

COPY

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8 Attorneys for the Receiver

9 FOR THE SUPERIOR COURT OF THE STATE OF ARIZONA

10 IN AND FOR THE COUNTY OF MARICOPA

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

RECEIVER'S MOTION TO APPROVE
SETTLEMENT AGREEMENT BETWEEN
RECEIVER, PV CAPITAL, LLC, CHRIS
JENSEN AND JEFF HAHN

(Assigned to the Honorable Arthur Anderson)

Gutilla Murphy Anderson, P.C.
5415 E. High Street, Suite 200
Phoenix, AZ 85054
(480) 304-8300

Peter S. Davis, as the Court's Receiver of Palo Verde Fund LP, Palo Verde Private Equity Fund, LP and PVPE, LLC (the "Receiver"), seeks an order approving a settlement agreement

1 between the Receiver, PV Capital, LLC, Chris Jensen and Jeff Hahn (“Collectively “Jensen/Hahn”).
2 For the reasons set forth below, the Receiver recommends that the Court approve the settlement
3 agreement and direct the Receiver to execute the settlement agreement in resolution of claims that the
4 Receiver may have against Jensen/Hahn.

5 **I. BACKGROUND**

6 On October 8, 2013, the Court entered its *Stipulated Order Appointing Receiver*
7 (“Receivership Order”) which appointed Peter S. Davis as Receiver for the Palo Verde Fund, LP and
8 the Palo Verde Private Equity Fund, LP and PVPE, LLC, *fka* Palo Verde Capital, LLC, *fka* Paragon
9 Capital Advisors, LLC. (collectively “Palo Verde”) in an action entitled, *Lynne H. Anthony*
10 *Revocable Trust dated 11/30/2011 et al. v. Palo Verde Capital, L.L.C et al*, Maricopa County
11 Superior Court Cause No. CV 2013-012420 (“Receivership Action”).

12 Pursuant to the provisions of the Receivership Order, the Receiver has investigated the
13 business dealings of Palo Verde and one of the business transactions that has been investigated by the
14 Receiver is a transaction between Anthony Stacy, Palo Verde and Jensen/Hahn.

15 The Receiver has determined that in 2009, PV Capital, LLC¹ agreed to transfer to Palo Verde
16 a number of wholly owned free-trading stock warrants, exempt from registration, in a then pre-IPO
17 company called Trunkbow International Holdings, Ltd. (“Trunkbow”). In exchange for this transfer,
18 Jensen/Hahn was to receive 50% of the management fee earned by Anthony Stacy as the Palo Verde
19 manager after the stock was sold by Palo Verde².

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¹ PV Capital, LLC is an Arizona Limited Liability Company that, despite a very similar name to the entities in the Receivership Action, has never ever been owned or controlled by Anthony Stacy or any of the entities in the Receivership Action or their affiliates.

² This agreement [that 50% of the management fee to be paid to Anthony Stacy was to be paid to PV Capital] was never memorialized in writing by Anthony Stacy or Jensen/Hahn.

1 More specifically, under the Settlement Agreement, Jensen/Hahn have agreed to assign any
2 and all interest that Jensen/Hahn may have under a settlement agreement between PV Capital, LLC
3 and HPCG Hospital Investment, LLC. The total consideration under the settlement agreement
4 between PV Capital LLC and HPCG Hospital Investment, LLC is believed to be \$174,742.17. The
5 Receiver has already received a total of \$2,000 from the assignment of this settlement agreement
6 between PV Capital, LLC and HPCG Hospital Investment, LLC since June 1, 2016. Additional
7 consideration under the Settlement Agreement is that Jensen/Hahn have agreed to turnover to the
8 Receiver 17,000 shares of publically traded stock in KBS Fashion Group Limited⁵. Jensen/Hahn
9 have also agreed to cooperate with Receiver's ongoing investigations into Palo Verde and cooperate
10 with the Receiver in the liquidation of the KBS shares and any issues with the collection of payments
11 under the settlement agreement between PV Capital LLC and HPCG Hospital Investment.

