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CapSource, Inc., et al.*

**UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA**

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

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

Defendants.

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

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

Geoff Winkler of American Fiduciary Services, LLC (the “Receiver”), the Court-appointed receiver for defendant CapSource, Inc., submits his Tenth Quarterly Report (“Report”) for the period October 1, 2024 through December 31, 2024 (“Reporting Period”), regarding the receivership pursuant to Local Rule 66-4(b).

I. PRELIMINARY STATEMENT

As reflected in the Court’s record and discussed further in this Report, the Receiver has been authorized, empowered, and directed to, among other things: (1) take exclusive authority and control over the Receivership Defendant; (2) conduct such investigation and discovery as necessary to identify and locate outstanding assets of the Receivership Defendants; (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; analysis of accounting records; communication with
6 defendants; evaluation of assets and properties of the estate; assessment of income and investor
7 payment options; evaluation and termination of a lease; analysis of ancillary proceedings and
8 communication with counsel; processing account information; evaluating estate needs including tax
9 issues; preparation of financial and quarterly reports; communication with SEC regarding pending
10 matters; and preparation of stipulations and court filings. However, because the Receiver’s work is
11 ongoing, the conclusions presented herein are preliminary and subject to modification or
12 supplementation as more information becomes available.

13 As of the date of this Report, the Receiver has started but not yet completed an investigation
14 or accounting of principal reduction loans, however active loans have been reviewed for the purpose
15 of interim distributions.

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

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

18 The Receiver and his counsel continued to work through legal proceedings involving
19 CapSource, all of which are currently stayed or dismissed. None of these legal proceedings were
20 previously disclosed to the Receiver in his capacity as either Receiver or CRO. Additional
21 information on this matter can be found in section V, subsection A.

22 In the previous reporting period, the Receiver made his fourth distribution under the Order
23 Granting Receiver’s Motion for Approval of 1) Interim Distribution Plan; and 2) Procedures for
24 Disposition of the Estate’s Interests in Certain Real Property filed August 2, 2023. In accordance
25 with the Order, no distribution was administered during this reporting period. The Receiver and his
26 team continue working with the individuals with returned checks or similar distribution questions.
27 The Receiver has reissued checks for individuals he has communicated with who did not receive
28

1 their distribution. The Receiver will continue to make distributions quarterly when funds allow, in
2 accordance with the distribution order.

3 Per investor requests, the Receiver and his team have continued to investigate investments
4 and other outstanding loans that are not included in the list of outstanding note receivables below.
5 Investors continue to provide additional information, and the Receiver is reviewing additional
6 documentation provided by CapSource. The Receiver will inform the court of his findings on this
7 investigation in future reporting periods.

8 A description of all assets in the custody and control of the Receiver is included in Section
9 III, below.

10 ***B. INVESTOR AND CREDITOR COMMUNICATION***

11 The Receiver has continued to update the investor website ([http://www.capsource-](http://www.capsource-receivership.com)
12 [receivership.com](http://www.capsource-receivership.com)). The Receiver and his team have continued to review registration forms directly
13 from investors and invite investors who have not done so yet, to do so at their earliest convenience
14 (<http://www.capsource-receivership.com/register>). The investor list as of December 31, 2024, had
15 approximately 637 individuals.

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

17 In a previous reporting period, the Receiver and his team received information from
18 WestStar to review outstanding loans and created a money-in money-out (MIMO) analysis for each
19 of the investors. This analysis was completed and included all loan transactions for the outstanding
20 loans and principal reduction loans. The Receiver anticipates the principal reduction loan analysis
21 will be completed in a future reporting period.

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

23 ***A. CASH***

24 The Standardized Fund Accounting Report for the period is attached to this report as
25 **Exhibit A**. The cash received this period is \$98,096 from dividends paid and interest on money
26 held in the receivership estate bank account.

