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 8 *CapSource, Inc., et al.*

9 **UNITED STATES DISTRICT COURT**  
 10 **DISTRICT OF NEVADA**

11 SECURITIES AND EXCHANGE  
 12 COMMISSION,

Plaintiff,

13 v.

14 CAPSOURCE, INC., STEPHEN J. BYRNE,  
 15 and GREGORY P. HERLEAN

Defendants.

Case No. 2:20-cv-02303-RFB-DJA

**SECOND STATUS REPORT OF GEOFF  
 WINKLER, RECEIVER CAPSOURCE,  
 INC.**

17 Geoff Winkler of American Fiduciary Services, LLC (the “Receiver”), the Court-appointed  
 18 receiver for defendant CapSource, Inc., submits his Second Quarterly Report (“Report”) for the  
 19 period October 1, 2022, through December 31, 2022 (“Reporting Period”), regarding the  
 20 receivership pursuant to Local Rule 66-4(b).

21 **I. PRELIMINARY STATEMENT**

22 As reflected in the Court's record and discussed further in this Report, the Receiver has  
 23 been authorized, empowered, and directed to, among other things: (1) take exclusive authority  
 24 and control over the Receivership Defendant; (2) conduct such investigation and discovery as  
 25 necessary to identify and locate outstanding assets of the Receivership Defendants; and  
 26 (3) preserve and prevent the dissipation of such assets.

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1 The Receiver has diligently pursued these goals since August 26, 2022, at the inception of  
 2 the receivership. As detailed herein, since the entry of the Order Appointing Receiver (the  
 3 “Appointment Order”) (ECF No. 17), the Receiver has made substantial progress, particularly in:  
 4 taking possession of CapSource files and inventory and beginning analysis of same; review of  
 5 investor list and communication with investors; review accounting records; communication with  
 6 defendants; evaluating asset and properties of the estate; assessment of income and investor  
 7 payment options; evaluating and terminating a lease; analysis of ancillary proceedings and  
 8 communication with counsel; processing account information; evaluating estate needs including  
 9 tax issues; preparation of financial and quarterly reports; communication with SEC regarding  
 10 pending matters; and preparation of stipulations and court filings. However, because the  
 11 Receiver's work is ongoing, the conclusions presented herein are preliminary and subject to  
 12 modification or supplementation as more information becomes available.

13 As of the date of this Report, the Receiver has not completed an investigation or  
 14 accounting, nor arrived at any definitive conclusions, including as to the allegations made by the  
 15 plaintiff Securities and Exchange Commission in the above-entitled matter.

16 **II. SUMMARY OF THE RECEIVER'S OPERATIONS (LR 66-4(b)(1))**

17 **A. *THE RECEIVER'S INVESTIGATIVE AND MARSHALLING ACTIVITIES***

18 During this reporting period, the Receiver and his counsel continued to work through four  
 19 legal proceedings involving CapSource. None of these legal proceedings were previously  
 20 disclosed to the Receiver in his capacity as either Receiver or CRO. Additional information on this  
 21 matter can be found in section V, subsection A.

22 On October 5, 2022, the Receiver and his team met with the Defendants to discuss the  
 23 turnover of all investment-related documentation and investor contact lists. Nearly 200 boxes of  
 24 investment documentation were turned over and the Receiver's team has been identifying  
 25 information that will be necessary to complete the outstanding investments. Investor contact lists  
 26 were also provided to the Receiver. However, missing information has been identified when  
 27 speaking with investors during phone calls. The Receiver's team is currently working through a

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1 reconciliation of investor contact information from an additional investor list provided by the  
2 Defendants.

3 At the end of October, the final lot owned by the 5th Avenue Estates investors was sold.  
4 This transaction was under contract prior to the appointment of the Receiver, but the transaction  
5 took additional time due to an extension from the buyer. The Defendants assisted the Receiver  
6 with this sale which successfully brought in \$653,375.30 into the Receivership estate.

