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10 FOR THE SUPERIOR COURT OF THE STATE OF ARIZONA  
11 IN AND FOR THE COUNTY OF MARICOPA

12 Lynne H. Anthony Revocable Trust  
13 dated 11/30/2001, Lynne H. Anthony as  
14 Trustee; Robert Sonnenschein, as an  
15 individual; Gerald R. Hale, as an  
16 individual; C. Scott Anthony, as an  
17 individual; Janie B. Hale, individually  
18 and as Trustee of Janie B. Hale  
19 Revocable Trust dated 11/4/1994;  
20 Carolyn Sue McMillon, as an individual;  
21 Larry McMillon, as an individual; James  
Stanley Powers, as an individual; and  
Patricia Ann Powers Trust, Patricia Ann  
Powers as Trustee,

Plaintiffs,

v.

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.

Cause No. CV2013-012420

NOTICE OF FILING RECEIVER'S  
QUARTERLY STATUS REPORT  
DATED APRIL 7, 2014

(Assigned to the Honorable Arthur  
Anderson)

1 Peter S. Davis of Simon Consulting, LLC, as court-appointed Receiver of Palo Verde  
2 Fund, LP, Palo Verde Private Equity Fund, LP (the "Funds") and PVPE, L.L.C., fka Palo  
3 Verde Capital, L.L.C., fka Paragon Capital Advisors, L.L.C., hereby submits his Receivership  
4 Report dated April 7, 2014 attached hereto as Exhibit "A".

5 Respectfully submitted this 9<sup>th</sup> day of April, 2014.

6 GUTTILLA MURPHY ANDERSON, P.C.

7 /s/Ryan W. Anderson  
8 Ryan W. Anderson  
Attorneys for the Receiver

9 Original of the foregoing E-filed  
This 9th day of April, 2014 with:

10 Clerk of the Court  
11 Maricopa County Superior Court  
201 West Jefferson, Fourth Floor  
Phoenix, AZ 85003

12 Copy of the foregoing mailed  
13 This 9th day of April, 2014 to:

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/s/Cynthia Ambrozic

1844-001(177046)



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

***CV 2013-012420***

*Receivership Report*

*Of*

*Peter S. Davis*

*Court Appointed Receiver*

*April 7, 2014*



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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 ("Amended Complaint") 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 Meetings**

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 five (5) investor committee meetings, and keep committee members apprised of events impacting the Receivership. See Table 1 below for a listing of investor committee meetings held to date.

**Table 1**

<b>Palo Verde Fund Receivership</b>	
<b>Summary of Investor Committee Meetings Held to Date</b>	
<b>Date</b>	<b>Type</b>
October 21, 2013	General Committee Meeting
November 15, 2013	General Committee Meeting
December 13, 2013	General Committee Meeting
March 10, 2014	Meeting to Discuss Acumen
March 18, 2014	General Committee Meeting

## **5.0 Update on Asset Liquidation**

### **5.1 Acumen Energy Solutions (f.k.a. American Energy Solutions)**

The Fund currently owns 100% of Acumen Energy Solutions (“Acumen”);<sup>1</sup> a Leawood Kansas based company that provides a comprehensive suite of professional energy management services tailored to owners/operators of commercial, industrial and institutional energy facilities.

Reinvention Capital Advisors (“RCA”), an investment bank that focuses on the alternative and renewable energy and industrial technology sectors, was retained in August 2013 sell Acumen. RCA worked throughout the balance of 2013 and early 2014 to create and disseminate a marketing package and assemble a pool of viable buyers. In January and February 2014 three parties submitted Initial Indications of Interest (“IOI”) and three others submitted formal Letters of Intent (“LOI”). Of the three formal LOI’s, two were presented to the Acumen Board of Directors for consideration. One of these offers was significantly higher than the other, but was almost immediately rescinded by the buyer upon further due diligence. Upon further review this potential buyer determined that Acumen’s product offering did not align as well with their strategy as they’d previously thought, among other concerns. Paul Ross, CEO of Acumen, noted that the company appeared to have acted in haste in submitting an offer before having a

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<sup>1</sup> Per the initial Shareholders Meeting Minutes dated June 14, 2013

full understanding on Acumen, its offerings, and the potential fit within the buyer's structure.

