

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

SECURITIES AND EXCHANGE §
COMMISSION, §
§
PLAINTIFF, §
§
vs. §
§
BRIAN A. BJORK, THE ESTATE OF JOEL §
DAVID SALINAS, J. DAVID GROUP OF §
COMPANIES, INC., J. DAVID FINANCIAL §
GROUP LP, SELECT ASSET §
MANAGEMENT LLC, SELECT ASSET §
CAPITAL MANAGEMENT LLC, SELECT §
ASSET FUND I, LLC, AND SELECT ASSET §
PRIME INDEX FUND, LLC. §
§
DEFENDANTS. §

CIVIL ACTION NO. 4:11 CV - 02830

RECEIVER’S NINTH INTERIM REPORT

TO THE HONORABLE KEITH P. ELLISON, UNITED STATES DISTRICT COURT:

Steven A. Harr (“Receiver”), the Receiver appointed by the Court in these proceedings, files his Ninth Interim Report and for the same states as follows:

I.
INTRODUCTION

1. A Preliminary Report (Dkt#25) was filed by the Receiver on September 27, 2011. On November 3, 2011, the Receiver filed his Second Interim Report (Dkt#35). A Third Interim Report (Dkt#47) was filed February 7, 2012. A Fourth Interim Report (Dkt#72) was filed May 21, 2012. A Fifth Interim Report (Dkt#99) was filed September 10, 2012. A Sixth Interim Report (Dk# 111) was filed on December 12, 2012. A Seventh Interim Report (Dkt#135) was filed on April 16, 2013. An Eight Interim Report (Dkt#155) was filed on September 17, 2013. The

Receiver provides periodic reports to the Court as this matter progresses and based on the accumulation of important information.

2. The receivership has now been in place for approximately thirty months. This report is intended to only be an “update” on key matters. The history of the receivership is contained multiple times in the first five reports. Changing the format will take less time and reduce the cost of reporting.

3. This Report includes an update on (a) key events since the last report; (b) the Receiver's current conclusions as to the extent and nature of the Receivership Estate’s assets and liabilities, (c) the status of the claims process for victims, and (d) the Receiver’s current view of the potential for recovery efforts and alternatives in light of the assets available.

II.

SUMMARY OF KEY EVENTS SINCE EIGHTH INTERIM REPORT

4. A summary of the key events since the last report is as follows:

5. **Loan Collection: \$615,370 collected since the last report.** Monitoring and collection of loans in Select Asset Management Fund I and Select Asset Management Prime Index Fund continues. The matters collected since the last report include:

- a. **Clayton Johnson Note Paid in Full** - \$8,994.96
- b. **First State Bank Debentures Paid at Negotiated Balance:** \$498,000
- c. **Select Market Insurance Note Payments:** \$51,843.24
- d. **Payments on Global Leveraged Capital:** \$5,923.89
- e. **Standing Rock Interim Interest Payments:** \$25,608.00
- f. **Mike and Jennifer Holley payment of Negotiated Balance:** \$25,000

6. **Real Estate:** The home in Pearland on Apple Blossom Circle has been sold. It was a major undertaking in light of some regulatory issues required in Brazoria County, Texas

and that were not addressed while the house was owned by Salinas. The home has sold and the full net proceeds of \$50,810.94 has been deposited in the receivership accounts. There are two pieces of real estate that remain - the Galveston bay home on Chiquita and the unimproved lot in New Ulm, Texas. Activity on this real estate is slow.

7. **Third Parties:** The Receiver reached a property settlement with Erin Bjork. The settlement brought \$10,000 to the estate along with some jewelry and a firearm. The firearm was recently sold for \$125 to a local pawnshop. The jewelry is currently being marketed and will be sold in short order.

8. The Receiver has entered into a contract, obtained court approval and has closed the sale of the estate's interest owned by SFT Investments, Inc. in Select Markets Insurance Group. The sale price was \$300,000.00. Thus far, \$100,000 of the purchase price has been paid to the Receiver. The remaining \$200,000 is to be paid over 18 months at 3.5% interest. All monthly payments have been made since the closing of this transaction bringing another \$51,843.24 into the Receivership accounts (amount noted in the list above).