7 The Receiver has also begun to have preliminary conversations with borrowers to  
8 understand the plan for the outstanding loan receivables. These conversations have led to offers  
9 being provided on Texas 156 and Fillmore RE Partners. The Receiver is reviewing these offers  
10 and will provide additional information in the following reporting period.

11 The Receiver successfully secured \$759,282.17 in cash during this reporting period. A  
12 description of all assets in the custody and control of the Receiver is included in Section III, below.

13 ***B. INVESTOR AND CREDITOR COMMUNICATION***

14 Most notably during this reporting period, the Receiver held a creditor and investor meeting  
15 on November 14, 2022. The Receiver has continued to update the investor website  
16 (<http://www.capsource-receiveship.com>). A recording of the investor meeting is available on the  
17 website under the notices tab. The Receiver and his team have continued to review investor lists  
18 provided by Defendants and have collected additional registration forms directly from investors  
19 (<http://www.capsource-receiveship.com/register>). The Receiver will also be submitting an  
20 investor list to the court in-camera. The investor list as of December 31, 2022, had roughly 354  
21 individuals.

22 ***C. THE RECEIVER'S FORENSIC ACCOUNTING ACTIVITIES***

23 During the reporting period, the Receiver received bank statements from CapSource and  
24 financials from EquiSource. These records were turned over during an on-site visit. The Receiver  
25 and his team are reviewing these records and will request additional items if needed.

26 The Defendants turned over investor lists after the on-site visit. The Receiver and his team  
27 have identified missing information within the contact information for active investors. The  
28 Receiver's team is reconciling the missing information with an additional investor list provided by

1 the Defendants. This will be critical in the verification of investors' outstanding investments. The  
 2 Receiver will continue to keep the Court and all other parties updated on the progress of the  
 3 accounting and the steps necessary to obtain additional information.

4 **III. INVENTORY OF ASSETS AND ESTIMATED VALUE (LR 66-4(b)(2))**

5 **A. CASH**

6 From October 1 to December 31, 2022, the Receiver was able to recover approximately  
 7 \$759,282.17. The Standardized Fund Accounting Report for the period is attached to this report  
 8 as **Exhibit A**. This cash is made up of \$603,375.30 from net proceeds from the 5th Avenue Estate  
 9 disposition, \$129,999.96 from interest payments for ARC – RE, \$17,712 from interest payments  
 10 for JC Commercial, \$7,812.51 from interest payments for Doumani, and \$382.40 from the  
 11 liquidation of the defendant bank account. There were expenses of \$1,089.83 related to the release  
 12 CapSource documents from the storage facility.

13 **B. NOTES RECEIVABLE**

14 The notes receivable secured by the Receiver during the Reporting Period consist of:

<i>Loan Name</i>	<i>Outstanding Balance</i>	<i>Anticipated Value</i>
5th Avenue Estates	\$857,313	\$700,000
Texas 156	\$42,000	Under Review
Texas 156	\$106,521	Under Review
Texas 156	\$111,883	Under Review
King 261	\$515,000	Under Review
Meadows 78	\$1,327,500	Under Review
Fillmore RE Partners	\$559,388	Under Review
JC Commercial	\$1,510,000	Under Review
ARC RE	\$13,799,737	\$13,000,000
<b><i>Approximate Total</i></b>	<b><i>\$18,829,342</i></b>	

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27 The Receiver invites the Court and all interested parties to review the First Status Report  
 28 (ECF No. 21) for a general summary of the relevant information for each of the outstanding notes

1 listed below. The following information will include updates that have transpired during the  
2 current reporting period.

3 **A. Texas 156**

4 The Receiver has been presented with an offer from the borrower for the remaining four  
5 lots. This offer is currently under review and the Receiver will present it to the Court for approval  
6 if the offer is accepted.