The Receiver executed an LOI with the second company and the due diligence process officially started on March 14th, 2014 with a 45 day exclusivity period. The Acumen Board of Directors unanimously approved retention of William Hughes, CPA, as external consultant to assist in assembling financial data for the due diligence process.

The Receiver has recently been informed that four Acumen employees have retained counsel and that they have objections to the signed LOI. The Receiver is addressing this new development with the help of RCA and Acumen counsel, Alan Meda. The situation remains tenuous.

## **5.2 Empire Financial Services, LLC**

The Fund currently owns 100% of the stock in Empire financial Services, Inc. ("EFS")<sup>2</sup>, a Tulsa Oklahoma based equipment leasing and finance company.

The Receiver executed an LOI for purchase of EFS and the due diligence process officially started on March 12, 2014. Buyer states that the due diligence period is expected to conclude within 30 days, provided all requested information is received in a timely fashion.

As noted in previous reports EFS performance has been up and down since acquisition.<sup>3</sup> The offer received is approximately four times EBITDA, which is the same multiple used at purchase, but is still less than the Fund's initial investment due to this lack of performance. The Receiver performed an industry analysis utilizing NAICS and SIC codes for similar businesses and determined that the offered price is reasonable.

In his previous report the Receiver noted that monies appeared to have been taken out of Empire for use on other investments and/or to enrich Tony Stacy. Further information and documentation surrounding these items was requested, but little has been provided. In early March the Receiver received approval from the investor committee to conduct a forensic review of these items; this analysis is in process. Additionally, the Receiver and Simon Consulting continue to analyze other documentation and financial information in an effort to determine exactly what distributions were made from EFS and why.

## **5.3 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

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<sup>2</sup> July 14, 2009 Stock Purchase and Sale Agreement

<sup>3</sup> Documentation included in the files indicates that during the first year or two performance was not as expected. Ronnie Herron stated that 2012 was a great year, however, due to several large deals coming through in Q4.

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approximately \$1.1M.<sup>4</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”), with a projected double-digit return on investment after sale.<sup>5</sup>

The Receiver marketed the home in November 2013 with a sale price of \$1,139,000. In January the house was appraised for \$1,020,000, resulting in a price reduction to \$1,050,000. In early March the real estate broker performed an analysis of sales of comparable properties and determined that the selling price should be adjusted to \$999,000, which the Receiver approved.

Documentation provided to the Receiver indicates that the house was unoccupied during the hold period but was available for rent.<sup>6</sup> Mr. Stacy represented the same in during initial discussions with the Receiver. Recently, however, the Receiver has received information that the house was neither vacant nor leased after purchase but was in fact occupied by Tony Stacy until August 2013.<sup>7</sup> The Receiver continues to investigate this matter.

The \$600,000 loan taken against the property in January 2013 initially matured in July 2013, but was extended by Tony Stacy until January 31, 2014. Due to the Funds’ inability to meet this obligation the Receiver obtained a second extension of this note, which now matures on July 31, 2014. As noted previously, Mr. Stacy has represented that this \$600,000 is recoverable; however, after repeated requests no further information has been provided.<sup>8</sup> The Receiver received approval from the investor committee to perform an investigation into the disposition of the \$600,000 mortgage proceeds.

#### **5.4 Palo Verde Energy, LLC**

Palo Verde Energy Fund, L.L.C. (“PVEF”) is wholly owned by Palo Verde Fund, L.P.<sup>9</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>10</sup> Paul Ross, CEO of Par III, Inc. holds, the remaining 40% interest in these wells.

The Receiver is currently working to finalize an agreement with Meagher Energy Advisors to sell both the Fund’s 60% interest and the 40% held by Paul Ross and Par III, Inc.

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<sup>4</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>5</sup> Per the Investment Summary document created by Ron Stone

<sup>6</sup> Ibid.

<sup>7</sup> Interview of Laura Ruhl and Richard Trausen who occupy the house immediately next door to the Palo Properties house.

<sup>8</sup> December 10, 2013 meeting at Simon Consulting offices between Tony Stacy, Ron Stone, Peter Davis, Paula Durham and Jessica Corn.