9. With the help of the receivership accountants, claims are being analyzed for the claw back of funds unfairly paid to third parties.

10. The Receiver has been in communications with the Department of Justice to take control of any funds they recover and to process those funds through the receivership's claims process.

11. **Claims Approval Process:** All submitted claims have been addressed by the Receiver and the Court. Beginning in October 2013, an interim distribution was approved by the court and made by the Receiver. There have been 293 total claims submitted, 22 have been withdrawn leaving 271 active claims with a total balance of \$51,104,775.19. Currently there are

269 approved claims that total \$50,565,699.84 and the Receiver has distributed \$9,828,470.09 to those 269 investors. One claim is ready to be submitted for approval in the amount of \$49,075.35 that will result in a distribution of \$9,538.79. One claim is still pending, but the person handling the claim was caught in the Tsunami last fall and despite efforts to contact him, the Receiver has not heard from him since October 2013.

12. On January 21, 2014, the Court entered an Order setting May 1, 2014 as the last day on which a claim can be filed and considered in this matter.

13. **Miscellaneous:** The Receiver's website has been updated with information to investors and the Receiver responds regularly to inquiries from investors on the status of the receivership. The Receiver has renewed the Certificates of Deposits holding the larger sums of the receivership corpus.

III.
GENERAL SUMMARY OF THE RECEIVERSHIP ESTATE'S
ASSETS AND LIABILITIES

14. As reported in the prior Interim Reports (DK#s 25, 35, 47, 72, 99, 111, 135 and 155), the Receivership estate is composed of various types of assets. This Ninth Interim Report will update the previous reports without repeating information on the assets that remain unchanged:

15. **Real Estate:** The remaining real estate assets include the Bay home and the New Ulm lot. The Bay home and New Ulm lot are listed for sale. Purchaser interest in the properties has been light. The Salinas family home was sold in May 2013 and the Pearland home sold in January 2014. The Receiver's current belief is that there may be as much as \$300,000 in equity in these remaining properties, before payment of sales costs and unpaid real estate taxes.

16. **Loans/Investments:** Select Asset Fund I and Select Asset Prime Index Fund had collectively made 20 loans or investments, either as maker, participant or investor. Many of the loans/investments are being paid as agreed. The loans that held the possibility of being paid, but were past due, have been pursued and settlements reached with payments now being made as agreed. The intercompany loans (loans between the Funds and various J. David related entities) are obviously in default and will never be paid. In his *Motion to Approve Plan of Distribution*, the Receiver asked the Court, and the Court approved, the collapse all of the J. David Salinas related entities, including Select Asset Fund I and Select Asset Prime Index Fund, into one common pool of assets making the intercompany loans moot (in the Receiver's opinion these were really no more than substantial comingling of all investor funds). Some loans in the Funds are of negligible value and will not be pursued. An updated summary of the current understanding of these loans/investments follows.

17. Since the last report, two loans on a payout plan have completed the payout schedules. Another loan was paid off in full. There are two loans and three investments that still need to be liquidated and the Receiver is working to sell or liquidate these assets. All paid loans or sold investments have been removed from the summary chart below. The identity of the maker and guarantors of the notes or the party in which money is invested is not provided due to privacy concerns. The numbers shown are as best known at this time, are presented without prejudice to the actual amount owed and may change as the investigation continues.