12 III. RECEIVER'S RECOMMENDATION

13 The Receiver recommends that the Court approve the Settlement Agreement for the following
14 reasons: First, the Receiver believes the potential claims against Jensen/Hahn would be complicated
15 and expensive to prosecute as there are potential issues with litigating these claims that are certain to
16 result in increased legal fees and costs. For example, the Receiver could bring a lawsuit against
17 Jensen/Hahn under a fraudulent transfer theory or seek to bring a breach of contract against
18 Jensen/Hahn, but both litigation claims are fraught with potential issues and defenses. For example,
19 the payment obligations under the Note are not between Palo Verde and Jensen/Hahn, but rather
20 Anthony Stacy. Furthermore, the underlying basis of transaction that is reflected by the Note [that
21 50% of the management fee to be paid to Anthony Stacy was to be paid to PV Capital] is not in

⁵ This stock trades under the symbol KBSF on the NASDAQCM. The Stock is currently trading at \$.20 per share.

1 writing. Moreover, Jensen/Hahn may have legal and factual defenses to a fraudulent transfer claim.
2 For example, it appears that Palo Verde's failure to timely liquidate the Trunkbow stock was the
3 major reason that Palo Verde lost \$34,701 on this transaction. Second, the Receiver recommends that
4 the Court approve the Settlement Agreement because the Receiver has determined that the proposed
5 consideration under the Settlement Agreement is the universe of assets of PV Capital, LLC. While
6 PV Capital, LLC remains an operating entity, its only purpose is to pursue resolution of prior
7 investments made on behalf of its own investors. It has no current business dealings, nor does it plan
8 take on business dealings in the future. The Receiver has determined that the two assets that are
9 being assigned/transferred to the Receivership estate are the only remaining assets of PV Capital,
10 LLC. While the potential value of the Receivership estate's potential damage claims against
11 Jensen/Hahn may exceed the total value of the assigned payments under the settlement agreement
12 between PV Capital, LLC and HPCG Hospital Investment, LLC [\$174,742.17] and liquidation value
13 of the KBS Fashion Group Limited stock [\$3,500], these are the only assets that the Receiver may be
14 able to recover from PV Capital, LLC after litigation. In short, under this Settlement Agreement
15 Jensen and Hahn are agreeing to deliver to the Receiver the only remaining assets of PV Capital,
16 LLC without the Receiver having to incur litigation costs and expenses. Finally, the purpose of this
17 Receivership is to liquidate assets for an eventual distribution to the creditors of Palo Verde. This
18 Settlement Agreement results in additional funds being available for eventual distribution to
19 creditors.

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1 WHEREFORE, the Receiver requests the Court:

2 1. Enter an order approving the Settlement Agreement between the Receiver, PV Capital,
3 LLC, Chris Jensen, and Jeff Hahn and directing the Receiver to execute the Settlement Agreement.

4 Respectfully submitted this 16th day of June, 2016.

5 GUTTILLA MURPHY ANDERSON, P.C.

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

8 Original of the foregoing e-filed
9 This 16th day of June, 2016, with:

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

12 Copy of the foregoing emailed or
13 mailed this 16th day of June, 2016, to:

14 Alan Baskin
15 Baskin Richards PLC
2901 N. Central Avenue, Suite 1150
16 Phoenix, Arizona 85012
alan@baskinrichards.com
Counsel for Plaintiffs

17 Kenneth F. Albright (Pro Hac Vice Pending)
18 Albright, Rusher & Hardcastle
15 West 6th Street, Suite 2600
Tulsa, OK 74119
19 kfalbright@arhlaw.com
Counsel for Plaintiffs

20

21

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- 4 Scottsdale, AZ 85251
- 5 Matthew.winter@sackstierney.com
- 6 Counsel for Defendants PVPE, L.L.C, Palo Verde
- 7 Fund, L.P. and Palo Verde Private Equity Fund, L.P.
- 8
- 9 Jeffrey S. Leonard
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- 13 Jeffrey.Leonard@sackstierney.com
- 14 Counsel for Anthony Stacy
- 15
- 16 Anthony R. Stacy
- 17 9233 E. Canyon View Rd.
- 18 Scottsdale, AZ 85255
- 19 Defendant Pro Per
- 20
- 21 Palo Verde Fund, L.P.
- 22 c/o Business Filing Incorporated
- 23 108 West 13th Street
- 24 Wilmington, Delaware 19801
- 25 Defendant
- 26
- 27 PVPE, L.L.C.
- 28 c/o Cal Purdin, Statutory Agent
- 29 15991 N. 115th Way
- 30 Scottsdale, AZ 85255
- 31 Defendant
- 32
- 33 Palo Verde Equity Fund, L.P.
- 34 c/o Easycorps, LLC
- 35 341 Raven Circle
- 36 Wyoming, Delaware 19934
- 37 Defendant
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- 39
- 40
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- 12 Jeffrey D. Gardner
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15 Attorneys for Craig H. Jackson Under Trust
Agreement dated June 6, 1997
- 16 John S. Edwards, Jr. (Pro Hac Vice)
17 jedwards@ajamie.com
Ajamie, LLP
18 711 Louisiana, Suite 2150
Houston, Texas 77002
19 Attorneys for Craig H. Jackson Under Trust
Agreement dated June 6, 1997
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Jason A. Braun
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711 Louisiana, Suite 2150
Houston, Texas 77002
jbrown@aamie.com
Attorney(s) for Craig H. Jackson Trust Under
Trust Agreement Dated June 6, 1997