<sup>9</sup> February 2010 Arkoma Articles of Organization

<sup>10</sup> October 1, 2010 Purchase and Sale Agreement

## 5.5 BOAI (Asia Leechdom)

The Fund purchased 386,454 shares of common stock plus warrants to purchase 38,646 additional shares of common stock in Asia Leechdom Holding Corporation (“Asia Leechdom”) for \$1,000,000 in mid 2010.<sup>11</sup> Asia Leechdom is a US corporation that, through another US holding company, wholly owns Tianjin BOAI Pharmaceuticals, Co. Ltd (“BOAI”), a privately held Chinese pharmaceutical company.<sup>12</sup> The Fund’s shares represent direct ownership of approximately 1% in Asia Leechdom.<sup>13</sup>

Recently, the CEO of BOAI, Xuecheng Xia, has indicated an interest in buying out all foreign investors of BOAI, including the Fund. Ms. Xia has been occupied with obtaining proper regulatory approval in China for some of her manufacturing operations and has thus been silent until earlier this year. The Receiver remains cautious on this investment; however this current communication is a positive development.

## 5.6 Aeromedical Collection Services

The Fund loaned \$250,000 to Aeromedical Collection Services (“ACS”) in 2009.<sup>14</sup> ACS is a medical reimbursement management company specializing in EMT billing/collection services, with an emphasis on air ambulance providers. The loan was underwritten by a personal guarantee from Dan Newman, owner of ACS, to reimburse the Fund \$250,000 plus 7% interest per annum.<sup>15</sup>

Mr. Newman filed for personal bankruptcy on September 3, 2013.<sup>16</sup> Palo Verde Fund has been named a creditor in this case. On December 23, 2013 the Receiver filed a claim against the bankruptcy for the amount of the original judgment; \$215,857.79. The Receiver does not have an optimistic outlook for recovering anything further from this investment.

## 5.7 AF1 Investments, LLC

AF-1 Investments, LLC (“AF-1”) was established in December 2009 to facilitate the purchase, by Arena Football One, LLC (“the League”), of certain assets of the former Arena Football League (“AFL”) after that league filed for Chapter 11 bankruptcy reorganization.<sup>17</sup> The Fund contributed \$1,350,000 of a total \$6,400,000 loaned to the League, in December 2009.<sup>18</sup> The loan was repaid in full, with interest, as of February 2012, however the Fund maintains a 21.09% ownership in AF-1 Investments.

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<sup>11</sup> May 2010 Warrant Purchase Agreement; July 28, 2010 Asia Leechdom stock certificate

<sup>12</sup> Asia Leechdom Form 10

<sup>13</sup> Per BPAC6-VT French-Combined Register and Capitalization Table provided by Chris Jensen of Aviary, LLC

<sup>14</sup> July 13, 2009 Agreement between Palo Verde Fund, L.P./Paragon Capital Advisors and ACS/MMA

<sup>15</sup> ACS/MMA contract

<sup>16</sup> Case No. 13-12245, US Bankruptcy Court, Western District of Louisiana Shreveport Division

<sup>17</sup> December 15, 2009 AF1 Operating Agreement, Section 2.4

<sup>18</sup> December 15, 2009 AF1 Operating Agreement, Schedule 1.1

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The Receiver has been in communication with Rob Canton, CFO of the Arena Football League, regarding an imminent offer from the League to purchase the Fund's ownership. Since January 2014 Mr. Canton has indicated that an offer is imminent, however nothing has been received to date. The Receiver is pursuing the League for further information.

### **5.8 Aviary China II, LLC**

The Fund invested \$250,000 in Aviary China II, LLC ("AC II") in January of 2009.<sup>19</sup> AC II was organized to raise capital that was loaned, via Convertible Note Agreement ("the Note"), to a company called BayPeak, LLC for the purpose of completing a reverse merger and listing two privately held Chinese companies on a US Stock or OTC exchange.<sup>20</sup> The goal of the investment was for the Fund to be repaid through publicly traded equity once the companies were publicly listed.

The Chinese companies specifically supported by AC II were Trunkbow International Holdings ("TBOW") and Golden Dragon Travel ("GDT").<sup>21</sup> TBOW succeeded in going public and is now traded on the US Stock Exchange. The Fund received a share distribution and subsequently liquidated their equity in TBOW in April 2011. GDT, however, failed to achieve a listing. The Fund has not received any financial distribution related to GDT from AC II to date.