SELECT ASSET FUND I LLC NOTES

ORIGINAL PRINCIPAL	ESTIMATED CURRENT BALANCE	STATUS	COLLATERAL
\$155,000	\$220,000 plus interest (additional \$65,000 advanced)	Matured; unpaid; Receiver made demand and after some activity before the Court, the Borrower and the Receiver have reached a settlement agreement that has been approved by the Court calling for payment of \$215,000 on the sale of certain property. The property has not yet sold. The Borrower has until the end of 2014 to sell the property and then the Receiver will have the right to sell the property to liquidate this debt.	It does not appear that this loan was originally collateralized. The settlement is collateralized.
\$1,965,000	\$1,965,000 plus interest	No documentation; loan is due; unpaid; loan to related J. David entity; borrower can't pay the loan. Court has approved a settlement for \$300,000 for the sale of certain assets related to this loan and the initial payment of \$100,000 has been made with monthly payments being made timely. Final payment is due in June 2015.	None
\$300,000	\$300,000 plus interest	This loan is owed by the same obligors as the preceding listed loan and has been resolved within the terms described above.	None

SELECT ASSET FUND I LLC PARTICIPATIONS PURCHASED

ORIGINAL PRINCIPAL	ESTIMATED CURRENT BALANCE	STATUS	COLLATERAL
\$500,000	\$497,271.41	Current and performing. Obligation matures March 2015.	Commercial real estate, cell towers and UCC assets.
\$1,000,000	\$936,884.04	Current and performing.	Commercial real estate.

SELECT ASSET PRIME INDEX FUND LLC NOTES

ORIGINAL PRINCIPAL	ESTIMATED CURRENT BALANCE	STATUS	COLLATERAL
\$1,000,000	\$1,000,000 plus interest	Pool of loans, covenants violated, distributions had been suspended at the time of the Receivership but were resumed in April 2012. A sale agreement has been reached with some of the other investors and the court has approved the sale; sale in final documentation status.	Commercial Debt Obligation Fund
-	\$810,000 plus interest	This loan was part of the settlement of the amounts listed in the last two entries under Select Asset Fund I LLC above.	None known

18. **Bank Accounts:** No additional bank accounts have been identified.

IV.

CLAIMS ADMINISTRATION

19. Distributions will be made only according to the plan approved by the Court. The Receiver filed a Motion to Approve Distribution Plan and in so doing has asked the Court for the right to make an interim distribution of \$10,000,000. Because it may be some time before the remaining real estate and other loans/investments are liquidated and because it is the Receiver's desire to get money flowing to the investors, he asked for the authority to make the interim distribution. The request for an interim distribution was approved by the Court and the interim distribution has been made. All checks, save one, have cleared the distribution account.

V.

CURRENT VIEW OF POTENTIAL RECOVERIES

20. The Receiver has completed his settlement of the J. David Salinas probate estate and interests of the family in all community and separate property and has now listed all of the real estate assets for sale. He has sold Parkway Pawn and substantially all of the personal property has been seized. All insurance proceeds have been collected. At present, the Receiver is hopeful that he can sell and liquidate equity in all of the remaining real estate in 2014.

21. The Receiver has evaluated the loans in Fund I and the Prime Index Fund and has been taking steps to seek full payoff of these loans and the possible sale of other loans or investments that cannot or are not required to be paid off in the reasonably near future. A summary of the remaining loans to be paid or sold is outlined above.

22. The Receiver remains interested in an analysis of the flow of funds in and out of the various Defendants' bank accounts and entities. The Receiver also remains interested in all third parties who assisted the receivership entities to determine the extent of their participation in the process, possible location of assets and possible claims. Finally, the Receiver has been in contact with the Department of Justice and to date all funds seized by the Department have been turned over to the Receiver to be administered through the claims process in this proceeding.

23. The most recent quarterly Standard Funds Accounting Report prepared by the Receiver's accounts is attached as Exhibit "A" reflecting the estates assets and expenses to date.

24. The Receiver has established a website at www.selectassetreceiver.com and encourages investors to comment on this Report by responding by e-mail at the address posted therein. The Receiver has reviewed and considered correspondence forwarded through this means, and will continue to do so unless constrained by the expense.

DATED: February 19, 2014

Respectfully submitted,

By: /s/ Steven A. Harr

Steven A. Harr

Texas Bar No. 09035600

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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing was filed electronically with the Clerk via the CM/ECF system. Notice of this filing will be sent to all parties by operation of the Court's electronic filing system.

