

3. The Report includes (a) a general summary of the work done to-date, (b) a update as to the Receiver's preliminary 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. This report is an update for the reason that the investigation continues, but it is not the result of a completed investigation. Future reports will provide more detail.

Summary of Key Events Since the Third Interim Report

4. The following are explained below, but a summary of the key events since the last report is as follows:

A settlement with the Salinas Family resulting in all of the family's possible interests in real estate and related business interests being conveyed to the Receiver and with the only open issue being their possible claims to death benefits in an irrevocable children's trust established by Mr. Salinas;

- a. All real estate with equity listed for sale and the Friendswood office in which there was no equity was abandoned to the lender for payment by the lender to the estate of \$10,000;
- b. Receiver appointed as Trustee of the Joel David Salinas Irrevocable Children's Trust for the purpose of making claims on \$2,350,000 in insurance proceeds; claims made on all of these policies and the benefits received and invested to be held pending resolution of claims by the family members as beneficiaries under the trust;
- c. Parkway Pawn state operating license transferred into the name of the receiver to facilitate sale of the business; Parkway Pawn placed under contract and with Court approval and sold May 8, 2012, and \$238,186.76 of equity from that sale placed in the receivership's accounts;

- d. Receiver provided a detailed position statement to those persons claiming a beneficial interest in certain of J David Salinas' life insurance policies addressing why these interests should be returned to the receivership for distribution to all affected victims; discussions and negotiations for the return of those interests continues.
- e. Receiver provided a detailed position statement to the Salinas family members who are beneficiaries of the Joel David Salinas Irrevocable Children's Trust addressing why the \$2,350,000 in death benefits in the trust should be paid to the receivership for distribution to all affected victims; discussions and negotiations for the payment of these benefits continues.
- f. Collection of loans in Select Asset Management Fund I and Select Asset Management Prime Index Fund continues, some loan issues resolved to provide for payment and initiation of claims against those who can pay matured loans.

General Summary of Work To Date

5. Beginning on August 2, 2011, and within hours of the appointment of the Receiver by this Court, the Receiver's agents arrived at the corporate offices of J. David Financial Group, LP in Friendswood, Texas and Select Asset Management, LLC in Houston, Texas. In general, the following has occurred:

- a. Securing of all premises and the initiation of a review of the files in place to obtain an understanding of general-record keeping methods and files available, and to secure all records, both physical and electronic. The business premises on Washington Avenue in Houston and Edgewood Drive in Friendswood have been closed and all documents, computers and other business materials have been moved to a secure location at the Receiver's office;

- b. Interview of available key former employees, some multiple times, to gain information regarding the assets, status of same, and current issues;
- c. Continued inventory, inspection, and understanding of all assets, legal documents regarding same, and the relationship of the Defendants to those assets;
- d. Re-open and daily operation of the Parkway Pawn business operation to facilitate loan payments, recovery of property and maintenance of the on going business of Parkway Pawn and to satisfy the demands of the regulatory agencies of the State of Texas over pawn shops as well as to maintain its value for sale. As well the Receiver has worked with the Office of Consumer Credit for the State of Texas to facilitate the change of official ownership of the pawn shop into the name of the Receiver so as to facilitate the sale of the business. The license has been transferred to the Receiver. The Receiver employed a consultant to value Parkway Pawn and to assist in its sale. The pawnshop was put on the market, placed under contract and sold after Court approval on May 8, 2012, providing equity in the amount of \$238,186.76 to the receivership fund.
- e. Evaluation of the assets held by the Receivership entities, including, but not limited to, initiating the process to determine actual market value of the assets, quantifying the debt on certain assets and notice to all lenders of the Receivership so as to protect the assets from any kind of claim or foreclosure;
- f. Request and obtain access through the Secret Service to all financial information available, contact financial institutions to freeze all identified bank accounts and transfer frozen money to accounts maintained by the Receiver. The Receiver has either requested or subpoenaed all bank statements dating back to 2004 for all bank accounts used by the entities involved in the Receivership so as to

facilitate a complete forensic accounting. This process is slow due to the policies of the financial institutions and the length of time in issue as well as the fact that here are approximately 60 accounts involved. The forensic accounting of the bank accounts is substantially complete.