There has not been much change in the status of this investment since the Receiver's January 2014 report. As previously noted the Fund is not a direct shareholder of GDT making it difficult to engage directly with the underlying Chinese entities. The Receiver issued a letter to GDT in February 2014 requesting a teleconference to discuss the investment. No response has been provided to date. The Receiver is working with the AC II manager to gain direct control of the Fund's shares in GDT in an effort to solidify the Fund's position and perhaps persuade GDT into opening a dialog.

### **5.9 Aviary China III, LLC**

The Fund purchased a 45% preferred equity stake in Aviary China III, LLC ("AC III") in October 2009 for \$1,000,000.<sup>22</sup> The capital raised by AC III was used to acquire shares of common stock in Golden Dragon Travel ("GDT"), the same company noted in AC II above. The shares were acquired privately through a warrant agreement with The Aviary, LLC.<sup>23</sup> Status of this investment is the same as described above in Section 6.8.

### **5.10 FF Arabian, LLC**

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<sup>19</sup> January, 2009 Subscription Agreement

<sup>20</sup> April 2008 Operating Agreement, Section 1.4

<sup>21</sup> Per Jeff Hahn on November 5, 2013 total investible cash in ACII was split as follows: \$1,000,000 into GDT and \$550,000 into TBOW.

<sup>22</sup> 2012 Schedule K-1

<sup>23</sup> October 2009 Aviary China III Private Placement Memorandum



FF Arabian, LLC ("FF-A") was formed to develop, partially finance, and arrange domestic distribution for various Hollywood movies.<sup>24</sup> The Fund maintains an equity percentage in FF Arabian of 53.072%.<sup>25</sup>

Little new information has been provided on this investment. As previously noted, in October 2012, the Fund, along with three other members, executed an agreement to sell their interest in FF-A to Freedom Films, LLC for \$7,812,500.<sup>26</sup> Freedom Films defaulted on the agreement causing the Members to file suit in Collin County, Texas for breach of contract (prior to Receivership).<sup>27</sup> The Receiver put that suit on hold in order to pursue Freedom Films for documentation. Multiple requests have been submitted to Freedom Film's Texas counsel but little informative documentation has been received. The Receiver is working with his counsel to devise a strategy to approach this issue and determine the best course of action.

### **5.11 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>28</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>29</sup> A second term note for \$660,000 was executed in December 2009.

HMC filed for Chapter 11 bankruptcy protection in October 2011. Per the December 2012 Bankruptcy Reorganization Plan HHI emerged with \$5,000,000 in secured debt and approximately \$10,000,000 in preferred & common equity. HMC began making payments on this secured debt in January 2013, however those payments were captured by HHI's bankruptcy counsel and applied directly to outstanding legal fees. Those fees have been satisfied, and HHI will begin member distributions in early April. According to the proposed settlement plan, the Fund will receive approximately \$11,000.00 per month from HHI against the debt owed to it.<sup>30</sup> In addition, the Fund will be granted 1,122,933 and 513,341 in Series B and C shares of HMC, respectively. 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. The Receiver has requested documents from HHI and continues to evaluate the reasonableness of HHI's proposed payment plan.

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<sup>24</sup> April 2010 Limited Liability Company Agreement of FF Arabian

<sup>25</sup> October 1, 2011 Capital Table included with the Second Amendment to the Limited Liability Company Agreement of FF Arabian, LLC.

<sup>26</sup> October 2012 Membership Interest Purchase Agreement

<sup>27</sup> Palo Verde Fund et al v. Freedom Films, LLC

<sup>28</sup> August 2008 HHI Operating Agreement

<sup>29</sup> March 27 2009 Subscription & March 31, 2009 Loan Agreement

<sup>30</sup> February 12, 2014 Investor Update Memorandum provided by HHI

### 5.12 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>31</sup>

The Receiver held discussions with Nolan de Graaf, majority shareholder of Ice Now, regarding his desire to purchase the Fund's remaining interest in the enterprise. In January 2014 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.