Houston, Texas, this the 19thth day of February 2013.

/s/ Steven A. Harr

Steven A. Harr

EXHIBIT A

STANDARDIZED FUND ACCOUNTING REPORT for J. David Financial, et. al. - Cash Basis
 Receivership; Civil Court Docket No. 4.11 CV - 02830
 Reporting Period 11/01/2013 to 1/31/2014

FUND ACCOUNTING (See Instructions):				
		Detail	Subtotal	Grand Total
Line 1	Beginning Balance (As of 11/01/2013):		\$ 23,797,336	
	<i>Increases in Fund Balance:</i>			
Line 2	Business Income	\$ -		
Line 3	Cash and Securities	-		
Line 4	Interest/Dividend Income	11,368		
Line 5	Business Asset Liquidation	-		
Line 6	Personal Asset Liquidation	-		
Line 7	Third-Party Litigation Income	-		
Line 8	Miscellaneous - Other	10,000	21,368	
	Total Funds Available (Lines 1 – 8):			\$ 23,818,704
	<i>Decreases in Fund Balance:</i>			
Line 9	Disbursements to Investors	(9,857,626)	(9,857,626)	
Line 10	Disbursements for Receivership Operations			
Line 10a	Disbursements to Receiver or Other Professionals	(150,213)		
Line 10b	Business Asset Expenses	-		
Line 10c	Personal Asset Expenses	(41,258)		
Line 10d	Investment Expenses	(292)		
Line 10e	Third-Party Litigation Expenses			
	1. Attorney Fees			
	2. Litigation Expenses			
	Total Third-Party Litigation Expenses	-		
Line 10f	Tax Administrator Fees and Bonds	-		
Line 10g	Federal and State Tax Payments	-		
	Total Disbursements for Receivership Operations		(191,763)	
Line 11	Disbursements for Distribution Expenses Paid by the Fund:			
Line 11a	Distribution Plan Development Expenses:			
	1. Fees:			
	Fund Administrator.....			
	Independent Distribution Consultant (IDC).....			
	Distribution Agent.....			
	Consultants.....			
	Legal Advisers.....			
	Tax Advisers.....			
	2. Administrative Expenses			
	3. Miscellaneous			
	Total Plan Development Expenses			
Line 11b	Distribution Plan Implementation Expenses:			
	1. Fees:			
	Fund Administrator.....			
	IDC.....			
	Distribution Agent.....			
	Consultants.....			
	Legal Advisers.....			
	Tax Advisers.....			
	2. Administrative Expenses			
	3. Investor Identification:			
	Notice/Publishing Approved Plan.....			
	Claimant Identification.....			
	Claims Processing.....			
	Web Site Maintenance/Call Center.....			
	4. Fund Administrator Bond			
	5. Miscellaneous			
	6. Federal Account for Investor Restitution (FAIR) Reporting Expenses			
	Total Plan Implementation Expenses			
	Total Disbursements for Distribution Expenses Paid by the Fund			
Line 12	Disbursements to Court/Other:			
Line 12a	Investment Expenses/Court Registry Investment System (CRIS) Fees			
Line 12b	Federal Tax Payments			
	Total Disbursements to Court/Other:			
	Total Funds Disbursed (Lines 9 – 11):			(10,049,389)
Line 13	Ending Balance (As of 1/31/2014):			\$ 13,769,315

STANDARDIZED FUND ACCOUNTING REPORT for J. David Financial, et. al. - Cash Basis

Receivership; Civil Court Docket No. 4.11 CV - 02830

Reporting Period 11/01/2013 to 1/31/2014

Line 14	Ending Balance of Fund – Net Assets:			
Line 14a	Cash & Cash Equivalents			\$ 6,520,067
Line 14b	Investments			5,250,000
Line 14c	Other Assets or Uncleared Funds			1,999,248
	Total Ending Balance of Fund – Net Assets			\$ 13,769,315