7 **B. 5th Avenue Estates**

8 The last parcel for 5th Avenue Estates was sold on October 26, 2022, and proceeds were  
9 received by the receivership estate on October 27, 2022. The gross sales price was \$700,000. After  
10 closing costs and broker fees the net proceeds were \$653,375.50. However, since the extension fee  
11 of \$50,000 was released to the receivership estate in the prior reporting period, the total proceeds  
12 related to 5th Avenue Estates received in this reporting period were \$603,375.50.

13 **C. King 261**

14 The Receiver has been in communication with the borrower regarding his plan for the  
15 outstanding balance. The developer is changing their business from a build-to-own model to a  
16 build-to-rent model and has stated that this is an underserved market in Midland County and  
17 believes pivoting to this model will provide a positive outcome for the repayment of this loan. The  
18 developer anticipates making a normal paydown on the loan and payment of any accrued interest  
19 as lots are sold.

20 **D. Meadows 78**

21 Similarly to King 261, the borrower plans to adjust his business plan by creating a build-  
22 to-rent model on the remaining lots for Meadows 78. This transition is in the early stages, but the  
23 developer anticipates making a normal paydown on the loan and payment of any accrued interest  
24 as lots are sold.

25 **E. Fillmore Real Estate Partners**

26 The Receiver has been presented with an offer from the borrower for the property. This offer  
27 is currently under review and the Receiver will present it to the Court for approval if the offer is  
28 accepted.

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1 **F. JC Commercial**

2 The Receiver and his team have been reviewing documentation related to this loan.  
3 Additional review and communication with local real estate brokers will be necessary to  
4 understand the approximate value of this property. The tenant continues to make monthly lease  
5 payments to the receivership estate. Once a valuation has been determined the Receiver intends  
6 to either reopen negotiations with the tenant to purchase the property from the investors or sell the  
7 property to another buyer.

8 **G. ARC RE**

9 The ARC facility is also under SEC investigation and that process is beginning to wind  
10 down. Once the process is complete the facility will be able to obtain financing to pay off investors  
11 of this facility. The Receiver continues to work with ARC's consultant for resolution on ARC RE.  
12 The estimation for a final resolution is early to mid-2023.

13 **IV. SCHEDULE OF RECEIVER'S RECEIPTS & DISBURSEMENTS (LR 66- 4(b)(3))**

14 Below is the schedule of Receiver's Receipts and Disbursements pursuant to the Order  
15 Appointing Receiver and Local Rule 66-4(b)(3).

16 **A. *EAST WEST BANK RECEIVERSHIP ACCOUNT (A/E 0057)***

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- 18 • Balance (9/30/22): \$594,279.74
  - 19 • Total inflows: \$759,282.17
  - 20 • Total outflows: \$1,089.83
  - 21 • Balance (12/31/22): \$1,352,472.08

22 See **Exhibit B** for a complete list of transactions.

23 In addition to the foregoing, please see the Standardized Financial Accounting Report  
24 attached as **Exhibit A** and the Summary Cash Flow Statement and Summary Balance Sheet  
25 attached as **Exhibit C**.

26 **V. OTHER ITEMS TO REPORT**

27 **A. *CURRENT AND FUTURE LITIGATION***

28 Since the appointment of the Receiver, four legal proceedings involving CapSource have  
been identified. Each action qualifies as an "Ancillary Proceeding" under Section VII of the Order

1 Appointing Receiver, *see* ECF No. 17 at 9-10, but was not previously disclosed to the Receiver in  
2 his capacity as either Receiver or CRO.<sup>1</sup>

3 As previously reported, days after the Receivership Order was entered, the Receiver was  
4 notified regarding a pending lawsuit against Capsource in the Eighth Judicial District Court, *CAC*  
5 *Investment Ventures, LLC et al. v. Andrew Jolley et al.*, Case No. A-19-802088-B, in which  
6 Capsource, Inc. is a named defendant (the “**CAC Action**”). The CAC Action is currently stayed  
7 due to the Receivership Order and the Receiver and his counsel have had numerous discussions  
8 with counsel to find a path forward. Based on available information, the Receiver anticipates a  
9 stipulation will be filed in the near term herein to facilitate the trial going forward against all parties  
10 except CapSource and without any claims relating to, or in connection with, any action taken by  
11 individuals in their capacity as officers, directors, managers, or agents of CapSource.