- g. Through both the investigation and the claims process, begin to determine the actual extent of liabilities to creditors, mortgage holders and investors;
- h. Devise an appropriate claims process, prepare and file a motion to obtain Court approval for a claims process, claims manager and claim form, obtain an order approving the process and forms and begin the process of accepting and reviewing claims. The Receiver was substantially delayed in getting what is believed to be a complete mailing list of all investors due to confusion as to the location of the list and passwords that protected the computer system containing the list. A list has been obtained and claim forms have been mailed. The list on the computers of the company was not complete. The list is being updated as new claims are sent in that come from people not on the computer list. The Receiver expects to begin formal adjusting of the claims in June 2012.
- i. Establish within a few days of the Receiver's appointment an information website (www.selectassetreceiver.com) for all interested investors, creditors and others with regard to the status of the Receivership and to provide for on-going communications, updated pleadings filed in the proceeding, and an email address for questions and inquiries;
- j. Secure the services of a broker/property consultant to evaluate and market all real estate assets of the Receivership. All real estate other than Edgewood is currently listed and for sale. Edgewood was abandoned by Court order in exchange for a payment from the lender in the amount of \$10,000;

k. Search for, obtain and contact all insurance companies that have issued policies on the life of J. David Salinas (not including the Children's Trust described below), provide them with copies of the TRO/ Freeze Order and Order Appointing Receiver and initiate and continue communications with these insurers with regard to their policies and claims to be made under the policies. The Receiver has filed claims on \$12,900,000.00 in death benefits for receipt by the Receivership and collected the sum of \$11,989,162.92 (including interest). An additional \$2,850,000 in insurance proceeds are in dispute with third parties and are being held by the insurance companies under agreement with the Receiver and the third parties. A substantial portion of this money has been invested with permission of the Court in bank certificates of deposit insured by the FDIC. The Receiver has filed claims on all available death benefits. The designation of the beneficiary on some of the death benefits were transferred by J. David Salinas a few weeks before his death to individuals who he apparently knew during his life time. Requests have been made on those purported beneficiaries to disclaim their interest in these last minute transfers and most of those to whom the transfers were made have cooperated with the Receiver and returned those interests so as to avoid the time and expense of asserting claims for fraudulent transfers and other claw back remedies available to the Receiver. A limited few of the purported beneficiaries, although cooperating, have requested information from the Receiver that was provided at the end of February and during March 2012 demonstrating the basis on which the Receiver (and thus the victimized investors) have the right to the proceeds as opposed to a few who Mr. Salinas tried to protect at the last minute. The Receiver expects to have the responses from these individuals soon.

- I. Employ the services of an accountant for the Receivership to be responsible for all accounting of the funds received and disbursed as well as forensic accounting with respect to the records of the Defendants;
- m. Obtain permission of the court to employ an experienced claims manager for all investor and creditor claims to be made in the Receivership claims process;
- n. Analyzed and understand the elaborate wills and trusts created by J. David Salinas and conduct extensive negotiations with the family of J. David Salinas and their counsel to arrive a property settlement. This process was substantially slowed by the delay experienced in the probate court in Galveston County and its execution of the order appointing the Executrix of the estate of J. David Salinas. The appointment of the Executrix has occurred, negotiations with the family have been completed and a settlement with the family has been documented and approved by the Court. The remaining issue not addressed in this settlement relates to certain life insurance policies held in the Joel David Salinas Children's Irrevocable Trust. The amount of death benefits from the insurance in the trust is \$2,350,000. The family and the Court have approved the Receiver's position as trustee of those trusts for the limited purpose of making claims on the insurance policies so that these funds can be collected as the investigation into the payments for these policies continue. Claims have been made on all of the policies and all of the insurance companies have paid the funds to the Receiver and those funds have been invested under the authority of prior orders of the Court. The Receiver has documented his position on why these proceeds should be paid to the receivership estate instead of the family members, meetings with each of the family members have occurred and meaningful discussions toward a

resolution have occurred. The Receiver expects to resolve his claim to these proceeds favorably within the next month.

- o. Accomplish control of all mail to the various entities associated with the Receivership, review and respond to mail daily;
- p. Travel to and meet with the representative of Select Asset Capital Management to review all loans in Fund I and the Prime Fund, map out and pursue strategies for collection of those loans and continue the process of collecting the loans.

General Summary of the Receivership Estate's Assets and Liabilities

6. As reported in the Second and Third Interim Reports (DK#s 35 and 47), the Receivership estate is composed of various types of assets. This Fourth Interim Report will update the previous reports without repeating information on the assets that remains unchanged:

- a. **Real Estate** - The real estate assets have not expanded. Parkway Pawn has been sold and the Edgewood property abandoned for consideration. The remaining real estate assets include the Salinas home, Bay home, the Pearland home and the New Ulm lot. All of the potential Salinas interest in the Salinas home, Bay Home, Pearland home and New Ulm lot have been deeded to the Receiver as part of the settlement with the family. The Salinas Home, Bay home, Pearland home and New Ulm lot are listed for sale. Any estimate of the equity to be gained from these sales would be unreliable and therefore is not included. There does appear to be sufficient equity to warrant the Receiver's time and attention to marketing and sale of these properties.
- b. **Insurance Policies** - No new insurance policies have been identified. The Receiver has \$2,850,000 remaining to be collected on certain policies that had last minute ownership and beneficial interest changes. The Receiver has

provided those claiming these interests with an extensive statement of his position on his rights to these funds. He has heard from one of the purported beneficiaries and is in negotiations for a resolution of the claim. He is currently awaiting a response from three others to determine whether litigation will be necessary.

