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IN THE THIRD DISTRICT COURT, SALT LAKE COUNTY
STATE OF UTAH

A. DAVID BARNES, M.D., P.C., Plaintiff, vs. FFCF INVESTORS, LLC, et al. Defendants.	NINTH REPORT OF R. WAYNE KLEIN, RECEIVER (FOR PERIOD ENDING SEPTEMBER 13, 2010) Case No. 080922273 Judge: Denise P. Lindberg
FFCF INVESTORS, LLC, Plaintiff, vs. RICHARD SMITH, et al. Defendants.	

R. Wayne Klein, the Court-Appointed Receiver of FFCF Investors, LLC, Ascendus Capital Management, LLC, and Smith Holdings, LLC (the "Receivership Entities") submits this Ninth Report of the Receivership, for the period June 22, 2010 through September 13, 2010.

I. STATUS OF CLAIMS PROCESS

By Minute Entry dated September 10, 2010, the Court overruled objections to the Receiver's recommendations on the Allowable Claim Amounts and also selected a distribution plan for allocating recovered funds among the investors. A proposed order to implement the Court's Minute Entry is attached. The proposed order includes approval for the Receiver to pay the administrative claim to Plaintiff, Dr. Barnes, and distribute an additional \$400,000.00 of recovered funds to investors.¹

II. OTHER DEVELOPMENTS SINCE THE LAST REPORT

A. Criminal Charges Filed

The State of Utah filed criminal charges against Roger Taylor and Richard Smith on August 13, 2010. Taylor was charged with two counts of securities fraud and one count of abuse, neglect or exploitation of a vulnerable adult. Smith was charged with four counts of securities fraud and one count of pattern of unlawful activity.

B. Settlements

1. Since the date of the last report, the Receiver has entered into three new settlements:
 - a. On August 4, Allied Telesis paid \$60,000.00 to the Receiver pursuant to a settlement agreement. Allied was a company that had been paid approximately \$77,000.00 by Ascendus and FFCF for work Allied had performed for Superwire, Inc. Allied agreed to repay the funds based on the Receiver's claim that Ascendus and FFCF funds

¹ As described in more detail below, this will leave approximately \$14,000.00 in the Receivership bank account to fund ongoing litigation expenses.

should not have been used to satisfy Superwire's obligations to Allied. Under the settlement agreement, the Receiver will separately seek recovery of payments made to a collection agency for the portion of the Allied payment it received. The lawsuit against Allied is being dismissed.

- b. On August 13, 2010, Sara Pfrommer (one of the former attorneys for Ascendus and FFCF) paid \$9,250.00 to the Receiver, in settlement of the lawsuit filed by the Receiver. Of the \$20,000.00 paid to Pfrommer by Receivership Entities, only \$8,500.00 was retained by Pfrommer, with the balance forwarded to other attorneys. Pfrommer paid \$9,250.00 to settle the Receiver's claims and the lawsuit against her is being dismissed.
- c. On August 30, 2010, Utah Community Credit Union paid the Receiver \$6,000.00 in settlement of a lawsuit filed by the Receiver. The Receiver's lawsuit had alleged that funds paid to the credit union by Ascendus and FFCF were for car payments for a car owned by T. Courtney Smith. As part of the settlement, the credit union assigned its claims against Smith to the Receiver. The lawsuit against the credit union is being dismissed.

- 2. The Receiver also collected \$3,000.00 as a final settlement payment from Rod Hulse, \$73,741.00 as a final settlement payment from Richard Young, and \$3,741.56 previously paid to the Court as a bond in connection with a default order sought by the Receiver.

C. Developments in Ongoing Litigation

1. The Receiver has obtained default judgments in two cases it had filed in March 2010:
 - a. On June 25, 2010, the Receiver obtained a default judgment in the amount of \$17,000.00 against Massachusetts attorney Karl Stammen. The Receiver had alleged that Stammen received \$17,000.00 in payments from Receivership Entities.
 - b. On July 28, 2010, the Receiver obtained a default judgment in the amount of \$30,000.00 against Bush & Sons Capital. The Receiver's lawsuit had alleged the company was paid at least \$30,000.00 for services it provided for Superwire and other companies, when the services did not provide any benefit to Ascendus or FFCF.
2. Family First Federal Credit Union, which the Receiver sued on March 18, has been taken over by the National Credit Union Administration. The Receiver may have to file a claim with the NCUA to seek recovery of the \$21,933.64 paid to the credit union.
3. The Receiver has filed a claim with the NCUA regarding moneys paid by Receivership Entities to Heritage West Credit Union (formerly Tooele Federal Credit Union) to recover payments made for the benefit of Jennifer Taylor. The Receiver has had several communications with NUCA and has provided additional information requested.
4. The Receiver has been participating in ongoing litigation efforts in the cases being pursued by the Receiver. This includes reviewing information in the answers filed by the defendants, approving scheduling orders, researching information to be provided as part of the required initial disclosures, reviewing disclosures by the defendants, approving

motions to compel production of information, and responding to withdrawal motions by attorneys.