12 The Receiver also identified a case styled as *the Entrust Group fbo Paul Uwe Pawlik v.*  
13 *Southern Highlands Community Association, et al.*, Case No. A-22-848762-C, Eighth Judicial  
14 District Court for the State of Nevada (the “**Entrust Lawsuit**”). The Entrust Lawsuit names  
15 CapSource as a defendant in a quiet title claim related to real property that was the subject of a tax  
16 lien foreclosure sale in 2013 (the “Subject Property”). Prior to the tax foreclosure, CapSource was  
17 the beneficiary of a Deed of Trust recorded against the Subject Property. As explained further in  
18 the Joint Motion and Proposed Order the Receiver and the SEC filed on December 15, 2022, *see*  
19 ECF No. 24, the Receiver investigated plaintiff Entrust Group’s allegations. The Receiver  
20 concluded that, as Entrust Group alleges, CapSource’s interest in the Deed of Trust was  
21 extinguished by operation of the 2013 tax foreclosure sale. Accordingly, the Receiver determined  
22 in his business judgment that defending or otherwise participating in the Entrust Lawsuit has no  
23 benefit and would result in significant cost to the Receivership Estate and therefore filed the Joint  
24 Motion and Proposed Order with the Court to Compromise and Waive any Interest on Behalf of

25 \_\_\_\_\_  
26 <sup>1</sup> Although the Receiver, Geoff Winkler, previously served as the Chief Restructuring Officer of Capsource,  
27 he had no knowledge of these pending lawsuits until after the Appointment Order was entered because the  
28 individual Defendants, Byrne and Herlean, and their counsel failed to notify him of the same. The CAC  
Action was initiated on September 17, 2019, and per the case docket report, CapSource was named as a  
defendant on December 29, 2020. The other lawsuits described below were similarly initiated well before  
the Appointment Order was entered but were not disclosed to Mr. Winkler as CRO.

1 Capsource. *See id.* Entrust Group has agreed that in exchange for CapSource’s waiver of interest  
2 in the Subject Property, Entrust Group will dismiss and waive all claims against CapSource with  
3 prejudice and set aside a clerk’s default obtained by Entrust Group against CapSource prior to the  
4 Receiver’s knowledge of the Lawsuit. *See id.*

5 Finally, the Receiver identified *CapSource, Inc. v. Bosch, et al.*, Case No. A-21-834367-  
6 C, Eighth Judicial District Court for the State of Nevada (the “**Bosch Lawsuit**”) and *Vantage*  
7 *Enterprises, LLC, et al. v. CapSource LLC, et al.*, Case No. A-22-850573, Eighth Judicial District  
8 Court for the State of Nevada (the “**Vantage Lawsuit**”). Counsel for Vantage and CapSource  
9 were notified of the Appointment Order and applicable stay of litigation. In regard to the Bosch  
10 Lawsuit, the case was dismissed due to inactivity on November 14, 2022. As to the Vantage  
11 Lawsuit, the parties have been notified as to the stay. To the Receiver’s knowledge, no action has  
12 been taken against CapSource or any individual sued for, or in connection with, actions taken as  
13 an officer, director, manager, agent, or general or limited partner of CapSource since that time.

#### 14 **VI. RECOMMENDATION OF THE RECEIVER (LR 66-4(b)(5))**

15 At this juncture, the Receiver is evaluating the outstanding loans and identifying the  
16 investors related to these loans. The Receiver recommends that the receivership continues to  
17 identify assets and claims and pursue them for the benefit of the receivership estate.