### 5.13 SDX Acquisition, LLC

The Fund purchased membership interest in SDX Acquisition, LLC in October 2010 for \$500,000.<sup>32</sup> Subsequent to the initial investment the Fund executed two Promissory Notes, one in April 2012 for \$125,000 and one in April 2013 for \$139,297.89. The April 2012 note is subordinated to Texas Capital Bank, and the April 2013 note was converted to 1,071,522 units of SDX. As of January 2014 the Fund held a total of 1,571,522 units representing a 17.6% ownership percentage in the company.<sup>33</sup>

In late January 2014 SDX approached the Receiver for consent to purchase a third party company, Altruik, Inc. No capital was requested from investors for this purchase; however, 80% of current ownership approval was required prior to acquisition. The Receiver and his counsel reviewed all documentation provided and executed consent on January 24<sup>th</sup> 2014. This transaction resulted in a slight dilution of the Fund's ownership interest, as Altruik received an 8.5% interest in SDX as consideration for the sale of assets. The Fund currently holds a 15.9% interest in SDX.

The CEO of SDX indicated potential interest in purchasing the Fund's equity in the company in January 2014.<sup>34</sup> He stated that he would need time to see whether the expected positive effects of the Altruik acquisition would come to fruition in order determine a solid company valuation. He requested the Receiver reach out at the end of Q1 2014 to have a discussion and determine what he might be interested in doing. The Receiver will follow up and determine next steps on liquidation of this asset from there.

### 5.14 TCP Mach Speed, LLC

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

<sup>32</sup> SDX October 8, 2010 Subscription Agreement

<sup>33</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>34</sup> January 24, 2014 teleconference between Bill Giles, Peter Davis and Paula Durham.

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TCP-Mach Speed, LLC (“TCP-MS”) was formed to acquire Mach Speed Technologies (“MST”), an Oklahoma based manufacturer of low price-point digital media players. The Fund currently has a 4.58% preferred equity position in the LLC.<sup>35</sup>

The Subscription Agreement contains language giving TCP MS (“the Company”) first refusal to purchase the shares of another Member who wants to sell. According to the Company manager, the Company is planning on making an offer to the Fund but is waiting for final year-end accounting in order to determine a valuation. The Receiver plans to follow up in April.

#### **5.15 TCP SuccessEd, LLC**

The Fund contributed \$875,000 to a \$2.9M preferred equity subscription agreement with TCP-SuccessEd (“TCP-SED”) in June 2011.<sup>36</sup> TCP-SED was formed to acquire GG Consulting, a leading Texas education software company.<sup>37</sup> The fund currently has a 10.54% preferred equity position in TCP-SED.

In late February 2013 Texas Capital Partners (TCP) approached the Receiver requesting a pro-rata contribution of \$111,335 as part of a total \$1.25M cash infusion into the company, to be used by the company to meet operational goals. The additional investment took the form of debt and had a 3x liquidation preference over original equity shareholders (e.g. \$1 contributed returns the same \$1, plus \$3 more before any original equity is returned). The Fund currently has little operating cash and therefore was not able to contribute to this investment and will therefore experience a dilution of capital value due to the additional debt and the debt payment priority.

As with the other TCP investments, the Subscription Agreement contains language giving TCP-SED, LLC (“the Company”) first refusal to purchase the shares of another Member who wants to sell. According to the Company manager, the Company is planning on making an offer to the Fund but is waiting for final year-end accounting in order to determine a valuation. The Receiver plans to follow up in April.

#### **5.16 TCP-GBS, LLC**

The Fund contributed \$275,000 to a \$2.25M preferred equity subscription agreement with TCP-GBS in July of 2011.<sup>38</sup> TCP-GBS was formed to acquire Genie B’s Specialties, d.b.a. GBS, a market leader in providing mattress protection covers and warranty service for bedding and furniture. The company designs, manufactures and distributes mattress protection covers and other textiles under different labels for major national retail and wholesale outlets and also provides insurance based furniture protection plans. Currently, the Fund retains a 6.11% preferred equity share of this LLC.

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<sup>35</sup> Per Capital Table provided by Jason Faucett of TCP on December 6, 2013

<sup>36</sup> May 25, 2011 Subscription Agreement. Note that the initial investment was \$1,000,000 but oversubscription resulted in a \$125,000 refund to the Fund.

<sup>37</sup> June 8 Amended and Restated Company Agreement of TCP-SuccessEd Investments, LLC.

<sup>38</sup> July 29, 2011 Subscription Agreement. Note that initial investment was \$350,000 but oversubscription resulted in a \$75,000 refund to the Fund.