- c. **Salinas Family Trust Insurance Policies** - There are three insurance policies held by an irrevocable family insurance trust. The death benefits total \$2,350,000. The Receiver has investigated the history of these policies, the sources of funds used for payment of the policies and claims that the Receiver may have to the death benefits. At the last report, no claims had been made on these policies because there was no current trustee of the trust that owns the policies. The Receiver has received the agreement of the family to be appointed as trustee and has sought and been approved by the Court to be the trustee of these trusts for the limited purpose of making claims on the policies and investing the funds until the completion of the investigation and a resolution of the family's interests, if any, in these death benefits. The Receiver has made claims on all policies, received \$2,357,545.04 from all policies and invested the funds as agreed. A statement of the Receiver's position as to his rights to these funds has been provided recently to the family and the structure of a settlement is being discussed.
- d. **Loans** – Select Asset Management Fund I and Select Asset Prime Index Fund have collectively made 20 loans, either as maker or as a participant. The records with respect to each of these loans have been substantially located. The individual that had the key role in the credit underwriting for the loans (not including the inter-J. David loans) has been interviewed and the Receiver has a

working knowledge of each transaction. Each maker of each note has been put on notice of the Receivership, that they should continue to pay the loans as agreed and been advised as to where to make the payments. Some of the loans are past due, some are in default and some are possibly of negligible value. The Receiver's investigation of each of these loans, the ability of the borrower to pay off matured loans and possible efforts that may have to be taken to liquidate collateral for the benefit of the respective Fund maker continues. An updated summary of the current understanding of these loans is as follows. The identity of the maker and guarantors of the notes 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 has made demand and borrower has refused to pay. The Court has authorized a Summary Proceeding to determine liability of the borrower. Papers are being prepared to recover the debt and all expenses.	It does not appear that this loan was collateralized.
\$1,575,000	\$72,981 plus interest	Matured; unpaid; demand has been made; working with borrower on payoff	Residential real estate;
\$500,000	\$490,000 plus interest	Matured; unpaid; Borrower filed bankruptcy but guarantors are not in bankruptcy. Demands have been made on the guarantors and one has	Unsecured, but with significant personal guarantees

		agreed to a payout over 90 days and summary proceedings before the court are being pursued against the other.	
\$500,000	\$500,000 plus interest	Matured; borrower discharged in bankruptcy; total loss	None
\$1,965,000	\$1,965,000 plus interest	No documentation; loan is due; unpaid; loan to related J. David entity; Receiver met with principals in February; preliminary indications are the borrower can't pay the loan. Negotiations are under way for partial payment of the note in satisfaction of the debt.	None
\$300,000	\$300,000 plus interest	No documentation; due; unpaid; loan to related J. David entity; This loan is owed by the same obligors as the preceding listed loan and if negotiations can be successful it will be satisfied as well with the agreed partial payment.	None

Select Asset Fund I LLC Participations Purchased

\$1,000,000	\$991,098.03	Current and performing	Commercial real estate
\$2,000,000	\$1,734,441.64	Matured; loan collateral is impaired; in process of restructure by lead lender; Receiver has been approached to sell the participation for 62% of balance but on examination believed that the offer was not substantial enough.	Commercial real estate

		Efforts to sell the participation continue.	
\$500,000	\$497,271.41	Current and performing	Commercial real estate and UCC assets
\$1,000,000	\$936,884.04	Current and performing; loan matures later this year and the Receiver expects full payment of the balance.	Commercial real estate
\$500,000	\$500,000	Paid	Commercial real estate

Select Asset Prime Index Fund LLC Notes

\$250,000	\$250,000	Paid off in October 2011	Assignment of Payment Rights from Municipality
\$400,000	\$400,000 plus interest	No documentation; due; unpaid; loan to related J. David entity; may be treated as a claim in the J David receivership	None known
	\$556,405.12 plus interest	No documentation; due; unpaid; loan to related J. David entity; may be treated as a claim in the J David receivership	None known
\$1,000,000	\$1,000,000 plus interest	Pool of loans, covenants violated, distributions had been suspended but were resumed in April . Efforts to sell the participation continue.	Commercial Debt Obligation Fund
\$1,000,000	\$1,060,267 plus interest	Matured; unpaid; demand was made; settlement worked out with borrower and approved by the	Secured by assets in SAM brokerage accounts