18 Additionally, if the Court would like an opportunity to canvass the Receiver, the Receiver  
19 requests that the Court promptly set an in-person or virtual hearing under Local Rules 66-4(b)  
20 and/or 66-5. *See* LR 66-4(b) and 66-5 (governing proceedings related to the activities of court-  
21 appointed Receivers). The Receiver and his counsel will endeavor to make themselves available  
22 for any date(s) the Court proposes on fourteen days’ notice, as contemplated by Local  
23 Rules 66- 4(b) and 66-5, or less, as the Court may order. *See id.*

#### 24 **VII. CONCLUSION AND REQUESTED RELIEF**

25 Assuming the Court authorizes the Receiver to undertake the actions recommended herein,  
26 as well as to continue those actions provided for in the Appointment Order, any amendments  
27 thereto and any subsequent orders, the Receiver proposes to submit further interim reports to this  
28 Court, addressing his progress, findings, final conclusions, and additional recommendations,

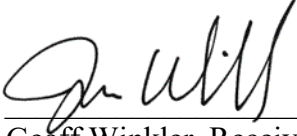


1 approximately every 90 days. Accordingly, and based on the foregoing, the Receiver respectfully  
2 requests that the Court set a hearing and/or enter an order<sup>2</sup>:

- 3 1. Accepting this Second Status Report;
- 4 2. Authorizing the Receiver to continue to administer the Receivership Entities and  
5 their estate in accordance with the terms of the Appointment Order;
- 6 3. Authorizing the Receiver to undertake the recommendations presented herein,  
7 including a continued engagement of those professionals he deems necessary for the proper  
8 administration of the Receivership Entities and their estate; and
- 9 4. Providing such other and further relief as the Court deems necessary and  
10 appropriate.

11 I, Geoff Winkler, verify under penalty of perjury that the statements made in the  
12 foregoing report are true and correct to the best of my knowledge.

13 DATED this 31<sup>st</sup> day of January, 2023

14   
15 \_\_\_\_\_  
16 Geoff Winkler, Receiver

17 DATED this 31<sup>st</sup> day of January, 2023.

18 **GREENBERG TRAUIG, LLP**

19 By: */s/ Kara B. Hendricks*

20 KARA B. HENDRICKS, ESQ.  
21 Nevada Bar No. 07743  
22 KYLE A. EWING, ESQ.  
23 Nevada Bar No. 014051  
24 CHRISTIAN T. SPAULDING, ESQ.  
25 Nevada Bar No. 14277

26 *Attorneys for Receiver Geoff Winkler*

27 \_\_\_\_\_  
28 <sup>2</sup> A proposed order is attached hereto as **Exhibit D.**

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LAS VEGAS, NEVADA 89135  
TELEPHONE: (702) 938-6856

**CERTIFICATE OF SERVICE**

1 I hereby certify that, on the 31<sup>st</sup> day of January, 2023, a true and correct copy of the  
2 foregoing **SECOND INTERIM REPORT AND PETITION FOR FURTHER**  
3 **INSTRUCTIONS OF RECEIVER GEOFF WINKLER** was filed electronically via the Court’s  
4 CM/ECF system. Notice of filing will be served on all parties by operation of the Court’s CM/ECF  
5 system, and parties may access this filing through the Court’s CM/ECF system.  
6

7 /s/ Evelyn Escobar-Gaddi  
8 An employee of GREENBERG TRAUIG, LLP  
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**SECURITIES & EXCHANGE COMMISSION V. CAPSOURCE, INC., STEPHEN J. BYRNE, and GREGORY P. HERLEAN**

USDC CASE NO. 2:20-cv-02303-RFB-DJA

<b>EXHIBIT</b>	<b>DESCRIPTION</b>
<b>Exhibit A</b>	<b>STANDARDIZED FUND ACCOUNTING REPORT</b>
<b>Exhibit B</b>	<b>EAST WEST BANK RECEIVERSHIP ACCOUNT</b>
<b>Exhibit C</b>	<b>SUMMARY CASH FLOW STATEMENT AND SUMMARY BALANCE SHEET</b>