By: /s/Cynthia Ambrozic

1844-001(205291)

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is entered into by and between, Peter S. Davis, as Receiver of the Palo Verde Fund, LP and the Palo Verde Private Equity Fund, LP and PVPE, LLC, *aka* Palo Verde Capital, LLC, *aka* Paragon Capital Advisors, LLC.; ("Receiver"); and PV Capital, LLC, Chris Jensen ("Jensen"), PV Capital, LLC¹ and Jeff Hahn ("Hahn")

RECITALS

Whereas on October 8, 2013, the Court entered its *Stipulated Order Appointing Receiver* ("Receivership Order") which appointed Peter S. Davis as Receiver for the Palo Verde Fund, LP and the Palo Verde Private Equity Fund, LP and PVPE, LLC, *aka* Palo Verde Capital, LLC, *aka* Paragon Capital Advisors, LLC. (collectively "Palo Verde") in an action entitled, *Lynne H. Anthony Revocable Trust dated 11/30/2011 et al. v. Palo Verde Capital, L.L.C et al* , Maricopa County Superior Court Cause No. CV 2013-012420 ("Receivership Action");

Whereas, pursuant to the provisions of the Receivership Order, the Receiver has investigated the business dealings of Palo Verde and one of the business dealings that has been investigated by the Receiver is a transaction between Mr. Stacy, Palo Verde and PV Capital LLC;

Whereas the Receiver has determined that in 2009, PV Capital, LLC agreed to transfer a number of wholly owned free-trading stock warrants, exempt from registration, in a then pre-IPO company called Trunkbow International Holdings, Ltd. ("Trunkbow") to Palo Verde. In exchange for this transfer, PV Capital, LCC was to receive 50% of the management fee earned by Tony Stacy as the Palo Verde Manager after the stock was sold by Palo Verde².

Whereas on January 13, 2011, prior to the Trunkbow IPO, PV Capital, LLC and Tony Stacy entered into an agreement, memorialized by a Promissory Note, that \$125,000 would be paid by Palo Verde to PV Capital, LLC ("the Note"). [A copy of the Note is attached hereto as Ex "A"] The Note was to memorialize an advance to PV Capital, LLC of the amount that PV Capital, LLC expected to earn as a result of the liquidation of the Trunkbow stock and the payment of 50% of the Tony Stacy's management fee to PV Capital, LLC. The terms of the Note required full repayment by PV Capital, LLC on June 13, 2012 and the Note has a 6% annual interest rate.

Whereas the Receiver has determined that Palo Verde advanced PV Capital, LLC a total of \$150,000 which is memorialized by the Note, despite the fact that the Note details that PV Capital needs to repay Tony Stacy, an individual and not Palo Verde;

¹ PV Capital, LLC is an Arizona Limited Liability Company that, despite a very similar name to the entities in the Receivership Action, this LLC has never ever been owned or controlled by Anthony Stacy or any of the entities in the Receivership Action or their affiliates.

² This agreement [that 50% of the management fee to be paid to Stacy was to be paid to PV Capital] was never memorialized in writing.

Whereas, the Receiver has determined that the Trunkbow stock was eventually liquidated, but at a loss to Palo Verde in the amount of \$34,701.

Whereas, the Note remains unpaid and Tony Stacy has acknowledged that the Note is an asset of Palo Verde and that he has no personal rights or interests in the Note;

Whereas, the Receiver has investigated this transaction and despite the irregularities and confusing nature of this transaction, the Receiver acknowledges that Jensen, Hahn and PV Capital have cooperated with the Receiver's investigation into this and other Palo Verde transactions; and

Whereas without admitting the truth or validity of any claim or defense, the parties desire to settle all claims that the Receiver may be entitled to assert against PV Capital, Jensen and Hahn in connection with the investment into Trunkbow and the Note.