		Court; borrower paid half the balance on settlement and will pay the balance due over 12 months.	
	\$810,000 interest plus	No documentation; due; unpaid; loan to related J. David entity; Receiver to meet with principals in February; preliminary indications are the borrower can't pay the loan. This loan will be satisfied if negotiations for partial payment are successful.	None known
\$1,000,000	\$1,000,000 (divided in to 4 debentures of \$250,000 each)	Current and paying as agreed.	Subordinated to senior debt holders, otherwise secured by all business assets
\$150,000	\$150,000	Current and paying as agreed.	Commercial Real Estate

- e. **Bank Accounts** – Approximately 60 bank accounts for the Defendants have been identified, the banks put on notice of the TRO/ Freeze Order and Order Appointing Receiver and all such accounts have been frozen. The accounts for Fund I, Prime Fund and Parkway Pawn have been kept separate from other funds in the receivership and money that is paid on loans in Fund I and Prime Fund and from the operations of the pawn shop will be segregated for now. The preliminary investigation indicates that funds that were invested in Fund I, Prime Fund and Parkway Pawn were kept separate from other funds of the Defendants, however, the Receiver has discovered that there have been substantial loans made from Fund I and Prime Fund to related J David entities and is considering

whether these acts are sufficient to warrant pooling of all assets in the estate for the benefit of all investors.

- f. **Consulting Business** - Select Asset Capital Management had a series of engagements to provide consulting services to various banks and other businesses with respect to debt structures and the location of capital. The Receiver has met with Mr. Bradley regarding these engagements and worked out a plan to wind down these practices with the Receivership getting paid for those fees that are due for work done to date. As Select Asset Capital Management is no longer in business, the Receiver has agreed to allow Mr. Bradley to continue these engagements on his own and separate from any control by the Receiver.

Claims Administration

7. On September 16, 2011, the Receiver filed with the Court his Receiver's Unopposed Motion to Establish Claim Procedure and Claim Form. On September 20, 2011, the Court approved the proposed procedure and form. At the time of this report, the Receiver has received 275 A claims from 138 separate entities/people for a gross amount of \$52,189,055.44. This number is very "soft" as these claims have not been reviewed for accuracy and in all likelihood represents an overstated amount. The Receiver has received 10 B claims for a total of \$191,030.09

8. Distributions will be made only according to a plan approved by the Court. Distributions to claimants can only occur after all claims have been reviewed and approved as well as when there are sufficient liquid assets to distribute. The claims process may take as long as a year and the liquidation of assets may take longer.

Current View of Potential Recoveries

9. The Receiver's 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

substantially listed all of the real estate assets for sale. He has sold Parkway Pawn. All sales of real estate or businesses must be approved by the Court following a motion to the court and hearing if necessary. It is acknowledged that the market for real estate has been down for some time. Depending on the equity in each of the properties, appropriate action will be taken to sell, hold or abandon properties so as to maximize the return of cash to the estate. At present the Receiver believes that he can sell and liquidate equity in all of the remaining real estate. It is too early to tell at this time what price the assets will sell for, the relative costs associated with the sales or the potential recovery benefit to the Receivership estate. As assets sell, information will be posted on the Receiver's website along with periodic basic balance sheet information to give a more accurate indication of the size of the distributable estate.

10. For those insurance policies that the beneficial interests were in the name of a Receivership entity or have been assigned to the Receiver, claims have been made and funds collected and invested. For those portions of the insurance death benefits that are in issue with third parties, the Receiver has made a presentation to these beneficiaries near the end of February and in March and asked for those beneficial interests to be assigned back to the Receiver. In the event that there is a disagreement, the Receiver will either discuss a settlement or bring claims in this Court seeking a judicial resolution.

11. 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 that cannot or are not required to be paid off at this time. All borrowers have been contacted and where there is resistance to payment of loans that are due, the Receiver plans to follow an efficient path of filing a Motion with the Court seeking an order requiring the borrower to pay the loan. The first of these motions has been filed, a hearing held and the Court has determined that these matters should be resolved through summary proceedings as called for under the Federal Rules of Civil Procedure.

12. The Receiver is also engaged in an analysis of the flow of funds in and out of the various Defendants' bank accounts and entities. This process has matured significantly and the Receiver expects to formulate a plan in the next 60 days on how to pursue claims for the return of funds wrongfully paid to third parties.

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

Respectfully submitted,

/s/ Steven A. Harr

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ATTORNEY'S FOR THE RECEIVER

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 21st day of May 2012.

/s/ Steven A. Harr
Steven A. Harr

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