# **EXHIBIT A**

# **EXHIBIT A**

Standardized Fund Accounting Report

**STANDARDIZED FUND ACCOUNTING REPORT for SEC v. CapSource Inc., Stephen J. Byrne, and Gregory P. Herlean**  
 Receivership; Civil Docket No. 2:20-cv-02303-RFB-DJA  
 Reporting Period from 10/01/2022 to 12/31/2022

<b>FUND ACCOUNTING (See instructions)</b>				
		<b>Detail</b>	<b>Subtotal</b>	<b>Grand Total</b>
Line 1	<b>Beginning Balance (As of 10/01/2022):</b>	594,279.74		
	<b>Increases in Fund Balance:</b>			
Line 2	<b>Business Income</b>	205,906.87		
Line 3	<b>Cash and Securities (in transit)</b>	-		
Line 4	<b>Interest/Dividend Income</b>	-		
Line 5	<b>Business Asset Liquidation</b>	553,375.30		
Line 6	<b>Personal Asset Liquidation</b>	-		
Line 7	<b>Third-Party Litigation Income</b>	-		
Line 8	<b>Miscellaneous - Other</b>	-		
	<b>Total Funds Available (Lines 1 - 8):</b>		759,282.17	<b>1,353,561.91</b>
	<b>Decreases in Fund Balance:</b>			
Line 9	<b>Disbursements to Investors</b>			
Line 10	<b>Disbursements for Receivership Operations</b>			
Line 10a	<i>Disbursements to Receiver or Other Professionals</i>	-		
Line 10b	<i>Business Asset Expenses</i>	(1,089.83)		
Line 10c	<i>Personal Asset Expenses</i>	-		
Line 10d	<i>Investment Expenses</i>	-		
Line 10e	<i>Third-Party Litigation Expenses</i>	-		
	1. Attorney Fees	-		
	2. Litigation Expenses	-		
	<b>Total Disbursements for Receivership Operations</b>		(1,089.83)	
Line 10f	<i>Tax Administrator Fees and Bonds</i>		-	
Line 10g	<i>Federal and State Tax Payments</i>		-	
	<b>Total Disbursements for Receivership Operations</b>			<b>(1,089.83)</b>
Line 11	<b>Disbursements for Distribution Expenses Paid by the Fund:</b>			
Line 11a	<i>Distribution Plan Development Expenses:</i>			
	1. Fees:			
	Fund Administrator.....	-		
	Independent Distribution Consultant (IDC).....	-		
	Distribution Agent.....	-		
	Consultants.....	-		
	Legal Advisers.....	-		
	Tax Advisers.....	-		
	2. Administrative Expenses	-		
	3. Miscellaneous	-		
	<b>Total Plan Development Expenses</b>		-	
Line 11b	<i>Distribution Plan Implementation Expenses:</i>			
	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	-		
	<b>Total Plan Implementation Expenses</b>		-	
	<b>Total Disbursements for Distribution Expenses Paid by the Fund</b>			<b>-</b>
Line 12	<b>Disbursements to Court/Other:</b>			
Line 12a	<i>Investment Expenses/Court Registry Investment System (CRIS) Fees</i>	-		
Line 12b	<i>Federal Tax Payments</i>	-		
	<b>Total Disbursements to Court/Other:</b>		-	
	<b>Total Funds Disbursed (Lines 9 - 11):</b>			<b>(1,089.83)</b>
Line 13	<b>Ending Balance (As of 12/31/2022):</b>			<b>1,352,472.08</b>
Line 14	<b>Ending Balance of Fund - Net Assets:</b>			
Line 14a	<i>Cash &amp; Cash Equivalents</i>		1,352,472.08	
Line 14b	<i>Investments</i>		-	
Line 14c	<i>Other Assets or Uncleared Funds</i>		13,000,000.00	
	<b>Total Ending Balance of Fund - Net Assets</b>			<b>14,352,472.08</b>

**STANDARDIZED FUND ACCOUNTING REPORT for SEC v. CapSource Inc., Stephen J. Byrne, and Gregory P. Herlean**  
 Receivership; Civil Docket No. 2:20-cv-02303-RFB-DJA  
 Reporting Period from 10/01/2022 to 12/31/2022