TERMS

NOW, THEREFORE, in consideration of the mutual covenants set forth herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties to this Agreement hereby agree as follows:

1. Assignment of HHI Note. Jensen, Hahn and PV Capital, LLC shall assign any and all interests that Jensen, Hahn and PV Capital, LLC have in a Settlement Agreement between PV Capital, LLC and HPCG Hospital Investment, LLC to the Receiver. The total consideration owed under the HHI Settlement Agreement is believed to be the total amount of \$174,742.17 ("Assigned Agreement")

2. Turnover of KBS Stock – Jensen, Hahn and PV Capital shall deliver a total of 17,000 shares of stock in KBS Fashion Group ("KBS"), a publicly traded company to the Receiver.

3. Jensen and Hahn Cooperation. Jensen and Hahn agree to use their commercially reasonable best efforts to cooperate with Receiver's ongoing investigations into Palo Verde and specifically agree to cooperate with the Receiver in the liquidation of the KBS Shares and any issues with the collection of payments under the Assigned Agreement.

4. Approval of Agreement. The Receiver shall file a motion in the Receivership Action seeking the approval of this Agreement and the provisions contained therein are conditioned upon the approval of the Agreement by the Court in the Receivership Action. This Agreement shall not become effective until and unless approved by the Receivership Court. If this Settlement Agreement is not approved, for any reason, all funds paid by Jensen, Hahn and PV Capital, LLC to the Receiver shall be returned to Jensen, Hahn and PV Capital, LLC.

5. Mutual Releases The Receiver and the Palo Verde Fund, L.P. and the Palo Verde Equity Fund, LP hereby, on its own behalf and on behalf of its attorneys, employees, agents, predecessors, successors, assigns, assignors and legal representatives, releases and forever discharges Jensen, Hahn and PV Capital and their attorneys, employees, agents, predecessors, successors, assigns, assignors, executors, administrators, and legal representatives from any and all claims of any kind or nature arising out of the Receivership Action, including without limitation any claims that were made or could have been made in the Receivership Action by the

Receiver or the Palo Verde Fund, L.P. and the Palo Verde Equity Fund, LP. Jensen, Hahn and PV Capital hereby, on their own behalf and on behalf of their attorneys, employees, partners, agents, predecessors, successors, assigns, assignors, and legal representatives, releases and forever discharges the Receiver, the Palo Verde Fund, L.P. and Palo Verde Equity Fund, LP and their attorneys, employees, agents, predecessors, successors, assigns, assignors, executors, administrators, and legal representatives from any and all claims of any kind or nature arising out of the Receivership Action, including without limitation any claims that were made or could have been made in the Receivership Action. Nothing in this section shall be construed to constitute a release of claims that the investors in Palo Verde Fund, L.P. and the Palo Verde Equity Fund, LP. may have against Jensen, Hahn and PV Capital.

9. Attorneys' Fees. Each Party hereto shall be responsible for the payment of its own costs, attorneys' fees and all other expenses incurred in connection with the Receiver's investigation and this Settlement Agreement. If any Party commences an action against the other Party to enforce or interpret any of the terms hereof, the losing or defaulting Party shall pay to the prevailing Party as determined by the court all costs and expenses, including reasonable attorneys' fees and disbursements, incurred in connection with the prosecution or defense of such action.

10. Further Assurances. The Parties to this Agreement shall execute any further or additional instruments, and they shall perform any acts which may become necessary, in order to effectuate and carry out the purposes hereof.

11. Entire Agreement. This Agreement contains the entire agreement and understanding among the Parties concerning the subject hereof and supersedes and replaces all prior negotiations, agreements and proposed agreements, written or oral, relating thereto. Each of the Parties hereto acknowledges that no other Party, nor any agent or attorney of any Party, has made any promise, representation, or warranty whatsoever, express or implied, not contained herein concerning the subject matter hereof, to induce it to execute this Agreement and acknowledges that this Agreement has not been executed in reliance on any promise, representation or warranty not contained herein. This Agreement shall not be amended, modified or supplemented at any time unless by a writing executed by the Parties hereto.

12. Opportunity to Consult with Counsel. The Parties acknowledge that they have had the opportunity to consult with and obtain the advice of counsel prior to entering this Agreement, and have entered this Agreement voluntarily and free from coercion, duress or undue influence.

