 Loan Agreement

<sup>25</sup> February 12, 2014 Investor Update Memorandum provided by HPCG Hospital Investment, LLC

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members. The Fund received the March distribution of \$11,154.00 on April 24, 2014 and the April and May distributions, totaling \$22,308, on July 2, 2014. No further payments have been made. The Receiver is working to determine why payments have not been received and when they will resume.

### **7.12 Ice Now, LLC**

Ice Now, LLC is an ice distributor based in Mesa, Arizona focused on providing bulk bagged ice to restaurants, bars, hotels, golf courses, special events and commercial companies. The Fund currently holds an 11% ownership in Ice Now.<sup>26</sup>

The Receiver held discussions earlier in the year with Nolan de Graaf, majority shareholder of Ice Now, regarding his desire to purchase the Fund's remaining interest in the enterprise. Mr. de Graaf notified the Receiver that he lacked the capital to buyout the Fund's position and was not able to enlist other investors for this purpose. The Receiver plans to follow-up with Mr. de Graaf in Q1 2015 to determine a path forward on this investment.

### **7.13 W.P. Bistro**

The Fund purchased 10 shares of membership interest in W.P. Bistro, LLC on July 1, 2010.<sup>27</sup> The company was formed to provide investors direct participation in the ownership of Wolfgang Puck Bistro restaurant and bar, located in Tulsa, Oklahoma. As noted in previous reports the restaurant closed on November 1, 2013. The Receiver is not optimistic regarding recovery of anything from this investment.

### **7.14 TCP Peds Rehab, LLC**

The Fund invested in \$250,000 into TCP-Peds Rehab, LLC ("TCP-PEDS") in December, 2009 and received 250,000 shares of preferred stock in the LLC.<sup>28</sup> This LLC was established to acquire 75% of Santè Pediatric Group, a Texas pediatric rehabilitation company. This investment is also managed by Texas Capital Partners.

As of January 2012, the Fund held a 2.14% Preferred Equity stake in the LLC.<sup>29</sup> This investment was largely finalized in December 2012 when the LLC sold 100% of its stock in Santè to Webster Capital. A portion of the sale proceeds were put into escrow pending the resolution of an outstanding Office of Inspector General ("OIG") investigation related to Santè's billing practices prior to the TCP-Peds ownership. Currently, the Fund's portion of escrow is \$10,170. TCP-Peds has certain indemnities from the original sellers in the event that the issue is not resolved, however Webster Capital will not release escrow until a resolution is reached.<sup>30</sup> At this time the Receiver has no timeline as to the conclusion of this issue and receipt of the escrow funds.

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<sup>26</sup> December 31, 2012 Loan Modification Agreement

<sup>27</sup> June 16, 2010 Subscription Agreement

<sup>28</sup> December 2009 Subscription Agreement

<sup>29</sup> Santè Exit Capital Table

<sup>30</sup> December 18, 2013 email from Jason Faucett of TCP detailing current status of escrow

### 7.15 Bees Free

The Fund purchased 250,000 shares of Series A Convertible Preferred restricted Stock in BeesFree, Inc. (“Bees”) in November 2011 for \$250,000. In December 2011 the Fund purchased 75,000 shares of Bees unrestricted common stock, \$0.001 par value, for \$187.50.

Bees is a development stage company that developed a proprietary composite nutritional food supplement for honey bees that it believes prevents the effects of colony collapse disorder. As of December 31, 2013 the company had not commenced selling products and had not generated any revenue from operations.<sup>31</sup> On May 2, 2014 the company terminated the registration of its common stock pursuant to Section 12(g) of the Securities Exchange Act of 1934.<sup>32</sup> The 250,000 shares of restricted stock currently hold no market value.<sup>33</sup>

As noted previously, of The Receiver began liquidation of the Fund’s 75,000 shares of unrestricted stock in February 2014. Because the stock is relatively illiquid and trades on the OTC market it was liquidated in small portions so as not to disrupt the market. Liquidation finished on December 17, 2014; total proceeds from sale of these shares is \$6,537. See Table 3 below for a summary:

<b>Table 3 - Summary of Bees Free Shares Sold</b>						
<b>Total Shares Held</b>	<b>75,000.00</b>					
<b>Total Shares Sold</b>	<b>75,000.00</b>					
Shares Remaining	-					
<b>Date Settled</b>	<b># of Shares</b>	<b>Price</b>	<b>Principal</b>	<b>Comm/Comm Equiv</b>	<b>Fee</b>	<b>Credit Amt.</b>
2/26/2014	1,040.00	\$ 0.66150	\$ 687.96	\$ (15.60)	\$(0.02)	\$ 672
2/27/2014	1,000.00	\$ 0.65500	\$ 655.00	\$ (15.00)	\$(0.02)	\$ 640
3/6/2014	2,500.00	\$ 0.51000	\$ 1,275.00	\$ (37.50)	\$(0.03)	\$ 1,237
3/10/2014	3,000.00	\$ 0.52500	\$ 1,575.00	\$ (45.00)	\$(0.03)	\$ 1,530
3/26/2014	5,000.00	\$ 0.45000	\$ 2,250.00	\$ (75.00)	\$(0.05)	\$ 2,175
12/17/2014	62,460.00	\$ 0.03000	\$ 1,873.80	\$ (100.00)	\$(0.05)	\$ 1,774
						<b>\$ 6,255</b>
Cash Received - liquidated Feb 2014						\$ 282
<b>TOTAL PROCEEDS</b>						<b>\$ 6,537</b>