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B. NOTES RECEIVABLE

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

<i>Loan Name</i>	<i>Loan Number</i>	<i>Original Outstanding Balance</i>	<i>Q4 2024 Receipts</i>	<i>Estimated Remaining Value¹</i>
5th Avenue Estates	22208	\$857,313	\$0	\$0
Texas 156	20910	\$42,000	\$0	\$18,548
Texas 156	22067	\$106,521	\$0	\$47,042
Texas 156	22982	\$111,883	\$0	\$49,410
King 261	23722	\$515,000	\$0	\$0
Meadows 78	23587	\$1,327,500	\$0	\$0
Fillmore RE Partners	20501	\$559,388	\$0	\$315,029
JC Commercial	23899	\$1,510,000	\$0	\$0
ARC RE	Option 3	\$11,015,737	\$95,284	\$7,146,319
<i>Approximate Total</i>		<i>\$16,045,342.00</i>	<i>\$95,284.00</i>	<i>\$95,284.00</i>

The Receiver invites the Court and all interested parties to review the First Status Report (ECF No. 21) for a general summary of the relevant information for each of the outstanding notes listed above. The following information will include the most recent updates that have transpired.

A. Texas 156

As stated in previous reports, the Receiver has been presented with an offer from the borrower for the remaining four lots. Notably, in this Reporting Period the offer has changed to five lots. The Receiver is reviewing this amended offer and relevant reports before a PSA can be signed. The Receiver has determined the liens to be released and will be adjusting the PSA in a following period. The Receiver believes ten investors are due payments to recover their principal. Investors not included in this recovery will have the opportunity to file a claim.

B. 5th Avenue Estates

As discussed in a prior status report, *see* ECF No. 28, the last parcel for 5th Avenue Estates was sold on October 26, 2022, and proceeds were received by the Receivership Estate on October 27,

¹ Estimated value that is subject to further revision.

1 2022 (the “5th Avenue Sale”). During a previous reporting period, distributions were made per
2 Order (ECF No. 61) up to 100% of principal investment, subject to holdbacks. These distributions
3 were made only to CapSource investors who participated in the original 5th Avenue Estates
4 CapSource deal (“5th Avenue I”), which closed in 2015, and in which investors were offered an
5 interest in a first-position deed of trust (the “First DOT”) secured by the 5th Avenue Estates real
6 property (the “5th Avenue Land”).

7 In the years following the closing of the 5th Avenue I deal, CapSource offered two further
8 investment opportunities to its investors: (i) an interest in a second-position deed of trust (the
9 “Second DOT”), dated November 1, 2016 (“5th Avenue II”), and (ii) an interest in a third-position
10 deed of trust (the “Third DOT”), dated August 16, 2018 (“5th Avenue III”). Investors have raised
11 concerns, during investor meetings and through direct communication with the Receiver and his
12 office, regarding their investments in 5th Avenue II and III. Specifically, investors in the later loans
13 have asked why 5th Avenue I investors received distributions following the sale of the 5th Avenue
14 Land, while 5th Avenue II and III investors have not.

15 The Second and Third DOTs were secured by the same 5th Avenue Land as the First DOT.
16 Accordingly, the investors in 5th Avenue II and III took their secured interests in the Second and
17 Third DOTs subject to and subordinate to the First DOT. When the Receiver was appointed as, at
18 that time, the CRO of CapSource, the 5th Avenue Land had been developed, subdivided, and the
19 lots sold except for one remaining lot, resulting in principal reductions to the CapSource loans,
20 reflecting the receipt of the sales proceeds. Given the fact that the one remaining parcel was the
21 final lot in an otherwise-already-developed housing area, potential buyers were scarce. The
22 Receiver determined that the 5th Avenue Sale, to homebuilder D.R. Horton, maximized the return
23 to the Estate, in the Receiver’s business judgment. *See* ECF No. 21, p. 6; ECF No. 28, p. 5.

24 The Second and Third DOT were under-secured because the proceeds from the 5th Avenue Sale
25 were sufficient to cover the outstanding balance on the First DOT (and thus fund the return of
26 principal to 5th Avenue I investors, per the Receiver’s Motion for Approval of an Interim
27 Distribution Plan, *see* ECF No. 48 (the “Distribution Motion”)).