13. Governing Law. This Agreement is entered into in the State of Arizona, and shall be governed by, construed, interpreted, and enforced in accordance with the laws of the State of Arizona. Any dispute concerning the interpretation of this Agreement shall be submitted to and decided exclusively in the Receivership Action.

14. Counterparts. This Agreement may be signed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

15. Representation of Authority. The signatories to this Agreement represent and warrant that they have full authority to execute this Agreement and to bind the Party on whose behalf they are signing to the provisions hereof.

16. Severability. Should any portion of this Agreement be ruled unenforceable or invalid, such ruling shall not affect the enforceability or validity of the remaining portions of this Agreement.

17. Headings. Article and section headings are inserted herein solely for convenience and the same shall not by themselves alter, modify, limit, expand or otherwise affect the meaning of any provision of this Agreement.

18. Assignment and Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and assigns; provided, however, that nothing herein shall relieve any Party of any obligation under this Agreement, except upon the express written consent of the other Party.

19. Interpretation. This Agreement shall be interpreted fairly in light of the intentions of the Parties as set forth in this Agreement. The Parties each hereby waive the benefit of any rule or law or statute requiring that ambiguities be interpreted against the Party preparing the Agreement or causing the ambiguity.

20. No Admissions. The execution of this Agreement is not to be construed as an admission of liability by either Party, or an acknowledgement by either Party that the other Party's claims have any basis, but is a compromise and settlement of disputed claims.


All parties to this Agreement have read this Agreement and fully understand and comprehend its meaning and binding effect.

PETER S. DAVIS, AS RECEIVER OF PALO VERDE FUND, L.P. AND THE PALO VERDE EQUITY FUND, LP.

Dated: _____

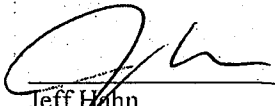
Peter S. Davis

Dated: 6/6/16

CHRIS JENSEN


Chris Jensen

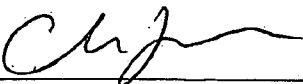
Dated: 6/6/16

JEFF HAHN


Jeff Hahn

PV CAPITAL, LLC

Dated: 6/6/16



By _____ its
Christopher E Jensen
President

Promissory Note

01/13/2011

FOR VALUE RECEIVED, the undersigned, **PV Capital, LLC**, an Arizona limited liability corporation, (the "Borrower"), hereby promises to pay to Mr. Tony Stacy, an Individual, (the "Lender"), on or before June 13th, 2012 at the address specified for payment below and in lawful money of the United States of America, the aggregate sum of all loans (each, an "Advance" and collectively, the "Advances") made by Lender to Borrower from time to time, such Advance(s) not to exceed One Hundred and Twenty Five Thousand dollars (\$125,000), plus all accrued and unpaid interest thereon, together with all costs and expenses of collection, if any.

Lender is authorized to endorse on a schedule annexed hereto and made a part hereof, or on a continuation thereof, or to otherwise record in a manner satisfactory to Lender, appropriate notations evidencing the date and amount of each Advance, and the date and amount of each payment, which endorsement or recording shall constitute prima facie evidence of the accuracy of the information endorsed or recorded; provided, however, that the failure to make such notations or recordings shall not affect the obligations of Borrower under this Note or affect the validity of any payment with respect thereto.

This Note shall bear interest at a per annum rate of 6%. Accrued interest shall be calculated on the actual number of days outstanding based on a year consisting of 360 days commencing with the first Advance.

If any payment under this Note shall become due and payable on a day which is not a business day of Lender, payment shall be made on the next succeeding business day, and with respect to such payments of principal, interest shall be payable thereon at the applicable rate during such extension.

The Lender may assign all of its right, title and interest in, to and under this Note. All payments required to be made hereunder shall be made by the Borrower without any right of setoff or counterclaim.

This Note shall be governed by and construed in accordance with the laws of the State of Arizona.

The address Lender for purposes of payment under this Note, until changed by written notice from Lender to Borrower, shall be:

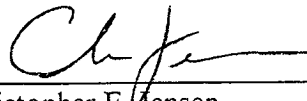
Ex "B"

Palo Verde Fund, L.P.
20645 North Pima Road
Suite 140
Scottsdale, AZ 85255

IN WITNESS WHEREOF, Borrower has duly caused this Note to be executed and delivered at the place specified above and as of the date first written above.

BORROWER:

PV Capital, LLC



Christopher E. Jensen
Managing Member