### 7.16 PV Capital, LLC

Palo Verde Fund, LP loaned \$155,500.00 to unrelated entity PV Capital, LLC in 2011. Little documentation related to this transaction exists in the electronic and hard copy documentation provided by Tony Stacy; in fact, the Receiver was only recently made aware of this investment. What is known is that \$155,500 was paid to PV Capital in four different payments over the course

<sup>31</sup> December 31, 2013 BeesFree, Inc. Form 10-K

<sup>32</sup> May 2, 2014 BeesFree Form 8-K and Form 15

<sup>33</sup> February 24, 2014 letter from Jennifer L. Scafe, Senior Counsel for Wells Fargo Prime Services.

of 2011 (see Table 4 below).<sup>34</sup> The Receiver was provided a copy of a promissory note allegedly related to this transaction, however the note lists Tony Stacy as the lender, not the Fund. This note is also for an amount not to exceed \$125,000; the total amount actually disbursed to PV Capital, according to Fund accounting and bank records, exceeds the not-to-exceed amount noted in the promissory note.

<b>Date</b>	<b>Payor</b>	<b>Payee Name</b>	<b>Amount</b>
18-Jan-11	Palo Verde Fund, LP	PV Capital, LLC	\$ 75,000.00
22-Mar-11	Palo Verde Fund, LP	PV Capital, LLC	50,000.00
8-Nov-11	Palo Verde Fund, LP	PV Capital, LLC	5,500.00
22-Dec-11	Palo Verde Fund, LP	PV Capital, LLC	25,000.00
			<b>\$ 155,500.00</b>

The Receiver is currently investigating this investment to determine its true nature and assess the potential recovery to the Fund.

## **8.0 Receivership Expansion**

In previous reports the Receiver noted that monies appeared to have been taken out of Empire for use on other investment and/or to enrich Tony Stacy. The Receiver requested and received approval from the Investor Committee to conduct a forensic review of these items.

During the course of this forensic review the Receiver discovered a \$3,000,000 transfer from Empire's operating bank account at Security Bank in Oklahoma to a brokerage account at Merlin Securities in the name of Empire Financial Services. A review of the brokerage statements and other documentation for this Merlin account revealed that the account was controlled by Tony Stacy, and that nearly \$2,000,000 of the funds transferred from Empire were subsequently transferred to Hibernia Red Mountain, LLC ("Hibernia").<sup>35</sup> Hibernia in turn used these funds to purchase a property located in Mesa, Arizona believed to be a storage facility.

Hibernia has two members: PV Red Mountain Storage, LLC ("PV Red") and Hibernia Storage II, LLC ("Hibernia II"), and is managed by Hibernia Red Mountain Manager, LLC. PV Red is a single member Arizona limited liability company whose sole member is Verde Capital Group, LLC ("VCG"). VCG is a two member Arizona limited liability company founded by Tony Stacy and Ron Stone. PV Red was founded by VCG to hold the company's investment interest in the aforementioned Mesa, Arizona property. Accordingly, VCG obtained an approximate \$2,000,000 interest in a property in Mesa, Arizona through its control of PV Red. VCG subsequently sold the majority of this interest to other investors.

Based on this information, VCG and PV Red were temporarily added to the Receivership on November 3, 2014. In December 2014 the Court permanently included VCG in the Receivership

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<sup>34</sup> Amounts have been confirmed as expenditures from a Palo Verde Fund, LP brokerage account.

<sup>35</sup> The Receiver is still investigating the disposition of the balance of funds in the account.

and terminated the temporary receivership of PV Red. The Mesa property was sold by Hibernia in October 2014 and proceeds were distributed to the appropriate VCG investors prior to the Temporary Receivership Order.<sup>36</sup>

The Receiver and his team continue to investigate this transaction and VCG in general and will report to the Court as necessary.

## **9.0 Receivership Accounting**

Details of the cash processed through the Receivership bank account are attached hereto as Exhibit 3. The current balance of the Receivership account is \$492,733 as of December 30, 2014. This balance includes monies surrendered to the Fund by Acumen against the secured debt owed.

## **10.0 Receivership Fees and Expenses**

The Receiver and his firm incurred a total of \$460,870.19 in fees and expenses from inception to October 31, 2014. In addition, Guttilla, Murphy & Anderson, counsel for the Receiver in this matter, incurred \$163,172.37 in fees and expenses from inception to October 31, 2014. An additional \$9,180.74 in fees and expenses was incurred during that time period for other legal and professional services necessary to run the receivership. See Exhibit 4 for a detailed professional fee summary.

## **11.0 Conclusion**

As noted previously, this report is preliminary and tentative, and subject to change. The Receiver's investigation is ongoing; future updates to the Court will reflect any changes or additions to the information contained herein.



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Peter S. Davis, Receiver

January 7, 2015

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Date

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<sup>36</sup> November 6, 2014 letter from Chester & Shein, Attorneys to Ryan Anderson of Guttilla Murphy Anderson.