OTHER SUPPLEMENTAL INFORMATION:		Detail	Subtotal	Grand Total
<b>Line 15</b>	<b>Disbursements for Plan Administration Expenses Not Paid by the Fund:</b>			
<i>Line 15a</i>	<i>Plan Development Expenses Not Paid by the Fund</i>			
	1. Fees:			
	Fund Administrator	-		
	IDC	-		
	Distribution Agent	-		
	Consultants	-		
	Legal Advisers	-		
	Tax Advisers	-		
	2. Administrative Expenses	-		
	3. Miscellaneous	-		
	<b>Total Plan Development Expenses Not Paid by the Fund</b>	-	-	
<i>Line 15b</i>	<i>Plan Implementation Expenses Not Paid by the Fund:</i>			
	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	-		
	<b>Total Plan Implementation Expenses Not Paid by the Fund</b>	-	-	
<i>Line 15c</i>	<i>Tax Administrator Fees &amp; Bonds Not Paid by the Fund</i>			
	<b>Total Disbursements for Plan Administration Expenses Not Paid by the Fund</b>			-
<b>Line 16</b>	<b>Disbursements to Court/Other Not Paid by the Fund</b>			
<i>Line 16a</i>	<i>Investment Expenses/CRIS Fees</i>		-	
<i>Line 16b</i>	<i>Federal Tax Payments</i>		-	
	<b>Total Disbursements to Court/Other Not Paid by the Fund:</b>			-
<b>Line 17</b>	<b>DC &amp; State Tax Payments</b>			-
<b>Line 18</b>	<b>No. of Claims:</b>			
<i>Line 18a</i>	<i># of Claims Received This Reporting Period</i>	-		
<i>Line 18b</i>	<i># of Claims Received Since Inception of Fund</i>	-		
<b>Line 19</b>	<b>No. of Claimants/Investors:</b>			
<i>Line 19a</i>	<i># of Claimants/Investors Paid This Reporting Period</i>	-		
<i>Line 19b</i>	<i># of Claimants/Investors Paid Since Inception of Fund</i>	-		

Receiver: **Geoff Winkler**

By: 

**Geoff Winkler**  
 (printed name)

**Chief Executive Officer**  
**American Fiduciary Services LLC**  
**Receiver, CapSource, Inc.**

**Date: January 31, 2023**

# **EXHIBIT B**

# **EXHIBIT B**

East West Bank Receivership Account

**EAST WEST BANK RECEIVERSHIP ACCOUNT (A/E 0057)**  
**October 1, 2022 - December 31, 2022**

<i>Date</i>	<i>Type</i>	<i>Amount</i>	<i>Payee</i>	<i>Description</i>
10/11/2022	Income Adjustment	\$ 43,333.32	ARC	Royalties and Dividends
10/11/2022	Wire In	\$ 382.40	CapSource	Turnover of Funds
10/25/2022	Income Adjustment	\$ 5,856.00	JC Commercial	Royalties and Dividends
10/25/2022	Income Adjustment	\$ 2,604.17	Doumani	Royalties and Dividends
10/27/2022	Wire In	\$ 553,375.30	KEAN MILLER LLP	Business Asset Liquidation
11/7/2022	Income Adjustment	\$ 43,333.32	ARC	Royalties and Dividends
11/7/2022	Income Adjustment	\$ 2,604.17	Westar Las Vegas	Royalties and Dividends
11/7/2022	Income Adjustment	\$ 5,856.00	Westar Las Vegas	Royalties and Dividends
11/7/2022	Check	\$ (23,587.56)	Ward County Auditor & Treasurers Office	Costs to Secure/Maintain Property
11/18/2022	Voided Check	\$ 23,587.56	Ward County Auditor & Treasurers Office	Costs to Secure/Maintain Property
11/18/2022	Check	\$ (1,089.83)	Assured Document Management	Other Expenses
12/1/2022	Wire In	\$ 50,000.00	NEVADA LAW FOUNDATION TRUST ACCOUNT	Business Asset Liquidation
12/5/2022	Income Adjustment	\$ 43,333.32	ARC	Royalties and Dividends
12/7/2022	Income Adjustment	\$ 2,604.17	Westar Las Vegas	Royalties and Dividends
12/12/2022	Wire In	\$ 6,000.00	JACKSON AUTO GROUP LLC	Royalties and Dividends
	<b>Total</b>	<b>\$ 758,192.34</b>		