5. Several strategy meetings have been held between the Receiver and his attorneys about the best way to proceed with litigation, whether to accept settlement offers, and how to respond to motions by defendants. The Receiver communicates frequently with his attorneys about the progress of cases.
6. The Receiver and his attorneys have held settlement discussions with at least ten of the defendants in litigation he has filed. In some cases, these discussions included reviewing sworn financial statements by the defendants listing the assets they own. Some settlement discussions resulted in settlements and others are ongoing.
7. Matthew White, who was sued by the Receiver in March, 2010, has filed bankruptcy. The Receiver had one of his analysts attend the examination of the debtor in bankruptcy court to question him about assets.
8. The Receiver continues to track developments in the federal litigation by investors Wirth and Donnell, including:
 - a. Reviewing information produced by the parties in discovery;
 - b. Agreeing to waive the attorney-client privilege for work performed by Robert Alsop and the law firm Ray Quinney & Nebeker, so those attorneys could respond to discovery requests;
 - c. Participating in the deposition of Robert Alsop; and

d. Reviewing court rulings regarding actions by the plaintiffs seeking to amend the federal litigation to add parties and claims.

9. Litigation filed by the Receiver is continuing against Roger Taylor, Alex Murillo, Kays Creek Capital, Logistic Management, Robert Alsop, Sancuro Wound Care Systems, Richard Smith, Susan Smith, TDI Energy, Tripod Holdings, Kathryn Rowley, and Courtney Smith. Several of these lawsuits have multiple defendants.

D. Analysis Performed Analysis performed since June 22, 2010 has included:

1. Additional evaluation of claims submitted by investors, including a review of supplemental documentation provided by the claimants.
2. Obtaining and reviewing account-opening documents provided by Kays Creek Capital on investor accounts held by Great Eastern Securities.
3. Receiving and analyzing additional account statements from Penson Financial Services and Ascendus relating to several investors.
4. An in-depth analysis of spreadsheets provided by Roger Taylor showing the results of options trading in each investor's Ascendus account during one year. These spreadsheets were compared to those account statements the Receiver already had from Penson and Ascendus for each of these investors. From that analysis, the Receiver was able to determine the instances when Taylor's records were the same as Ascendus or Penson, and when the records differed. When the records differed, the Receiver determined whether the records created by Taylor were higher or lower than the results reported to investors.

With this information, the Receiver expects to be able to show the actual knowledge of Taylor and Smith as to the value of those accounts and identify who can be held responsible for any inaccurate information given to investors during that time period.

5. Analysis of the various sources of income for Taylor, to determine the extent of income from sources other than Receivership Entities during the relevant time period.
6. Analysis of transactions into and out of another bank account maintained by Ascendus, jointly with certain investors (account #2401), to determine the sources of funds into that account and where funds were expended from that account.
7. Evaluation of all funds paid to Extream TV and the sources of funds paid to that company.
8. Determination of the sources of funds used to make payments to Allied Telesis and Sara Pfrommer, as part of our effort to demonstrate those payments were fraudulent transfers. (Note: both these recipients later settled with the Receiver.)
9. Continuing efforts to identify the recipients of funds where the bank records do not reveal who received the funds. As part of this analysis, the Receiver was able to identify additional payments made to a defendant and to another person with whom the Receiver had already settled. As a result, the Receiver is seeking additional funds from each of these.
10. Identifying how much of the money withdrawn from LBS Advisors ended up being paid to investors and how much was used for other purposes.

11. Analysis of wire transfers directly from Penson Financial Services to Ascendus, FFCF, or Consilium bank accounts and the documentation that authorized these transfers.
12. An index is being created listing the topics addressed in documents obtained by the Receiver, for use in proving the allegations made in lawsuits filed by the Receiver.