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Summary of Investment Income

Exhibit 1

**Sale Proceeds**

<b>Investment</b>	<b>Amount Received</b>	<b>Description</b>
AF-1 Investments	\$ 50,000.00	Proceeds from sale of equity interest
Bees Free	282.43	Procees from sale of stock
Empire Finance, LLC	407,509.44	Proceeds from asset sale
Palo Properties, LLC	176,157.45	Proceeds from sale of house
<b>Total Sale Proceeds</b>	<b>\$ 633,949.32</b>	

**Other Investment Receipts**

<b>Investment</b>	<b>Amount Received</b>	<b>Description</b>
Acumen Energy Solutions	\$ 224,357.71	Funds from secured creditor position
HHI Investment	33,460.77	Debt repayment allocation
Palo Properties, LLC	27,899.90	Rent received; proceeds from sale of furniture
SDX Acquisition, LLC	92,519.00	Tax distribtion
TCP-GBS, LLC	4,863.43	Tax distribtion
TCP-Mach Speed, LLC	15,064.49	Tax distribtion
USDA Loan J-46	64,301.08	Monthly interest payments
<b>Total Other Receipts</b>	<b>\$ 462,466.38</b>	

**Total Income** \$ 1,096,415.70

Source: Receivership accounting records



Simon Consulting, LLC  
Palo Verde Receivership

Palo Properties - DC Ranch House  
Asset Liquidation Auction - November 20, 2014

Exhibit 2

**LIQUIDATED INVENTORY**

Reconciled to			
Lot	Org Inv	Description	Sale Price
83	✓	Asst. Décor Pieces	\$ -
83	✓	Dried Flower	\$ -
83	✓	Gold Décor Pot	\$ -
83	✓	Lot Large Qty. Candle Stick	\$ 130.00
83	✓	Potted Plant	\$ -
83	✓	Statue	\$ -
84	✓	Spanish Villa Painting	\$ 120.00
85	✓	Horizontal Pictures	\$ 92.00
86	✓	Art Deco Wood Cut-Out	\$ 31.00
87	✓	Vertical Art Pieces	\$ 112.00
88	✓	Framed Art Pieces	\$ 32.00
89	✓	Framed Art Piece	\$ 18.00
90	✓	Art Pieces	\$ 30.00
91	✓	Wine Glass Cabinet	\$ 60.00
92	✓	Sofa Chair	\$ 31.00
93	✓	Rustic Wood rocker	\$ 10.00
94	✓	Cabinet	\$ 20.00
95	✓	Cabinet	\$ 90.00
96	✓	End Table	\$ 130.00
97	✓	Executive Desk/Chair	\$ 50.00
99	✓	Large Framed Mirror	\$ 90.00
100	✓	Dining Room Table	\$ 25.00
101	✓	Dining Chairs	\$ 100.00
103	✓	Bar Stools	\$ 100.00
106	✓	Iron Base Bistro Table, High Top	\$ 120.00
107	✓	Bar Stools	\$ 93.00
109	✓	Credenza/Buffet	\$ 325.00
192	✓	26" Insignia TV/DVD Combo	\$ 50.00
193	✓	26" Insignia TV/DVD Combo	\$ 50.00
194	✓	19" Insignia TV/DVD Combo	\$ 20.00
195	✓	46" Samsung LED TV	\$ 190.00
196	✓	40" Samsung LED TV	\$ 100.00
90A	✓	Wall Hangings	\$ 42.00
98A	✓	Area Rug	\$ 10.00

Sold as one lot

<b>GROSS SALES</b>	\$ 2,271.00
<b>COMMISSION</b>	\$ (227.10)
<b>HAULING EXPENSE</b>	\$ (544.00)
<b>NET PROCEEDS</b>	<u>\$ 1,499.90</u>

Sources:

- [1] Initial inventory taken by Receiver
- [2] Final liquidation documents provided by Arizona Auctioneers