# EXHIBIT C

# EXHIBIT C

Summary Cash Flow Statement and Summary  
Balance Sheet

<b>SEC v. CapSource Inc., Stephen J. Byrne,                      and Gregory P. Herlean</b>	
<b>Summary Cash Flow Statement</b>	
<b>December 31, 2022</b>	
<i>Cash at Beginning of Period</i>	<b>594,280</b>
<i>Cash Inflows</i>	
Royalties and Dividends	155,524
Business Asset Liquidation	603,375
Turnover of Funds	382
<b>Total Cash Inflows</b>	<b>759,282</b>
<i>Cash Outflows</i>	
Other Expenses	(1,090)
Costs to Secure/Maintain Property	-
<b>Total Cash Outflows</b>	<b>(1,090)</b>
<b>Cash at End of Period</b>	<b>1,352,472</b>

<b>SEC v. CapSource Inc., Stephen J. Byrne,                      and Gregory P. Herlean</b>	
<b>Summary Balance Sheet</b>	
<b>December 31, 2022</b>	
<i>Assets</i>	
EWBK Account	1,352,472
Notes Receivable*	13,000,000
<b>Total Assets</b>	<b>14,352,472</b>
<i>Liabilities</i>	
Outstanding Loans	18,829,342
<b>Total Liabilities</b>	<b>18,829,342</b>
<i>Equity</i>	
Retained Earnings*	(4,476,870)
<b>Total Equity</b>	<b>(4,476,870)</b>
<p>* Accounts are estimated values and are subject to change as more information is available and the Receiver completes his forensic accounting.</p>	

# EXHIBIT D

# EXHIBIT D

[Proposed] Order

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 8 *CapSource, Inc., et al.*

9 **UNITED STATES DISTRICT COURT**  
 10 **DISTRICT OF NEVADA**

11 SECURITIES AND EXCHANGE  
 12 COMMISSION,

13 Plaintiff,

14 v.

15 CAPSOURCE, INC., STEPHEN J. BYRNE, and  
 16 GREGORY P. HERLEAN

Defendants.

Case No. 2:20-cv-02303-RFB-DJA

**[PROPOSED] ORDER APPROVING  
 SECOND STATUS REPORT OF  
 GEOFF WINKLER, RECEIVER  
 CAPSOURCE, INC., AND PETITION  
 FOR INSTRUCTIONS**

18 The Court has reviewed the *Second Status Report of Geoff Winkler, Receiver CapSource,*  
 19 *Inc., and Petition for Instructions* (the “Status Report”) and held a hearing at which appearances  
 20 were noted on the record. For the reasons set forth on the record,

21 **IT IS HEREBY ORDERED AS FOLLOWS:**

22 1. The Status Report and the actions of Geoff Winkler (the “Receiver”) described in  
 23 the Status Report are approved, and the Court finds that the receivership should continue under the  
 24 terms of the Order Appointing Receiver, ECF No. 17 (the “Appointment Order”);

25 2. The Receiver is authorized to continue to administer the Receivership Entities and  
 26 their estate in accordance with the terms of the Appointment Order; and

27 ///

28 ///

1            3.        The Receiver is authorized to undertake the recommendations presented in the  
2 Status Report, including a continued engagement of those professionals he deems necessary for  
3 the proper administration of the Receivership Entities and their estate.

4            **IT IS SO ORDERED.**

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7            \_\_\_\_\_  
United States District Court Judge  
Dated this \_\_\_\_ day of February 2023.

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