As with the other TCP investments, the Subscription Agreement contains language giving TCP-GBS, LLC (“the Company”) first refusal to purchase the shares of another Member who wants to sell. According to the Company manager, the Company is planning on making an offer to the Fund but is waiting for final year-end accounting in order to determine a valuation. The Receiver plans to follow up in April.

#### **5.17 USDA Loan J46**

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 is \$2,628,000; and the Strip provides for a 3.0% interest rate on this balance for the 20 year amortization of the loan.<sup>39</sup>

As of December 2012 the Fund recouped its initial investment. Interest payments have been made on the loan since October 2009, with the exception of January 2012 and March-October 2013.<sup>40</sup> The Fund will continue to receive interest payments from this investment as long as the borrower remains current on the loan.

The Receiver approached USDA Capital in late January 2014, the entity from which the investment was purchased (but not affiliated with the USDA), to inquire about the marketability of this asset. At that time the borrower had missed several payments and the viability of the note was uncertain, which rendered the asset value very low. USDA Capital offered to purchase the certificate; however, after further research the Receiver determined the offer too low to consider.

The lender noticed the borrower of their intent to foreclose on the loan on February 6, 2014. Subsequent to this notice the borrower was able to raise the capital necessary to bring the loan current, resulting in interest payments made to the Fund in excess of the USDA Capital offer. USDA Capital revised their offer upwards in late March; this offer was also determined by the Receiver as being too low and was therefore refused. The borrower has expressed interest in purchasing the Fund’s certificate and the Receiver plans to have further discussions on the matter.

#### **5.18 W.P. Bistro, LLC**

The Fund purchased 10 shares of membership interest in W.P Bistro, LLC on July 1, 2010.<sup>41</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 the previous report the restaurant closed on November 1, 2013. The Receiver is not optimistic regarding recovery of anything from this investment.

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<sup>39</sup> September 8, 2009 Confirmation of Trade

<sup>40</sup> Spreadsheet entitled “J00046.xls” provided by Tony Stacy.

<sup>41</sup> June 16, 2010 Subscription Agreement

### 5.19 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>42</sup> This LLC was established to acquire 75% of Santè Pediatric Group, a Texas pediatric rehabilitation company.

The Fund still maintains \$10,170 in escrow pending resolution of the investigation.

### 6.0 Pre-Receivership Debt

Since the January 7, 2014 Receiver report additional debt has been discovered, See Exhibit 1 for current information.

### 7.0 Receivership Accounting

Details of the cash processed through the Receivership bank account are attached hereto as Exhibit 2. The current balance of the Receivership account is \$19,977.87 as of April 4, 2014.

### 8.0 Receivership Fees and Expenses

The Receiver and his firm incurred a total of \$196,133.51 in fees and costs for the period October 2013 through March 2013 (Exhibit 3), \$37,941.43 of which has been reimbursed. In addition, Gutilla, Murphy & Anderson, counsel for the Receiver in this matter, incurred fees and costs of \$75,772.53 for the period October 2013 through March 2013 (Exhibit 3), \$19,144.42 of which has been reimbursed. Further, Connor and Winter, the attorney retained to assist the Receiver with disposition of the Palo Verde Energy Fund, LLC investment, has incurred \$7,377.50 from November 2013 through March 2014 (Exhibit 3), none of which has been reimbursed.

### 9.0 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

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April 7, 2014  
Date

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<sup>42</sup> December 2009 Subscription Agreement

**Palo Verde Receivership**

Exhibit 1

Summary of Known Pre-Receiverership Non-Investor Debt

Provider	Amount	Description
Partners Admin	\$ 1,500.00	September 2013 Fund Administration Svcs.
American Express	\$ 43,278.44	Palo Verde Fund AMEX Card
McGladrey, LLP	\$ 55,000.00	Audit/Accounting Svcs.
Sacks Tierney, PA	\$ 1,358.31	Legal Fees
Gordon & Rees, LLP	\$ 112,343.69	Legal Fees - Sidewinder Lawsuit-pre-Receiverership portion
Kelsoe, Khoury, Rogers, Caughfield & Clark, PC	\$ 863.38	Legal Fees - FF Arabian Lawsuit
DMB Market Street, LLC	\$ 21,560.85	Rent at 20645 N. Pima Rd, Suite 140, Scottsdale for 9/11/13-12/11/13
Whitestone Reit	\$ 13,454.54	Rent at 20645 N. Pima Rd, Suite 140, Scottsdale for 1/1/14-2/28/14
OPRA	\$ 630.00	Options Price Reporting Authority
Bloomberg, LP	\$ 6,000.00	Invoice 5602283022 01/18/14 - 04/17/14 to Bloomberg for "Terminals"
Brezeale, Sachse & Wilson LLP	\$ 3,675.45	Legal fees for Aeromedical from June-September 2013
<b>Subtotal - additional debt</b>	<b>\$ 259,664.66</b>	

