



*Robert Sonnenschein, et. al. v. Palo Verde  
Capital, LLC, et. al.*

*CV 2013-012420*

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*Inventory Report*

*Of*

*Peter S. Davis*

*Court Appointed Receiver*

*November 8, 2013*

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## 1.0 Introduction

On October 21, 2013, the Court issued its *Stipulated Order Appointing Receiver* (“Receivership Order”). Amongst other things, the Receivership Order appointed Peter S. Davis of Simon Consulting, LLC (“Receiver”) as Receiver for the Receivership Assets, with full power of an equity receiver. The Order also calls for, among other things, the Receiver to indentify, locate, recover and take control of and liquidate the Receivership Assets. Pursuant to Section 11 of the Receivership Order the Receiver is filing the following inventory of all property, assets and investments of the Receivership Defendants.

Pursuant to paragraph 12 the Receivership Order, the Receiver is obligated to file an Inventory of the assets under the control of the Receiver. Since the Receivership Assets in this matter consist of the investments of PVPE, L.L.C., an Arizona limited liability company, PaloVerde Fund, L.P., a Delaware limited partnership; and PaloVerde Private Equity Fund, L.P., a Delaware limited partnership. (collectively the “Receivership Companies”) I have elected to identify the 18 individual investments which comprise the Receivership Assets.

## 2.0 Assets in the Receiver’s Control

Defendant Stacy managed two investment funds to which Plaintiffs contributed monies. Based on the Receivers initial and preliminary analysis of the Receivership Companies, the Receiver has identified 18 different investments that are assets of the Receivership:

1. Aeromedical Collection Services (“ACS”)

ACS is a medical reimbursement management company based in Louisiana. ACS specializes in EMT billing and collecting – primary for air ambulance services – but moved into traditional medical billing/collection services with the formation of Medical Management Associates (“MMA”). The Receivership Companies loaned \$250,000 to ACS (“ACS Loan”) for the purpose providing capital for ACS/MMA to successfully perform on a contract to provide services to Axxess Diagnostics of South Florida. The ACS Loan is guaranteed by ACS CEO Dan Newman who filed for bankruptcy in September 2013.

2. American Energy Solutions, LLC (“AES”)

The Receivership Companies invested a total of \$5,800,000 into AES thru a variety of vehicles, including Convertible Debt, Senior Debt, Common Equity and Bank Guarantees. AES provides a comprehensive suite of professional energy management services tailored to owners/operators of commercial, industrial and institutional energy facilities.

3. Aviary China II

The Receivership Companies funded \$250,000 of a \$1.65M preferred equity Subscription Agreement. The funds were used to finance the reverse merger of two private companies in the People’s Republic of China, Trunkbow International Holdings and China Golden

Dragon Travel, for the purpose of completing initial public listings on a U.S. Stock exchange or over-the-counter market.

4. Aviary China III

The Receivership Companies funded \$1,000,000 of a \$2.2M preferred equity Subscription Agreement. The funds were used to acquire shares of common stock in a private company in the People's Republic of China, China Golden Dragon Travel.

5. BOAI Pharmaceuticals, LLC ("BOAI")

The Receivership Companies borrowed \$1,000,000 ("Loan") from Bay Peak, LLC, (founded by Cory Roberts) for the purchase of shares and warrants of BOAI Pharmaceuticals, LLC, a private company in the People's Republic of China. The strategy of the investment was to take advantage of BOAI's conversion from a private Chinese company to a public company listed on the U.S. stock exchange.

6. Empire Financial Services of Tulsa ("EFS")

The Receivership Companies purchased stock of EFS through a Stock Purchase and Sale Agreement for \$1,350,000 and became the exclusive owner of EFS. EFS provides leasing and loan services to its clients.

7. FF Arabian, LLC ("FF-A")

The Receivership Companies funded \$4,250,000 of an \$8,250,000 equity investment with FF-A. The funding was designed to develop, partially finance, and arrange and acquire the distribution rights of the movies "Thunder Run" and "Buck Rogers".

8. HPCG Hospital Investments, LLC ("HHI")

The Receivership Companies subscribed and funded \$2,660,000 through a combination of common equity, term notes, and bridge notes to HHI. HHI used the funds to make loans to Hospital Management Consulting Consolidated, Inc for the purpose of acquiring rural hospitals designated as Critical Access Hospitals and replacing or expanding them as necessary to maximize service in the rural communities they serve.

9. Ice Now, LLC ("ICE")

The Receivership Companies executed and funded a convertible loan in the amount \$200,000 to Ice Now, LLC a Phoenix ice distributor. The funds were used to assist ICE in an expansion strategy (through aggressive sales and small acquisitions) to distribute ice in the greater Phoenix, AZ area.