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1 However, as the Receiver explained in the Distribution Motion:

2 [E]ach investment that an investor made in CapSource was marketed
 3 and sold in connection with financing a specific “deal” or “project”
 4 by an ostensibly independent developer, often referred to as the
 5 “borrower” or “sponsor.” CapSource would pool investments from a
 6 group of investors and loan the collective money to a developer as a
 7 construction or similarly structured loan, usually secured by the real
 8 property under development. *Some of these projects performed better*
 9 *than others*, and some of them have wound up (or were wound up by
 10 the Receiver or CRO), while other projects are still yielding payments
 of interest and/or principal from the developers. In other words, at
 least as they were marketed to investors, the “investments” of the
 many victims of Defendants’ scheme were not the same—each
 investor’s contribution was tied to a specific property, loan, and
 developer, and the performance of any one project was not tied to, or
 dependent on, the performance of any other Project or its
 development. *Investors expected that each project stood on its own*
legally and practically.

11 ECF No. 48, p. 6 (emphasis added). As relevant here, although the 5th Avenue II and III loans were
 12 for the same project and property, they were different loans with different investors and different
 13 risk profiles. Notably, the 5th Avenue II and III investors knew that they were investing in loans
 14 with second- and third-position deeds of trust. They also made such loans approximately 1 and 3
 15 years after the investors in 5th Avenue I, meaning that interest rate risk, liquidity risk, and the risk
 16 of the developer’s default were each different. These are riskier investments than 5th Avenue I
 17 because, in the case of a default by the developer, the proceeds from any sale of the security, i.e.
 18 the 5th Avenue Land, would be available to satisfy the Second and Third DOT only if the First
 19 DOT – and thus investors in 5th Avenue I – had been repaid in full, *including any interest and*
 20 *penalties* that had accrued under the terms of the loan.

21 That risk is precisely what materialized when the 5th Avenue loans did not perform.
 22 Accordingly, the Receiver has determined, based on his business judgment and experience, that the
 23 most equitable treatment is to classify 5th Avenue II and III as separate CapSource investment deals
 24 for purposes of making distributions to claimants, consistent with his treatment of other separate
 25 CapSource deals, the only difference being that these deals are each for the same project. *See, e.g.,*
 26 ECF No. 48, pp. 9-10.

27 In the interest of equity, however, the Receiver has determined that he will begin making
 28 return-of-principal distributions to 5th Avenue II and III investors once all 5th Avenue I investors

1 have been paid back their principal. In other words, the 5th Avenue I investors will not receive the
 2 interest and penalties they would otherwise be entitled to unless and until all investors' principal
 3 investments have been paid in full. In the normal course, the First DOT would give 5th Avenue I
 4 investors a right to such funds before beneficiaries of the Second and Third DOTs were entitled to
 5 any proceeds from the sale of the secured property. For the reasons stated above, however, the
 6 Receiver believes the more equitable treatment is to make all investors whole before providing
 7 positive returns to investors in earlier deals that happened to fare better.² This is, again, consistent
 8 with the Receiver's Motion for Interim Distribution, as well as the Court's order granting the
 9 motion.

10 Funds will be distributed to 5th Avenue II and III investors only upon receipt of funds
 11 sufficient to do so. The Receiver continues to explore recovery opportunities to fund such
 12 distributions, and any potential claims will be dealt with as part of the claims process.

13 **C. King 261 and Meadows 78**

14 King 261 and Meadows 78 were sold in a previous reporting period, and the Receiver distributed
 15 the proceeds from the sale in accordance with the Order (ECF No. 61).

16 **D. Fillmore Real Estate Partners**

17 The Receiver anticipates the sale to close in the second quarter of 2025. As stated in the previous
 18 report, the Purchase and Sale Agreement was executed. The Receiver anticipates seeking approval
 19 from the Court in the middle of the first quarter of 2025.