OTHER SUPPLEMENTAL INFORMATION:				
		Detail	Subtotal	Grand Total
	Report of Items NOT To Be Paid by the Fund:			
Line 15	Disbursements for Plan Administration Expenses Not Paid by the Fund:			
Line 15a	Plan Development Expenses Not Paid by the Fund:			
	1. Fees:			
	Fund Administrator.....			
	IDC.....			
	Distribution Agent.....			
	Consultants.....			
	Legal Advisers.....			
	Tax Advisers.....			
	2. Administrative Expenses			
	3. Miscellaneous			
	Total Plan Development Expenses Not Paid by the Fund			
Line 15b	Plan Implementation Expenses Not Paid by the Fund:			
	1. Fees:			
	Fund Administrator.....			
	IDC.....			
	Distribution Agent.....			
	Consultants.....			
	Legal Advisers.....			
	Tax Advisers.....			
	2. Administrative Expenses			
	3. Investor Identification:			
	Notice/Publishing Approved Plan.....			
	Claimant Identification.....			
	Claims Processing.....			
	Web Site Maintenance/Call Center.....			
	4. Fund Administrator Bond			
	5. Miscellaneous			
	6. FAIR Reporting Expenses			
	Total Plan Implementation Expenses Not Paid by the Fund			
Line 15c	Tax Administrator Fees & Bonds Not Paid by the Fund			
	Total Disbursements for Plan Administration Expenses Not Paid by the Fund			
Line 16	Disbursements to Court/Other Not Paid by the Fund:			
Line 16a	Investment Expenses/CRIS Fees			
Line 16b	Federal Tax Payments			
	Total Disbursements to Court/Other Not Paid by the Fund:			
Line 17	DC & State Tax Payments			
Line 18	No. of Claims:			
Line 18a	# of Claims Received This Reporting Period.....			1
Line 18b	# of Claims Received Since Inception of Fund.....			293
Line 19	No. of Claimants/Investors:			
Line 19a	# of Claimants/Investors Paid This Reporting Period.....			269
Line 19b	# of Claimants/Investors Paid Since Inception of Fund.....			269

Note: Asset values are estimated based on books and records of estate. These amounts may change upon further analysis during the course of the receivership.

Receiver:

By: _____ Date: _____
(signature)

(printed name)

(title)

STANDARDIZED FUND ACCOUNTING REPORT for J. David Financial, et. al. - Cash Basis
Receivership; Civil Court Docket No. 4.11 CV - 02830
Reporting Period 11/01/2013 to 1/31/2014

Line 1: Beginning Balance (As of 11/01/2013):

Balance as of last report period ended 10/31/2013	\$	24,318,990
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Adjustment of asset values unknown at beginning of receivership:

Select Asset Prime Index Fund, LLC: First State Bancorporation, Inc. (Write off of settlement revision per new agreement dated 12/11/2013)	(502,000)
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J. David Financial et al Receivership: 806 Apple Blossom, Pearland, Texas (Write off to estimated fair value)	(19,654)
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Adjusted balance as of 10/31/2013	<u>\$</u>	<u>23,797,336</u>
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<u>Line 14c: Other Assets or Uncleared Funds:</u>	<u>Assets</u>	<u>Mortgages</u>	<u>Net Assets or Uncleared Funds</u>
Global Leveraged Capital	\$ 943,062	\$ -	\$ 943,062
Real estate at appraised values:			
Galveston house	578,998	(360,535)	218,463
Notes Receivable:			
Held by Select Asset Fund I, LLC	794,514	-	794,514
Held by Select Asset Prime Index Fund, LLC	43,059	-	43,059
	<u>837,573</u>	<u>-</u>	<u>837,573</u>
Security deposit	<u>150</u>	<u>-</u>	<u>150</u>
Total other assets or uncleared funds	<u>\$ 2,359,783</u>	<u>\$ (360,535)</u>	<u>\$ 1,999,248</u>