Palo Verde Receivership  
 Receivership Banking Summary

Exhibit 3

Type	Date	Num	Name	Memo	Description	Amounts
Deposit	10/23/2013		Tony Stacy	Stipulated contribution	Received from Defendants	\$ 75,000.00
Withdrawal	10/24/2013	4953	United States Treasury	45-1540577 Form 4506 Request	Tax Record Retrieval Expense	\$ (100.00)
Withdrawal	10/24/2013	4954	United States Treasury	26-0832045 Form 4506 Request	Tax Record Retrieval Expense	\$ (100.00)
Deposit	10/30/2013		Michael Nemeth	Rent	Palo Properties, LLC	\$ 3,500.00
Withdrawal	10/30/2013	4955	Downtown Associates, LLC	Oct 2013 - Interest & Property Tax	Palo Properties, LLC	\$ (5,755.00)
Withdrawal	10/30/2013	4956	CamTech	Invoice No. 3305 for server imaging	Computer and Internet Expenses	\$ (567.79)
Deposit	11/08/2013		Colson Services Corp.	Interest payment	USDA Loan J-46	\$ 6,587.64
Withdrawal	11/13/2013	1001	CamTech	Invoice No. 3370 for website creation	Computer and Internet Expenses	\$ (350.00)
Withdrawal	11/13/2013	1002	CamTech	Invoice No. 3371 for email exports	Computer and Internet Expenses	\$ (1,010.00)
Withdrawal	11/13/2013	1003	Downtown Associates, LLC	Nov 2013 - Interest & Property Tax	Palo Properties, LLC	\$ (5,755.00)
Withdrawal	11/15/2013	EFT	State Farm Insurance	20368 N 98th St - Property Insurance	Property Insurance	\$ (1,089.00)
Deposit	12/02/2013		Michael Nemeth	Rent	Palo Properties, LLC	\$ 4,700.00
Withdrawal	12/02/2013	1005	CamTech	Invoice No. 3387	Computer and Internet Expenses	\$ (3,675.00)
Withdrawal	12/02/2013	1006	CamTech	Invoice Nos. 3450 & 3451	Computer and Internet Expenses	\$ (140.00)
Deposit	12/03/2013		Colson Services Corp.	Interest payment	USDA Loan J-46	\$ 7,439.77
Deposit	12/03/2013		Michael Nemeth	Rent	Palo Properties, LLC	\$ 3,900.00
Withdrawal	12/13/2013	1004	Downtown Associates, LLC	Dec 2013 - Interest & Property Tax	Palo Properties, LLC	\$ (5,755.00)
Withdrawal	12/17/2013	1008	CamTech	Invoice No. 3410	Computer and Internet Expenses	\$ (3,675.00)
Withdrawal	12/17/2013	1009	CamTech	Invoice No. 3436	Computer and Internet Expenses	\$ (29.95)
Deposit	12/18/2013		Chase Acct 5004393217	Deposit	Pre- Receivership Accts	\$ 6.17
Deposit	12/19/2013		United States Treasury	Funds return	Return of Tax Record Retrieval Fee	\$ 200.00
Deposit	01/02/2014		Colson Services Corp.	Interest payment	USDA Loan J-46	\$ 3,283.59
Withdrawal	01/03/2014	1010	CamTech	Invoice No. 3464	Computer and Internet Expenses	\$ (2,700.00)
Withdrawal	01/06/2014	1011	CamTech	Invoice No. 3522	Computer and Internet Expenses	\$ (29.95)
Deposit	01/08/2014		Michael Nemeth	Rent	Palo Properties, LLC	\$ 3,900.00
Withdrawal	01/10/2014	1012	BizFilings	Inv 2023258	Miscellaneous Expense	\$ (16.95)
Withdrawal	01/16/2014	1013	Simon Consulting, LLC	Receiver fees-inception to Oct 31 2013	Professional Fees	\$ (27,291.43)
Withdrawal	01/16/2014	1014	Gutilla Murphy Anderson	Receiver attorney fees-inception to Oct 31, 2013	Professional Fees	\$ (19,144.42)
Withdrawal	01/16/2014	1015	CamTech	Invoice No. 3544	Computer and Internet Expenses	\$ (125.00)
Withdrawal	01/21/2014	1016	BizFilings	Renewal of Stat Agent PV Fund LP	Miscellaneous Expense	\$ (133.60)
Withdrawal	01/24/2014	1018	Downtown Associates, LLC	Jan 2014 - Interest & Property Tax	Palo Properties, LLC	\$ (5,755.00)
Deposit	01/29/2014		Colson Services Corp.	Interest payment	USDA Loan J-46	\$ 5,357.44
Withdrawal	01/30/2014	1020	Downtown Associates, LLC	Feb 2014 - Interest & Property Tax	Palo Properties, LLC	\$ (5,755.00)
Deposit	02/05/2014		Michael Nemeth	Rent	Palo Properties, LLC	\$ 3,900.00
Withdrawal	02/05/2014	EFT	Chase Bank	Service Charge	Bank Service Charges	\$ (95.00)
Withdrawal	02/28/2014	1021	McKinnon	Appraisal Report-DC Ranch House	Professional Fees	\$ (500.00)
Withdrawal	02/28/2014	1022	Litgistix	Copies - PV Energy rpts from Forest Oil	Professional Fees	\$ (765.65)
Withdrawal	02/28/2014	1023	Xact Data	Scanning of Liccar accounting data	Professional Fees	\$ (3,320.55)
Withdrawal	02/28/2014	1024	CamTech	Invoices 3576,3633 & 3614	Computer and Internet Expenses	\$ (2,307.45)
Deposit	03/04/2014		BeesFree	Proceeds from stock sale	Wells Fargo Securities	\$ 282.43
Deposit	03/05/2014		Michael Nemeth	Rent	Palo Properties, LLC	\$ 3,900.00
Withdrawal	03/05/2014	EFT	Chase Bank	Service Charge	Bank Service Charges	\$ (95.00)
Deposit	03/14/2014		Service Fee Reversal	Deposit	Bank Service Charges	\$ 95.00
Deposit	03/14/2014		Service Fee Reversal	Deposit	Bank Service Charges	\$ 95.00
Withdrawal	03/24/2014	1025	Downtown Associates, LLC	March 2014 - Interest & Property Tax	Palo Properties, LLC	\$ (5,755.00)
Deposit	04/01/2014		Colson Services Corp.	Interest payment	USDA Loan J-46	\$ 9,503.98
Deposit	04/03/2014		Michael Nemeth	Rent	Palo Properties, LLC	\$ 2,600.00
Withdrawal	04/11/2014	1026	CamTech	Invoice 3786	Computer and Internet Expenses	\$ (29.95)
Withdrawal	04/21/2014	1027	CamTech	Invoice 3803	Computer and Internet Expenses	\$ (62.50)
Withdrawal	04/21/2014	EFT	APS	Deposit for electric service at property	Palo Properties, LLC	\$ (705.00)
Deposit	04/21/2014		TCP-GBS	Tax distributions	TCP-GBS	\$ 4,863.43