20 **E. JC Commercial**

21 During the Reporting Period the Receiver distributed the proceeds from the sale in the previous
 22 reporting period in accordance with the Order (ECF No. 61). Due to the lien reconveyance, no
 23

24 _____
 25 ² Indeed, it is often the case in Ponzi schemes that "early" investors make positive returns if they
 26 "get out" of the investment before the scheme comes crashing down. Although such investors may
 27 be innocent, their returns are ultimately illusory because they are, in reality, simply the principal
 28 "investments" of later, "losing" victims. Accordingly, courts have consistently held that such returns
 are improper fraudulent transfers, notwithstanding the investors' innocence, and ordered those
 "winning" investors to pay back any interest or other return on their principal so that the later
 investors can be made whole. *Accord Freitag v. Valeiras, Tr. of Valeiras Fam. Tr. Dated July 20,*
*2007, 2024 WL 1355146, at *7 (S.D. Cal. Mar. 29, 2024) (granting summary judgment on a*
Receiver's claim for fraudulent transfer against a "net winner").

1 further funds for JC Commercial will be received. Investors that maintained a loss are encouraged
2 to file a claim once the claims process begins.

3 F. ARC RE

4 As noted in the previous reporting period, a settlement was reached between the SEC and ARC
5 RE that was approved on June 29, 2024 (*Securities and Exchange Commission v. America's Rehab*
6 *Campuses, LLC*, U.S. District Court for the District of Nevada, Case No. 2:20-cv-02308-JCM-
7 DJA). This influenced Option 3 investors, who received distributions and consequently will reduce
8 their principal amount within the CapSource receivership, affecting future interest. The Receiver
9 and his team continue to meet with ARC's consultant, counsel, and CEO. Details of this period's
10 meetings are below.

11 In the prior Reporting Period, the Receiver and ARC's team discussed a timeline for monthly
12 payments. It was determined then that payments would begin in the Fourth Quarter of 2024, with
13 any postponed payments added to the outstanding balance. Since that time, ARC RE has indicated
14 that, due to a number of unanticipated operational challenges, it is not able to honor the terms of the
15 parties' settlement and has not made payments. Given its distressed financial condition, the
16 Receiver is seeking to negotiate a resolution that will allow ARC RE to continue as a going concern
17 – so that it can earn money to be made available to the Estate – while ensuring payment as soon as
18 possible under the circumstances. Most recently, ARC RE advised the Receiver it would not be in
19 a position to provide further information to the Receiver until the second quarter of 2025 and has
20 proposed a meeting in the late first quarter or second quarter of 2025 to discuss initiating payments
21 under the parties' settlement agreement.

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

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

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

- 26 • Balance (10/01/24): \$ 1,286,188
- 27 • Total inflows: \$ 98,096
- 28 • Total outflows: \$ 107,969

- Balance (12/31/24): \$ 1,276,315

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

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

V. **OTHER ITEMS TO REPORT**

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

Future Litigation

As previously reported, the Receiver is investigating potential third-party claims. While the Receiver has determined not to pursue one such claim at this time because, in his business judgment, the damages to the Estate do not justify the cost and risk of litigation, he continues to investigate at least two other causes of action against third parties. In furtherance of the same, the Receiver intends to send out demand letters during the next reporting period to attempt to resolve matters without the need for litigation. If those efforts are not successful and litigation deemed necessary, the Receiver will file an appropriate request with the Court before initiating the same. The Receiver anticipates making any such motions during the next reporting period or the following.

Additionally, as new information is provided to the Receiver, his team will continue to investigate potential claims and available mechanisms to recover funds for the Receivership Estate.

Ancillary Proceedings

A summary of previously identified actions which the Receiver believes qualify as an “Ancillary Proceeding” under Section VII of the Order Appointing Receiver are set forth in the table below. No new legal proceedings were identified in this reporting period. However, as noted in the Receiver’s last Status Report, the plaintiff in *CAC Investment Ventures, LLC et al. v. Andrew Jolley et al.*, contacted the Receiver, through counsel, during the Reporting Period. Following a trial of the matter, the plaintiff desired to dismiss CapSource from the litigation pending appeal. The Receiver agreed, and the parties submitted a stipulation of dismissal to the Court. The Court granted the stipulation and dismissed CapSource.