**Palo Verde Receivership**

Receiver Bank Account Activity Details

**Exhibit 2**

Type	Date	Num	Name	Memo	Description	Amounts
Deposit	10/23/2013	N/A	Tony Stacy	Deposit	Received from Defendant Stacy	\$ 75,000.00
Check	10/24/2013	4953	United States Treasury	45-1540577 Form 4506 Request	Tax Record Retrieval Expense	\$ (100.00)
Check	10/24/2013	4954	United States Treasury	26-0832045 Form 4506 Request	Tax Record Retrieval Expense	\$ (100.00)
Deposit	10/30/2013	N/A	Michael Nemeth	Deposit	Rent - Palo Verde Properties, LLC	\$ 3,500.00
Check	10/30/2013	4955	Downtown Associates, LLC	Oct 2013 - Interest & Property Tax	Palo Verde Properties, LLC	\$ (5,755.00)
Check	10/30/2013	4956	CamTech	Invoice No. 3305 for server imaging	Computer and Internet Expenses	\$ (567.79)
Deposit	11/08/2013	N/A	Colson Services Corp.	Deposit	USDA-J46 Interest	\$ 6,587.64
Check	11/13/2013	1001	CamTech	Invoice No. 3370 for website creation	Computer and Internet Expenses	\$ (350.00)
Check	11/13/2013	1002	CamTech	Invoice No. 3371 for email exports	Computer and Internet Expenses	\$ (1,010.00)
Check	11/13/2013	1003	Downtown Associates, LLC	Nov 2013 - Interest & Property Tax	Palo Verde Properties, LLC	\$ (5,755.00)
Check	11/15/2013	EFT	State Farm Insurance	20368 N 98th St - Property Insurance	Property Insurance	\$ (1,089.00)
Deposit	12/02/2013	N/A	Michael Nemeth	Deposit	Rent - Palo Verde Properties, LLC	\$ 3,500.00
Deposit	12/02/2013	N/A	Michael Nemeth	Deposit	Rent - Palo Verde Properties, LLC	\$ 1,200.00
Check	12/02/2013	1005	CamTech	Invoice No. 3387 for email exports	Computer and Internet Expenses	\$ (3,675.00)
Check	12/02/2013	1006	CamTech	Invoice Nos. 3450 & 3451 for website & c	Computer and Internet Expenses	\$ (140.00)
Deposit	12/03/2013	N/A	Colson Services Corp.	Deposit	USDA-J46 Interest	\$ 7,439.77
Deposit	12/03/2013	N/A	Michael Nemeth	Deposit	Rent - Palo Verde Properties, LLC	\$ 3,900.00
Check	12/13/2013	1004	Downtown Associates, LLC	Dec 2013 - Interest & Property Tax	Palo Verde Properties, LLC	\$ (5,755.00)
Check	12/17/2013	1008	CamTech	Invoice No. 3410	Computer and Internet Expenses	\$ (3,675.00)
Check	12/17/2013	1009	CamTech	Invoice No. 3436	Computer and Internet Expenses	\$ (29.95)
Deposit	12/18/2013	N/A	Chase Bank	Deposit	Pre-Receivership Accts	\$ 6.17
Deposit	12/19/2013	N/A	United States Treasury	Deposit	Tax Record Retrieval Refund	\$ 200.00
Deposit	01/02/2014	N/A	Colson Services Corp.	Deposit	USDA-J46 Interest	\$ 3,283.59
Check	01/03/2014	1010	CamTech	Invoice No. 3464	Computer and Internet Expenses	\$ (2,700.00)
Check	01/06/2014	1011	CamTech	Invoice No. 3522	Computer and Internet Expenses	\$ (29.95)
Deposit	01/08/2014	N/A	Michael Nemeth	Deposit	Palo Verde Properties, LLC	\$ 3,900.00
Check	01/10/2014	1012	BizFilings	Inv 2023258	Miscellaneous Expense	\$ (16.95)
Check	01/16/2014	1013	Simon Consulting, LLC	Receiver fees-inception to Oct 31 2013	Professional Fees	\$ (27,291.43)
Check	01/16/2014	1014	Guilla Murphy Anderson	Receiver attorney fees-inception to Oct 31	Professional Fees	\$ (19,144.42)
Check	01/16/2014	1015	CamTech	Invoice No. 3544	Computer and Internet Expenses	\$ (125.00)
Check	01/21/2014	1016	BizFilings	Renewal of Stat Agent PV Fund LP	Miscellaneous Expense	\$ (133.60)
Check	01/24/2014	1018	Downtown Associates, LLC	Jan 2014 - Interest & Property Tax	Palo Verde Properties, LLC	\$ (5,755.00)