**Palo Verde Receivership**  
 Receivership Banking Summary

**Exhibit 3**

Type	Date	Num	Name	Memo	Description	Amounts
Withdrawal	04/22/2014	1028	Michael Nemeth	Return of Security Deposit - tenant vacated	Palo Properties, LLC	\$ (3,500.00)
Withdrawal	04/24/2014	1029	Downtown Associates, LLC	April 2014 - Interest & Property Tax	Palo Properties, LLC	\$ (5,755.00)
Deposit	04/24/2014		Colson Services Corp.	Interest payment	USDA Loan J-46	\$ 6,003.39
Deposit	04/24/2014		HPCG, LLC	Proceeds from investment	Debt Payment Allocation	\$ 11,153.59
Withdrawal	05/05/2014	EFT	APS	Electric Service	Palo Properties, LLC	\$ (35.53)
Withdrawal	05/05/2014	1030	Southwest Gas	Utility deposit and monthly fee	Palo Properties, LLC	\$ (187.48)
Withdrawal	05/05/2014	1031	Buddy Barbera	Landscape & Pool maintenance-realtor reimbursement	Palo Properties, LLC	\$ (326.00)
Deposit	05/09/2014		SDX, LLC	Tax distributions	SDX Acquisition, LLC	\$ 92,519.00
Withdrawal	05/13/2014	1033	CamTech	Invoice 3692	Computer and Internet Expenses	\$ (29.95)
Withdrawal	05/14/2014	1032	CamTech	Invoice 3872	Computer and Internet Expenses	\$ (31.25)
Withdrawal	05/15/2014	1034	CamTech	Invoice 3855	Computer and Internet Expenses	\$ (29.95)
Withdrawal	05/16/2014	1035	Connor & Winters	November 2013 fees	Professional Fees	\$ (2,340.00)
Withdrawal	05/16/2014	1036	Gutilla Murphy Anderson	November 2013 fees	Professional Fees	\$ (13,693.53)
Withdrawal	05/16/2014	1037	Simon Consulting, LLC	November 2013 fees	Professional Fees	\$ (43,822.02)
Withdrawal	05/23/2014	1038	Adobe Carpet Cleaning	Carpet Cleaning	Palo Properties, LLC	\$ (182.95)
Withdrawal	05/23/2014	1039	Downtown Associates, LLC	May 2014 - Interest & Property Tax	Palo Properties, LLC	\$ (5,755.00)
Withdrawal	05/27/2014	1040	Squeeky Kleen Windows	Window Cleaning Service	Palo Properties, LLC	\$ (320.00)
Withdrawal	05/27/2014	1041	Caddo Parish Clerk of Court	Aeromedical Collections Court Costs	Investment Expense	\$ (38.73)
Withdrawal	05/27/2014	1042	City of Scottsdale	Water/Sewer @ DC Ranch Property	Palo Properties, LLC	\$ (43.49)
Deposit	05/27/2014		Colson Services Corp.	Interest payment	USDA Loan J-46	\$ 1,266.02
Withdrawal	06/06/2014	EFT	APS	Electric Service	Palo Properties, LLC	\$ (118.46)
Withdrawal	06/13/2014	1043	Litgistix	Copies - PV Energy rpts from Forest Oil	Copy fees	\$ (267.95)
Withdrawal	06/13/2014	1044	CamTech	Invoice 3924	Computer and Internet Expenses	\$ (29.95)
Withdrawal	06/13/2014	1045	Southwest Gas	May Utilities	Palo Properties, LLC	\$ (28.11)
Withdrawal	06/24/2014	1046	Downtown Associates, LLC	June 2014 - Interest & Property Tax	Palo Properties, LLC	\$ (5,755.00)
Withdrawal	06/24/2014	1047	City of Scottsdale	Water/Sewer @ DC Ranch Property	Palo Properties, LLC	\$ (63.15)
Withdrawal	06/25/2014	EFT	APS	Electric Service	Palo Properties, LLC	\$ (246.14)
Deposit	06/25/2014		Colson Services Corp.	Interest payment	USDA Loan J-46	\$ 6,459.64
Deposit	07/03/2014		HPCG, LLC	Proceeds from investment	HHI Investment	\$ 22,307.18
Withdrawal	07/18/2014	1048	Southwest Gas	June Gas Fee	Palo Properties, LLC	\$ (25.74)
Withdrawal	07/18/2014	1049	CamTech	Invoice 4013	Computer and Internet Expenses	\$ (29.95)
Deposit	07/22/2014		Conterra Asset Management	Interest payment	USDA Loan J-46	\$ 8,033.43
Withdrawal	07/25/2014	1050	Azure Blue Complete Pool Service	Pool Service at DC Ranch House	Palo Properties, LLC	\$ (138.00)
Withdrawal	07/25/2014	1051	City of Scottsdale	Water/Sewer @ DC Ranch Property	Palo Properties, LLC	\$ (61.28)
Withdrawal	07/25/2014	1052	Downtown Associates, LLC	July 2014 - Interest & Property Tax	Palo Properties, LLC	\$ (5,755.00)
Withdrawal	08/04/2014	1053	BizFilings	Renewal of Stat Agent PV Fund LP	Miscellaneous Expense	\$ (151.20)
Withdrawal	08/04/2014	1054	Southwest Gas	July Gas Fee	Palo Properties, LLC	\$ (24.39)
Withdrawal	08/07/2014	EFT	APS	Electric Service	Palo Properties, LLC	\$ (293.28)
Withdrawal	08/13/2014	1055	Whitsitt & Whitsitt	Retainer for Kansas Attorney - Ross lawsuit	Acumen Energy Solutions	\$ (4,000.00)
Withdrawal	08/13/2014	1056	Marco's Crystal Clear Cleaning Service	Cleaning & Repair of DC Ranch Property	Palo Properties, LLC	\$ (1,325.00)
Withdrawal	08/13/2014	1058	Arizona Stairs	Downpayment - stair repair	Palo Properties, LLC	\$ (250.00)
Withdrawal	08/19/2014	1059	CamTech	Invoice 4100	Computer and Internet Expenses	\$ (29.95)
Withdrawal	08/19/2014	1060	Arizona Stairs	2nd Pmt - Stair Repair DC Ranch	Palo Properties, LLC	\$ (250.00)
Deposit	08/21/2014		Conterra Asset Management	Interest payment	USDA Loan J-46	\$ 5,103.46
Withdrawal	08/25/2014	1062	Downtown Associates, LLC	Aug 2014 - Palo Properties	Palo Properties, LLC	\$ (5,755.00)
Withdrawal	08/25/2014	1063	Southwest Gas	July Water - Palo Properties	Palo Properties, LLC	\$ (63.07)
Withdrawal	08/25/2014	1064	CamTech	Invoice 4127	Computer and Internet Expenses	\$ (62.50)
Deposit	08/27/2014		Arena Football League	Proceeds from sale	AF-1 Investments	\$ 50,000.00
Withdrawal	09/03/2014	1065	southwest Bond Services	Bond Renewal AZ412047	Receivership Bond Expense	\$ (100.00)
Withdrawal	09/03/2014	1066	Azure Blue Complete Pool Service	August Pool Svc - DC Ranch	Palo Properties, LLC	\$ (140.00)
Withdrawal	09/04/2014	EFT	APS	Electric Service	Palo Properties, LLC	\$ (346.41)