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PARTIES/CASE NAME	COURT	CASE NO.	STATUS
<i>CAC Investment Ventures, LLC et al. v. Andrew Jolley et al.</i>	NV Eighth Judicial District Court	A-19-802088-B	Case dismissed
<i>Entrust Group fbo Paul Uwe Pawlik v. Southern Highlands Community Association, et al.</i>	NV Eighth Judicial District Court	A-22-848762-C	CapSource dismissed
<i>CapSource, Inc. v. Bosch, et al.</i>	NV Eighth Judicial District Court	A-21-834367-C	Case dismissed
<i>CapSource v. Texas 156, LLC, Michael B. Zipprich, and Joseph A. Bond, III</i>	District Court of Midland County, Texas	CV56854	Case dismissed
<i>ARC RE v. Americans Rehab Campuses, LLC and Arizona Rehab Campus LLC</i>	NV Eighth Judicial District Court	A-21-8385920B	Case stayed
<i>Arizona Rehab Campuses, LLC et. al. v. CapSource, Inc. et. al.</i>	NV Eighth Judicial District Court	A-23-869439-B	Notice of Stay Order filed
<i>5th Avenue Estates, LLC et. al. v. CapSource, Inc. et. al</i>	NV Eighth Judicial District Court	A-23-869523-B	Notice of Stay Order filed
<i>Texas 156, LLC et. al. v. CapSource, Inc. et. al</i>	NV Eighth Judicial District Court	A-23-869520-B	Notice of Stay Order filed
<i>Vantage Holdings, LLC, et al. v. Capfactor LLC et al.,</i>	NV Eighth Judicial District Court	A-22-850573-B	Case stayed as to CapSource pursuant to Stipulation and Order entered by this Court on 10/25/23 (ECF No. 66)

The Receiver will continue to review and evaluate litigation matters that may impact the Receivership Estate as information becomes available.

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

At this juncture, the Receiver has evaluated the outstanding loans and identified the investors related to these loans. The Receiver recommends that the receivership continues to identify assets and claims and pursue them for the benefit of the Receivership Estate, and he will continue to evaluate loans that received principal reductions.

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

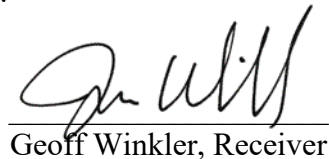
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VII. CONCLUSION AND REQUESTED RELIEF

Assuming the Court authorizes the Receiver to undertake the actions recommended herein, as well as to continue those actions provided for in the Appointment Order, any amendments thereto and any subsequent orders, the Receiver proposes to submit further interim reports to this Court, addressing his progress, findings, final conclusions, and additional recommendations, approximately every 90 days. Accordingly, and based on the foregoing, the Receiver respectfully requests that the Court set a hearing and/or enter an order:

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

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


Geoff Winkler, Receiver

Respectfully submitted:

GREENBERG TRAURIG, LLP

/s/ Kyle A. Ewing :

KARA B. HENDRICKS, ESQ.

Nevada Bar No. 07743

KYLE A. EWING, ESQ.

Nevada Bar No. 14051

Attorneys for Receiver Geoff Winkler

CERTIFICATE OF SERVICE

I hereby certify that, on the **31st day of January 2025**, a true and correct copy of the foregoing **TENTH INTERIM REPORT AND PETITION FOR FURTHER INSTRUCTIONS OF RECEIVER GEOFF WINKLER** was filed electronically via the Court's CM/ECF system. Notice of filing will be served on all parties by operation of the Court's CM/ECF system, and parties may access this filing through the Court's CM/ECF system.