E. Informing Investors

1. The Receiver has continued to post information and court filings on its website to keep investors informed of progress in this case. This included information on the status of the claims process and the criminal charges filed against Taylor and Smith.
2. At their request, information has been provided to a number of investors and attorneys.
3. The Receiver has continued to provide information to governmental authorities during the period.

F. Financial Developments

1. Since June 22, the Receiver has recovered \$155,732.56 as a result of the settlements and deposit return described above.
2. The Receiver has expended \$82,046.54 of Receivership funds since the date of the last report. These expenses are:

Date	Amount	Recipient	Purpose
6/28/10	\$1,422.55	Atkinson-Baker, Inc.	Transcript for Taylor deposition
7/13/10	\$20,558.88	Manning Curtis law firm	Legal fees, June 2010
8/4/10	\$10.00	Wells Fargo Bank	Wire receipt fee (settlement pymt)
8/13/10	\$14,728.10	Manning Curtis law firm	Legal fees, July 2010
9/13/10	\$11,850.65	Manning Curtis law firm	Legal fees, August 2010
9/13/10	\$33,476.36	Klein & Associates	Receiver fees through 3/31/10
Total	\$82,046.54		

3. On May 10, 2010, the Court approved the Receiver's second fee and expense application, totaling \$106,820.36.² This approval was for services rendered by the Receiver from October 1, 2009 to March 31, 2010. The Receiver again pledged not to take more than 30% of the amounts recovered toward payment of his fee request. On June 2, 2010, the Receiver paid himself \$73,344.00 as partial payment of the amount approved by the Court. The remaining \$33,476.36 was taken by the Receiver on September 13, 2010.
4. After taking account of these deposits and expenditures, the current balance in the Receivership bank account is \$429,548.53.³ This is a net increase of \$73,686.02 over the June 22, 2010 account balance.

G. Areas of Focus for Ongoing Research and Analysis.

1. The next phase of the Receiver's financial analysis will focus on:
 - a. Identify the payees of cashier's checks purchased by the Receivership Entities. The Receiver has identified \$200,219.08 that appears to have been used to purchase cashier's checks and has asked Far West Bank to identify the payees of those cashier's checks;
 - b. Evaluating the financial net worth of a number of defendants in the lawsuits the Receiver has filed, to determine whether to accept settlement offers.
2. Determining the grounds for additional lawsuits that could be filed by the Receiver and

² In his second fee application, the Receiver identified an additional \$151,387.50 in services that were being donated to the Receivership effort, because there are not sufficient funds being recovered to pay for all of the time being spent by the Receiver and his staff in recovering assets.

³ An additional \$500.00 is in a savings account at Wells Fargo Bank.

evaluating whether they are likely to result in sufficient recovery to justify the legal expenses involved in prosecuting the lawsuits.

3. Evaluating the merits of participating in any settlement efforts that might be initiated by parties in the federal litigation.

III. TOPICS FOR SEPTEMBER 20, 2010 STATUS HEARING

The Receiver requests that the Court address the following matters at the status hearing on September 20:

1. Claims Process. The Receiver is submitting a proposed order to implement the Court's September 10, 2010 Minute Entry and will be prepared to answer any questions regarding the form or contents of the proposed order.
2. Report and Discussion on Consolidation of Receivership Cases Before Judge Quinn. The multiple lawsuits filed by the Receiver against recipients of funds from Receivership Entities have not yet been consolidated before Judge Quinn. It is not yet a problem, as the judges currently assigned to these cases have issued orders as matters have arisen, but is anticipated to be more of an issue as some cases move closer to trial.
3. Discussion of Potential Settlements and Other Potential Recoveries. The Receiver expects to apprise the Court of the status of potential settlements and seek any guidance regarding potential additional lawsuits the Receiver might bring.
4. Set Date for Next Status Hearing. The Receiver will request a status hearing in December to provide a further progress report and seek any direction from the Court.

IV. CONCLUSION

The Receiver respectfully submits this Ninth Report for the period from June 22, 2010 through September 13, 2010.

The Receiver verifies under penalty of perjury that the foregoing is true and correct.

DATED this 14th day of September, 2010.



WAYNE KLEIN, Receiver

CERTIFICATE OF SERVICE

I hereby certify that on the 14th day of September, 2010, a true copy of the foregoing

Ninth Report of Receiver and Proposed Order regarding claims were mailed to the following:

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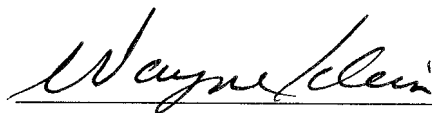
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Proposed order prepared by:

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IN THE THIRD DISTRICT COURT, SALT LAKE COUNTY

STATE OF UTAH

A. DAVID BARNES, M.D., P.C.,

Plaintiff,

vs.