Palo Verde Receivership  
 Receivership Banking Summary

Exhibit 3

Type	Date	Num	Name	Memo	Description	Amounts
Deposit	09/10/2014	EFT	Acumen Energy Solutions, Inc.	Funds from Secured Creditor Position	Acumen Energy Solutions	\$ 224,357.71
Withdrawal	09/18/2014	1067	Azure Blue Complete Pool Service	July Pool Svc - DC Ranch	Palo Properties, LLC	\$ (296.00)
Deposit	09/22/2014		TCP-Mach Speed Investment, LLC	Tax distributions	Tax distributions	\$ 15,064.49
Deposit	09/23/2014		Conterra Asset Management	Interest payment	USDA Loan J-46	\$ 5,262.72
Withdrawal	09/25/2014	1069	CamTech	Invoice 4187	Computer and Internet Expenses	\$ (29.95)
Withdrawal	09/25/2014	1070	City of Scottsdale	Water/Sewer @ DC Ranch Property	Palo Properties, LLC	\$ (61.00)
Withdrawal	09/28/2014	1073	Downtown Associates, LLC	Sept 2014 - Palo Properties	Palo Properties, LLC	\$ (5,755.00)
Withdrawal	10/03/2014	1074	AC by J	AC repair per sales agreement	Palo Properties, LLC	\$ (563.95)
Withdrawal	10/03/2014	EFT	APS	Electric Service	Palo Properties, LLC	\$ (492.50)
Withdrawal	10/03/2014	1075	Southwest Gas	Gas bill	Palo Properties, LLC	\$ (38.70)
Withdrawal	10/08/2014	1076	Arvest Bank	Balance Due on Note Purchase	Acumen Energy Solutions	\$ (10,000.00)
Withdrawal	10/14/2014	EFT	Chase Bank	Service Charge	Bank Service Charges	\$ (17.50)
Withdrawal	10/15/2014	EFT	Chase Bank	Incoming Domestic Wire Fee	Bank Service Charges	\$ (15.00)
Deposit	10/15/2014		Empire Finance, LLC	Proceeds from sale	Empire Finance, LLC	\$ 200,000.00
Withdrawal	10/21/2014	EFT	Chase Bank	Incoming Domestic Wire Fee	Bank Service Charges	\$ (15.00)
Deposit	10/21/2014		Empire Finance, LLC	Proceeds from sale	Empire Finance, LLC	\$ 150,000.00
Withdrawal	10/22/2014	1077	CamTech	Invoice 4288	Computer and Internet Expenses	\$ (29.95)
Withdrawal	10/22/2014	1078	City of Scottsdale	Water/Sewer @ DC Ranch Property	Palo Properties, LLC	\$ (60.77)
Withdrawal	10/22/2014	1079	Azure Blue Complete Pool Service	Sept Pool Svc - DC Ranch	Palo Properties, LLC	\$ (126.00)
Withdrawal	10/22/2014	EFT	Chase Bank	Incoming Domestic Wire Fee	Bank Service Charges	\$ (15.00)
Deposit	10/22/2014		Empire Finance, LLC	Proceeds from sale	Empire Finance, LLC	\$ 50,000.00
Withdrawal	10/28/2014	1081	Flowing Wells Landscape & Pools	Pool/landscape repair per sales contract	Palo Properties, LLC	\$ (837.41)
Withdrawal	10/28/2014	1080	Downtown Associates, LLC	Oct 2014 - Palo Properties	Palo Properties, LLC	\$ (5,755.00)
Withdrawal	10/28/2014	EFT	Chase Bank	Incoming Domestic Wire Fee	Bank Service Charges	\$ (15.00)
Deposit	10/28/2014		Empire Finance, LLC	Proceeds from sale	Empire Finance, LLC	\$ 4,374.44
Withdrawal	10/30/2014	EFT	APS	Electric Service	Palo Properties, LLC	\$ (156.77)
Deposit	11/10/2014		Old World Title Agency	Proceeds from sale	Palo Properties, LLC	\$ 176,157.45
Withdrawal	11/14/2014	1082	Azure Blue Complete Pool Service	Oct Pool Svc - DC Ranch	Palo Properties, LLC	\$ (102.00)
Withdrawal	11/14/2014	1084	City of Scottsdale	Water/Sewer @ DC Ranch Property	Palo Properties, LLC	\$ (51.88)
Withdrawal	11/14/2014	1085	CamTech	Invoice 4393	Computer and Internet Expenses	\$ (29.95)
Deposit	11/14/2014		APS	APS refund	Palo Properties, LLC	\$ 672.97
Deposit	11/14/2014		Southwest Gas	SW Gas refund	Palo Properties, LLC	\$ 115.17
Deposit	11/14/2014		State Farm Insurance	State Farm refund	Palo Properties, LLC	\$ 20.05
Deposit	12/11/2014		Arizona Auctioneers	Proceeds from Auction	Palo Properties, LLC	\$ 1,499.90
Deposit	12/15/2014		Empire Finance, LLC	Proceeds from sale	Empire Finance, LLC	\$ 3,135.00
Withdrawal	12/15/2014	EFT	Chase Bank	Incoming Domestic Wire Fee	Bank Service Charges	\$ (15.00)
Withdrawal	12/23/2014	1089	DeFusco & Udelman, PLC	Acumen insurance claim fees	Professional Fees	\$ (2,000.00)
Withdrawal	12/25/2014	1086	Gutilla Murphy Anderson	Fees - Dec 2013 - Oct 2014	Professional Fees	\$ (130,097.42)
Withdrawal	12/25/2014	1087	Simon Consulting, LLC	Fees - Dec 2013 - Oct 2014	Professional Fees	\$ (318,495.36)
Withdrawal	12/25/2014	1088	Sprouse Schrader Smith	Fees through 9/2014	Professional Fees	\$ (765.00)
Withdrawal	12/25/2014	1090	Whitsitt & Whitsitt	Fees through October	Acumen Energy Solutions	\$ (75.74)
Deposit	12/30/2014		Trulite Glass	Outstanding Acumen AR received	Acumen Energy Solutions	\$ 4,136.98
Deposit	12/30/2014		Electric Coating Technologies	Outstanding Acumen AR received	Acumen Energy Solutions	\$ 760.00
<b>Balance as of 12/30/14</b>						<b>\$ 497,614.59</b>