/s/ Evelyn Escobar-Gaddi
An employee of GREENBERG TRAURIG, LLP

INDEX OF EXHIBITS

EXHIBIT	DESCRIPTION
Exhibit A	STANDARDIZED FUND ACCOUNTING REPORT
Exhibit B	COMPLETE LIST OF TRANSACTIONS
Exhibit C	SUMMARY CASH FLOW STATEMENT AND SUMMARY BALANCE SHEET

EXHIBIT A

EXHIBIT A

STANDARDIZED FUND ACCOUNT 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 10/01/2024 to 12/31/2024

FUND ACCOUNTING (See instructions)				
		Detail	Subtotal	Grand Total
Line 1	Beginning Balance (As of 10/01/2024):	1,286,188.03		
	Increases in Fund Balance:			
Line 2	Business Income	-		
Line 3	Cash and Securities (in transit)	-		
Line 4	Interest/Dividend Income	98,096.05		
Line 5	Business Asset Liquidation	-		
Line 6	Personal Asset Liquidation	-		
Line 7	Third-Party Litigation Income	-		
Line 8	Miscellaneous - Other	-		
	Total Funds Available (Lines 1 - 8):		98,096.05	1,384,284.08
	Decreases in Fund Balance:			
Line 9	Disbursements to Investors	(46,581.72)		
Line 10	Disbursements for Receivership Operations			
Line 10a	Disbursements to Receiver or Other Professionals	(60,089.15)		
Line 10b	Business Asset Expenses	(1,298.34)		
Line 10c	Personal Asset Expenses	-		
Line 10d	Investment Expenses	-		
Line 10e	Third-Party Litigation Expenses	-		
	1. Attorney Fees	-		
	2. Litigation Expenses	-		
	Total Disbursements for Receivership Operations		(61,387.49)	
Line 10f	Tax Administrator Fees and Bonds		-	
Line 10g	Federal and State Tax Payments		-	
	Total Disbursements for Receivership Operations			(107,969.21)
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):			(107,969.21)
Line 13	Ending Balance (As of 12/31/2024):			1,276,314.87
Line 14	Ending Balance of Fund - Net Assets:			
Line 14a	Cash & Cash Equivalents		1,276,314.87	
Line 14b	Investments		-	
Line 14c	Other Assets or Uncleared Funds		7,576,348.62	
	Total Ending Balance of Fund - Net Assets			8,852,663.49

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 10/01/2024 to 12/31/2024

		Detail	Subtotal	Grand Total
Line 15	Disbursements for Plan Administration Expenses Not Paid by the Fund:			
<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	-		
	Total Plan Development Expenses Not Paid by the Fund		-	
<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	-		
	Total Plan Implementation Expenses Not Paid by the Fund		-	
<i>Line 15c</i>	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			
<i>Line 16a</i>	Investment Expenses/CRIS Fees		-	
<i>Line 16b</i>	Federal Tax Payments		-	
	Total Disbursements to Court/Other Not Paid by the Fund:			-
Line 17	DC & State Tax Payments			-
Line 18	No. of Claims:			
<i>Line 18a</i>	# of Claims Received This Reporting Period	-		
<i>Line 18b</i>	# of Claims Received Since Inception of Fund	-		
Line 19	No. of Claimants/Investors:			
<i>Line 19a</i>	# of Claimants/Investors Paid This Reporting Period	324		
<i>Line 19b</i>	# of Claimants/Investors Paid Since Inception of Fund	684		

Receiver: Geoff Winkler

By: Geoff Winkler
(printed name)Chief Executive Officer
American Fiduciary Services LLC
Receiver, CapSource, Inc.