10. TCP-Mach Speed ("TCP-MS")

The Receivership Companies invested \$210,000 into a \$2,100,000 preferred equity Subscription Agreement to TPC-Mach Speed. Mach Speed Technologies, Inc. is a privately held corporation providing low opening price point digital media players to U.S Retailers, primarily focusing on "big box" stores.

11. Palo Verde Energy Fund, LLC ("PVE")

The Receivership Companies through PVE, purchased a 60% ownership share of approximately 450 natural gas wells located in Logan County, Arkansas for \$3,450,000. There is currently a lien on this property for approximately \$2,000,000 with the Bank of Oklahoma.

12. SDX Acquisition, LLC ("SDX")

The Receivership Companies subscribed and funded \$500,000 of a \$2,100,000 SDX Subscription Agreement, which was used to purchase the assets of Search Dex, Inc., a privately held software development firm focused on e-commerce solutions.

13. Sidewinder Investment Group, LLC ("SW")

The Receivership Companies invested \$578,450 in SW, which at one time owned 100% of the Arizona Rattlers Arena Football team. At one time, the Receivership Companies were the largest unit holder in SW, with a 39% ownership stake, but that equity position has diminished significantly through capital calls.

14. TCP – GBS Investment I, LLC ("GBS")

The Receivership Companies invested \$275,000 in a \$2,250,000 Subscription Agreement designed to purchase the assets of GBS Enterprises ("GBS") and its affiliates. GES provides mattress protection covers and warranty services for bedding and furniture.

15. TCP – SuccessED Investment I, LLC ("TCP-SED")

The Receivership Companies invested \$875,000 into a \$2,900,000 preferred equity Subscription Agreement that was used to finance the acquisition of 100% of GG Consulting, LLC ("GG"). GG is a leading provider of special education management software in Texas.

16. USDA Note #J0046 ("J46")

The Fund invested \$236,520 to purchase an interest strip spread in a \$2,628,000 USDA Farmer Mac Guaranteed Loan with the expectation of stable cash flow and double-digit returns based on the underlying credit and underwriting of the Borrower and Farmer Mac.

17. Palo Properties, LLC

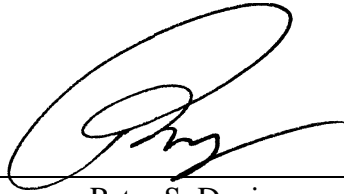
The Fund constructed a single family residence at 20368 N. 98<sup>th</sup> St. in Scottsdale, AZ, in the North Scottsdale master-planned community commonly known as DC Ranch. The following items were identified as property of the Receivership Companies during an inspection of the property. There is currently outstanding debt against the property in the amount of \$600,000.

Location in Dwelling	Number of Items	Item Description
DEN	1	Credenza
DEN	1	Desk chair
DEN	1	Large large desk
DEN	1	Low sitting chair
DEN	4	Oil painting
DEN	2	Oil painting
FAMILY ROOM	1	Dried flower arrangement
FAMILY ROOM	3	Framed prints
FAMILY ROOM	1	Framed tapestry
FAMILY ROOM	1	Gold decorator pot
FAMILY ROOM	1	Statue
GAME ROOM	1	Flat screen television
GUEST ROOM	1	Flat screen television
KIDS AZ CARDINALS BEDROOM	1	Flat screen television
KITCHEN /DINING ROOM	1	Candlestick
KITCHEN /DINING ROOM	1	Dining table w/ 4 chairs
KITCHEN /DINING ROOM	2	Dried flower arrangement
KITCHEN /DINING ROOM	2	High-back bar stools
KITCHEN /DINING ROOM	1	Large area rug
KITCHEN /DINING ROOM	1	Oil painting
KITCHEN /DINING ROOM	1	Potted plant
KITCHEN /DINING ROOM	1	Sideboard
MASTER BATHROOM	1	Flat screen television
MASTER BEDROOM	2	ART deco wood cut outs
MASTER BEDROOM	1	Flat screen television
POOL ROOM	1	Large wall mirror
TOP OF STAIRS HALLWAY	1	Credenza
TOP OF STAIRS HALLWAY	1	Oil painting
UPSTAIRS HALLWAY	1	Desk chair
WINE ROOM	3	Backless bar stools
WINE ROOM	1	Bar table
WINE ROOM	1	Black Cabinet
WINE ROOM	1	Large decorator plate on easel

18. W.P. Bistro Tulsa, LLC (“WPB”)

The Fund invested \$150,000 into a \$1,500,000 Subscription Agreement with WPB for the creation, build-out and operation of a Wolfgang Puck Bistro restaurant in Tulsa, OK.

The information contained in this report is based on the information available to the Receiver to date. The Receiver continues to gather documentation, interview investees and research the various assets of the Receivership Defendants.



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Peter S. Davis  
As Receiver

November 8, 2013

Date