Source: Receivership Quickbooks file

**Palo Verde Receivership**

**Exhibit 4**

Summary of Receivership Professional Fees

Entity	Description	Amount	Paid Amount	Balance Due	Date Paid
Simon Consulting, LLC	October 2013 Invoice	\$ 27,941.43	\$ 27,941.43	\$ -	16-May-14
Simon Consulting, LLC	November 2013 Invoice	\$ 43,822.02	\$ 43,822.02	\$ -	16-May-14
Simon Consulting, LLC	December 2013 Invoice	\$ 38,100.78	\$ 38,100.78	\$ -	25-Dec-14
Simon Consulting, LLC	January 2014 Invoice	\$ 34,335.28	\$ 34,335.28	\$ -	25-Dec-14
Simon Consulting, LLC	February 2014 Invoice	\$ 10,255.86	\$ 10,255.86	\$ -	25-Dec-14
Simon Consulting, LLC	March 2014 Invoice	\$ 41,233.50	\$ 41,233.50	\$ -	25-Dec-14
Simon Consulting, LLC	April 2014 Invoice	\$ 17,958.25	\$ 17,958.25	\$ -	25-Dec-14
Simon Consulting, LLC	May 2014 Invoice	\$ 35,514.82	\$ 35,514.82	\$ -	25-Dec-14
Simon Consulting, LLC	June 2014 Invoice	\$ 31,662.94	\$ 31,662.94	\$ -	25-Dec-14
Simon Consulting, LLC	July 2014 invoice	\$ 63,353.16	\$ 63,353.16	\$ -	25-Dec-14
Simon Consulting, LLC	August 2014 Invoice	\$ 46,080.77	\$ 46,080.77	\$ -	25-Dec-14
Simon Consulting, LLC	September 2014 Invoice	\$ 27,907.35	\$ 27,907.35	\$ -	31-Dec-14
Simon Consulting, LLC	October 2014 Invoice	\$ 42,704.03	\$ 42,704.03	\$ -	31-Dec-14
Simon Consulting, LLC	November 2014 Invoice	\$ -			
Simon Consulting, LLC	December 2014 Invoice	\$ -			
<b>SUBTOTAL</b>		<b>\$ 460,870.19</b>	<b>\$ 460,870.19</b>	<b>\$ -</b>	