Date: January 31, 2025

EXHIBIT B

EXHIBIT B

COMPLETE LIST OF TRANSACTIONS

EAST WEST BANK RECEIVERSHIP ACCOUNT (A/E 0057)

October 1, 2024 - December 31, 2024

<i>Date</i>	<i>Type</i>	<i>Amount</i>	<i>Payee</i>	<i>Description</i>
10/02/2024	Income Adjustment	23,821.06	Arizona Rehabilitation Campus	Interest/Dividend Income
10/18/2024	Check	-44.59	Investor Payment	Disbursements to Investors
10/18/2024	Check	-28,116.54	Investor Payment	Disbursements to Investors
10/18/2024	Check	-384.91	Investor Payment	Disbursements to Investors
10/18/2024	Check	-384.91	Investor Payment	Disbursements to Investors
10/30/2024	Income Adjustment	23,821.06	Arizona Rehabilitation Campus	Interest/Dividend Income
10/31/2024	Interest Credit	1,406.93	East West Bank	Interest/Dividend Income
11/11/2024	Deposit	3,588.51	Investor Payment	Disbursements to Investors
11/13/2024	Check	-4,613.10	Investor Payment	Disbursements to Investors
11/13/2024	Check	-123.34	Investor Payment	Disbursements to Investors
11/20/2024	Check	-3,588.51	Investor Payment	Disbursements to Investors
11/29/2024	Interest Credit	851.93	East West Bank	Interest/Dividend Income
11/29/2024	Income Adjustment	23,821.06	Arizona Rehabilitation Campus	Interest/Dividend Income
12/02/2024	Check	-1,025.00	Cogency Global Inc	Business Asset Expenses
12/04/2024	Check	-2,906.41	Investor Payment	Disbursements to Investors
12/04/2024	Check	-2,704.65	Investor Payment	Disbursements to Investors
12/04/2024	Check	-108.76	Investor Payment	Disbursements to Investors
12/04/2024	Check	-63.86	Investor Payment	Disbursements to Investors
12/04/2024	Check	-159.59	Investor Payment	Disbursements to Investors
12/04/2024	Check	-62.82	Investor Payment	Disbursements to Investors
12/04/2024	Check	-190.12	Investor Payment	Disbursements to Investors
12/04/2024	Check	-447.69	Investor Payment	Disbursements to Investors
12/04/2024	Check	-6,270.43	Investor Payment	Disbursements to Investors
12/06/2024	Wire Out	-44,798.60	Geoff Winkler, Receiver	Receiver Fees
12/06/2024	Wire Out	-15,290.55	Greenberg Traurig	Attorney for Receiver Fees
12/26/2024	Check	-136.67	Cogency Global Inc	Business Asset Expenses
12/26/2024	Check	-136.67	Cogency Global Inc	Business Asset Expenses
12/31/2024	Interest Credit	552.95	East West Bank	Interest/Dividend Income
12/31/2024	Income Adjustment	23,821.06	Arizona Rehabilitation Campus	Interest/Dividend Income

EXHIBIT C

EXHIBIT C

SUMMARY OF CASH FLOW STATEMENT AND SUMMARY BALANCE SHEET

**SEC v. CapSource Inc., Stephen J. Byrne,
and Gregory P. Herlean
Summary Cash Flow Statement
October 1, 2024 - December 31, 2024**

as at the end of Period

	<i>as at the end of Period</i>	
Interest/Dividend Income	98,096	
<i>Tota as at the end of Period</i>		
	<i>as at the end of Period</i>	
Costs to Secure/Maintain Property	-	
Taxes	-	
Disbursements to Investors	(46,582)	
Receiver Fees	(44,799)	
Receiver Expenses	-	
Attorney for Receiver Fees	(15,291)	
Attorney for Receiver Expenses	-	
Business Asset Expenses	(1,298)	
<i>Tota as at the end of Period</i>		
	<i>as at the end of Period</i>	

**SEC v. CapSource Inc., Stephen J. Byrne,
and Gregory P. Herlean
Summary Balance Sheet
December 31, 2024**

	<i>Assets</i>	
EWBK Account	1,276,315	
Notes Receivable	7,576,349	
<i>Tota Assets</i>		
	<i>Liabilities</i>	
Accrued Professional Holdbacks	152,014	
Outstanding Loans	-	
<i>Tota Liabilities</i>		
	<i>Equity</i>	
Retained Earnings	8,700,649	
<i>Tota Equity</i>		

Accounts are estimated values and are
subject to change as more information is
available and the Receiver completes his
forensic accounting.