**Palo Verde Receivership**

**Exhibit 2**

Receiver Bank Account Activity Details

Type	Date	Num	Name	Memo	Description	Amounts
Deposit	01/29/2014	N/A	Colson Services Corp.	Deposit	USDA	\$ 5,357.44
Check	01/30/2014	1020	Downtown Associates, LLC	Feb 2014 - Interest & Property Tax	Palo Verde Properties, LLC	\$ (5,755.00)
Deposit	02/05/2014	N/A	Michael Nemeth	Deposit	Palo Verde Properties, LLC	\$ 3,900.00
EFT	02/05/2014	N/A	Chase Bank	Service Charge	Bank Service Charges	\$ (95.00)
Check	02/28/2014	1021	McKinnon	Appraisal Report-DC Ranch House	Professional Fees	\$ (500.00)
Check	02/28/2014	1022	Lingstix	Copies - PV Energy rpts from Forest Oil	Professional Fees	\$ (765.65)
Check	02/28/2014	1023	Xact Data	Scanning of Liccar accounting data	Professional Fees	\$ (3,320.55)
Check	02/28/2014	1024	CamTech	Invoices 3576,3633 &3614	Computer and Internet Expenses	\$ (2,307.45)
Deposit	03/05/2014	N/A	Michael Nemeth	Deposit	Palo Verde Properties, LLC	\$ 3,900.00
Check	03/24/2014	1025	Downtown Associates, LLC	March 2014 - Interest & Property Tax	Palo Verde Properties, LLC	\$ (5,755.00)
<b>Current Balance</b>						<b>\$ 19,977.87</b>



**Palo Verde Receivership**

**Exhibit 3**

Summary of Professional Fees through March 31, 2014

Entity	Description	Amount	Status
Simon Consulting, LLC	October 2013 Invoice	\$ 27,941.43	Paid
Simon Consulting, LLC	November 2013 Invoice	\$ 43,822.02	
Simon Consulting, LLC	December 2013 Invoice	\$ 38,100.78	
Simon Consulting, LLC	January 2014 Invoice	\$ 34,335.28	
Simon Consulting, LLC	February 2014 Invoice	\$ 10,327.00	
Simon Consulting, LLC	March 2014 Invoice	\$ 41,607.00	
<b>SUBTOTAL</b>		<b>\$ 196,133.51</b>	

Gutilla Murphy Anderson	October 2013 Invoice	\$ 19,144.42	Paid
Gutilla Murphy Anderson	November 2013 Invoice	\$ 13,693.53	
Gutilla Murphy Anderson	December 2013 Invoice	\$ 20,216.48	
Gutilla Murphy Anderson	January 2014 Invoice	\$ 14,515.89	
Gutilla Murphy Anderson	February 2014 Invoice	\$ 4,101.86	
Gutilla Murphy Anderson	March 2014 Invoice	\$ 4,100.35	
<b>SUBTOTAL</b>		<b>\$ 75,772.53</b>	

Connor & Winter	Palo Verde Energy Fund sale	\$ 7,377.50	
<b>SUBTOTAL</b>		<b>\$ 7,377.50</b>	

**TOTAL INCURRED**

**\$ 279,283.54**

Less Amounts Paid

\$ 47,085.85

**TOTAL OUTSTANDING**

**\$ 232,197.69**