Guttilla Murphy Anderson	October 2013 Invoice	\$ 19,381.42	\$ 19,381.42	\$ -	16-May-14
Guttilla Murphy Anderson	November 2013 Invoice	\$ 13,693.53	\$ 13,693.53	\$ -	16-May-14
Guttilla Murphy Anderson	December 2013 Invoice	\$ 20,216.48	\$ 20,216.48	\$ -	25-Dec-14
Guttilla Murphy Anderson	January 2014 Invoice	\$ 14,515.89	\$ 14,515.89	\$ -	25-Dec-14
Guttilla Murphy Anderson	February 2014 Invoice	\$ 4,101.86	\$ 4,101.86	\$ -	25-Dec-14
Guttilla Murphy Anderson	March 2014 Invoice	\$ 4,152.35	\$ 4,152.35	\$ -	25-Dec-14
Guttilla Murphy Anderson	April 2014 Invoice	\$ 3,031.33	\$ 3,031.33	\$ -	25-Dec-14
Guttilla Murphy Anderson	May 2014 Invoice	\$ 6,949.56	\$ 6,949.56	\$ -	25-Dec-14
Guttilla Murphy Anderson	June 2014 Invoice	\$ 9,338.79	\$ 9,338.79	\$ -	25-Dec-14
Guttilla Murphy Anderson	July 2014 invoice	\$ 11,781.88	\$ 11,781.88	\$ -	25-Dec-14
Guttilla Murphy Anderson	August 2014 Invoice	\$ 13,942.62	\$ 13,942.62	\$ -	25-Dec-14
Guttilla Murphy Anderson	September 2014 Invoice	\$ 13,214.51	\$ 13,214.51	\$ -	25-Dec-14
Guttilla Murphy Anderson	October 2014 Invoice	\$ 28,852.15	\$ 28,852.15	\$ -	25-Dec-14
Guttilla Murphy Anderson	November 2014 Invoice	\$ -		\$ -	
Guttilla Murphy Anderson	December 2014 Invoice	\$ -		\$ -	
<b>SUBTOTAL</b>		<b>\$ 163,172.37</b>	<b>\$ 163,172.37</b>	<b>\$ -</b>	

**Palo Verde Receivership****Exhibit 4**

## Summary of Receivership Professional Fees

Entity	Description	Amount	Paid Amount	Balance Due	Date Paid
Connor & Winter	November 2013 Invoice	\$ 2,340.00	\$ 2,340.00	\$ -	16-May-14
Connor & Winter	December 2013 Invoice		\$ -	\$ -	
Connor & Winter	January 2014 Invoice	\$ 574.00	\$ -	\$ 574.00	
Connor & Winter	February 2014 Invoice	\$ 4,073.50	\$ -	\$ 4,073.50	
Connor & Winter	March 2014 Invoice	\$ 4,303.80	\$ -	\$ 4,303.80	
Connor & Winter	April 2014 Invoice	\$ 779.00	\$ -	\$ 779.00	
Connor & Winter	May 2014 Invoice	\$ 853.45	\$ -	\$ 853.45	
Connor & Winter	June 2014 Invoice	\$ -	\$ -	\$ -	
Connor & Winter	July 2014 invoice	\$ -	\$ -	\$ -	
Connor & Winter	August 2014 Invoice	\$ -	\$ -	\$ -	
Connor & Winter	September 2014 Invoice	\$ -	\$ -	\$ -	
Connor & Winter	October 2014 Invoice	\$ -	\$ -	\$ -	
Connor & Winter	November 2014 Invoice	\$ -	\$ -	\$ -	
Connor & Winter	December 2014 Invoice	\$ -	\$ -	\$ -	
<b>SUBTOTAL</b>		<b>\$ 12,923.75</b>	<b>\$ 2,340.00</b>	<b>\$ 10,583.75</b>	

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Sprouse Schrader Smith	May 2014 Invoice	\$ 495.00	\$ 495.00	\$ -	25-Dec-14
Sprouse Schrader Smith	June 2014 Invoice	\$ -	\$ -	\$ -	
Sprouse Schrader Smith	July 2014 invoice	\$ -	\$ -	\$ -	
Sprouse Schrader Smith	August 2014 Invoice	\$ -	\$ -	\$ -	
Sprouse Schrader Smith	September 2014 Invoice	\$ 270.00	\$ 270.00	\$ -	25-Dec-14
Sprouse Schrader Smith	October 2014 Invoice	\$ -	\$ -	\$ -	
Sprouse Schrader Smith	November 2014 Invoice	\$ -	\$ -	\$ -	
Sprouse Schrader Smith	December 2014 Invoice	\$ -	\$ -	\$ -	
<b>SUBTOTAL</b>		<b>\$ 765.00</b>	<b>\$ 765.00</b>	<b>\$ -</b>	

**Acumen Paul Ross Lawsuit & Potential Insurance Claim**

Whitsitt & Whitsitt	Retainer	\$ 4,000.00	\$ 4,000.00	\$ -	13-Aug-14
Whitsitt & Whitsitt	October 2014 Invoice	\$ 75.74	\$ 75.74	\$ -	25-Dec-14
Whitsitt & Whitsitt	November 2014 Invoice	\$ 223.28	\$ -	\$ 223.28	
Whitsitt & Whitsitt	December 2014 Invoice	\$ -	\$ -	\$ -	
Defusco & Udelman	Retainer	\$ 2,000.00	\$ 2,000.00	\$ -	23-Dec-14
<b>SUBTOTAL</b>		<b>\$ 6,299.02</b>	<b>\$ 6,075.74</b>	<b>\$ 223.28</b>	

**TOTAL - RECEIVERSHIP PROFESSIONAL FEES**

<b>\$ 648,132.19</b>	<b>\$ 637,325.16</b>	<b>\$ 10,807.03</b>
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