FFCF INVESTORS, LLC, et al.

Defendants.

FFCF INVESTORS, LLC,

Plaintiff,

vs.

RICHARD SMITH, et al.

Defendants.

[PROPOSED]

**ORDER APPROVING ALLOWABLE
CLAIM AMOUNTS, DISTRIBUTION
PLAN, AND INITIAL DISTRIBUTIONS
BY RECEIVER**

Case No. 080922273

Judge: Denise P. Lindberg

The Court has considered the Receiver's recommendations on the claims process,

including a determination of the Allowable Claim Amounts for each eligible Claimant and selection of a distribution plan. The Court signed a Minute Entry on September 10, 2010 finding that oral argument will not aid in its consideration of the issues and finding that due process rights have been provided to all claimants. Accordingly,

IT IS HEREBY ORDERED THAT:

1. The objections of the Lighted Candle Society and SuetWan Chan Bostrom Young to the Receiver's recommendations on the Allowable Claimants and Allowable Claim amounts are overruled.
2. The Receiver pay \$16,032.92 to Plaintiff, Dr. Barnes, as a priority administrative claim.
3. The Allowable Claims and Allowable Claim Amounts listed in column X of the attached Exhibit A are approved.
4. The Receiver shall implement the "pro-rata" distribution plan, whereby funds held by the Receiver will be divided on a pro-rata basis among all Allowable Claimants, based on the amount of their net investment losses.
5. After paying \$16,032.92 from Receivership funds to Plaintiff, Dr. Barnes, the Receiver shall make an initial distribution of \$400,000.00 of Receivership funds to the Allowable Claimants in the amounts set forth in column Y of Exhibit A. This will result in a payment to investors of 11.7393% of their Allowable Claim Amounts.
6. The remaining funds in the Receivership bank account are to be retained for ongoing expenses of the Receivership. When the Receiver has recovered additional funds, he may make application to the Court for approval to make subsequent distributions to investors.

DATED this ____ day of September, 2010.

BY THE COURT:

Denise P. Lindberg
Third District Court Judge

EXHIBIT A

ALLOWABLE CLAIM AMOUNTS, AMOUNT OF INITIAL DISTRIBUTIONS

Claim #	Investor Name	X Allowable Claim Amount	Y Allowable Claim Amount X 11.7392367%	Comments
3001	[Redacted]	332,309.76	39,010.63	
3002	[Redacted]	26,500.00	3,110.90	
3003	[Redacted]	43,700.00	5,130.05	
3004	[Redacted]	681,211.07	79,968.98	
3005	[Redacted]	264,002.40	30,991.87	
3006	[Redacted]	122,220.00	14,347.70	
3007	[Redacted]	47,118.49	5,531.35	
3008	[Redacted]	45,266.19	5,313.91	
3009	[Redacted]	21,071.27	2,473.61	
3010	[Redacted]	413,666.67	48,561.31	
3011	[Redacted]	75,000.00	8,804.43	
3012	[Redacted]	30,717.24	3,605.97	
3013	[Redacted]	80,653.77	9,468.14	
3014	[Redacted]	362,650.60		Prior settlement
3015	[Redacted]	51,256.04	6,017.07	
3016A	[Redacted]	259,945.00	30,515.56	
3017	[Redacted]	170,000.00	19,956.70	
3018	[Redacted]	0.00	0.00	
3019	[Redacted]	742,738.70	87,191.85	
3020	[Redacted]	0.00	0.00	
Subtotal: Allowable Claims		3,770,027.20		
Less				
3014	Subject to prior settlement	-362,650.60		
Total claims for calculating initial distribution		3,407,376.60	400,000.03	
Administrative Claim				
3016B	Barnes, David (legal fees)	16,032.92	16,032.92	
	To Investors/Claimants		400,000.03	
	Administrative Expenses		16,032.92	
Amount to Pay			416,032.95	
Created 9/14/10 by Wklein				

CERTIFICATE OF SERVICE

I hereby certify that on the ___ day of September, 2010, copies of the foregoing Order

Approving Allowable Claim Amounts, Distribution Plan, and Initial Distributions by Receiver

were mailed to:

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Receiver
