

<b>DISTRICT COURT, ARAPAHOE COUNTY, COLORADO</b> 7325 S. Potomac Street Centennial, Colorado 80112	
STATE OF COLORADO, ex rel. JOHN W. SUTHERS, ATTORNEY GENERAL, Plaintiff,  v.  COLORADO HUMANE SOCIETY & S.P.C.A., INC.; MARY C. WARREN, an individual; ROBERT WARREN, an individual; and STEPHENIE L. GARDNER, an individual; Defendants.	<p style="text-align: center;"><b>▲ COURT USE ONLY ▲</b></p>
Waverton Group, LLC as custodian 4101 East Louisiana Avenue, Suite 300 Denver, Colorado 80246 Office: 303-781-9900 Fax: 303-781-4311 Email: <a href="mailto:rblock@xpn.com">rblock@xpn.com</a>	Case Number: 2008-CV-2659  Division: 202
<b>CUSTODIAN’S THIRD REPORT</b>	

Waverton Group, LLC, the custodian over Colorado Humane Society & S.P.C.A., Inc. (the “Colorado Humane Society” or the “Corporate Defendant”) and the assets of the Colorado Humane Society (the “Assets”), respectfully makes this Custodian’s Third Report (this “Report”).

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## I. THE CUSTODIANSHIP ESTATE

1. The State of Colorado filed its Complaint and Petition for Appointment of Custodian or for Dissolution (the "Complaint") and its Motion for Preliminary Injunction, Order Appointing Custodian and for Forthwith Hearing (the "Motion") in the District Court, Arapahoe County, Colorado (the "Arapahoe District Court") on December 10, 2008.

2. The Complaint includes as defendants the Colorado Humane Society & S.P.C.A., Inc. (the "Colorado Humane Society" or the "Corporate Defendant") and Mary C. Warren, Robert Warren, and Stephenie L. Gardner (the "Individual Defendants").

3. A Stipulated Order Appointing Custodian and Issuing Preliminary Injunctive Relief ("Order Appointing Custodian") was entered by the Honorable Cheryl L. Post, Arapahoe District Judge on December 16, 2008.

4. The Custodian, in accordance with Provision 2 of the Order Appointing Custodian, filed an Oath of Custodian with the Arapahoe District Court on December 16, 2008 and thereupon entered into its duties as Custodian.

5. Effective in January, 2009, the Honorable Charles M. Pratt, Arapahoe District Judge, rotated to Division 202, and thereby assumed control over the Custodianship Estate.

6. Paragraph 6.d. of the Order Appointing Custodian reads as follows:

d. The Custodian is hereby instructed to make calendar monthly report of the condition of the Custodianship Estate as of the twentieth day of each month, within thirty (30) days of the twentieth day of each month, until the Custodian is satisfied that less frequent reporting is necessary. At that time and upon prior notice in the Custodian's Report, the Custodian may report within thirty (30) days of the twentieth day of every other month or every third month, but no less often than quarterly. The Custodian shall not be required to, but as reasonably necessary may, follow generally accepted accounting principles or use auditors or accountants in the preparation of reports to this Court.

7. In addition to the routine reporting requirement of paragraph 6.d. of the Order Appointing Custodian, the Custodian has been Instructed to prepare a special report pursuant to paragraph 6.c. of the Order Appointing Custodian (the "Special Report") which reads as follows:

c. The Custodian is hereby instructed to file with this Court and serve upon the parties to the Custodianship action, within thirty (30) days after the date this Order is entered, a preliminary report setting out the identity, location, and value of CHS Assets and CHS Claims in the Custodianship Estate. Further, at the time the Custodian makes its preliminary report, the Custodian shall make recommendations to this Court regarding the continued operation of CHS and the further disposition of the Custodianship Estate;

8. The custodian prepared the Special Report in its Second Report and will be updating the Special Report from time to time in other Reports, including this Report.

9. Pursuant to paragraphs 6.d. of the Order Appointing Custodian the Custodian presents this Report, and pursuant to paragraph 6.c. of the Order Appointing Custodian, the Custodian Presents the Special Report in Section **Error! Reference source not found.**

## II. THE FINANCIAL REPORT

10. Financial Information. As of the date of this Report, the custodian has been unable to locate all of the financial information<sup>1</sup> for the Colorado Humane Society for 2007 and 2008. The custodian has located what it believes are the financial books and records for June 30, 2006 and before, and for reasons discussed in the Second Report, the custodian will be using the June 30, 2006 as base-year accounting unless the custodian discovers reasons to operate otherwise.

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<sup>1</sup> The custodian segregates the financial information of the Colorado Humane Society into two categories: (a) the financial books and records, and (b) the accounting system. Generally speaking, the financial books and records are the paper records generated at the time of the transaction, and would include receipts, bank statements, cancelled checks, deposit slips, etc. Conversely, the accounting system includes all financial information that is contained within the computerized accounting system. The importance of the distinction between the two is discussed in the body of this Report.

11. Financial Statements. The custodian typically opens its custodianship books with the closing entries on the balance sheet of the defendant as they appeared on the date the custodian was appointed. Given the missing financial books and records and the incomplete and inaccurate accounting system, the custodian has determined that the closing balances on the financial statements prepared by Davis & Co. based on Davis & Co.'s audit of the Colorado Humane Society and dated June 30, 2006 are the most reliable information available to the custodian.

12. The Balance Sheet for the Custodianship Estate is attached to this Report as Exhibit 1 and the Income Statement is attached as Exhibit 2. As stated in footnote 4 of the Second Report, the attached Balance Sheet contains references to information that was imported from the old accounting system. Those categories of assets and liabilities contain the phrase "Book Values, Unconfirmed" to designate information that was imported into the custodian's accounting system, but should not be considered reliable until the custodian has finished the task of updating the accounting system for the period between July 1, 2006 and December 16, 2008.

13. With one exception, the custodian believes that all of the financial information reported by the custodian for the Colorado Humane Society for the period from and after December 16, 2008 is true and correct.

The exception is that there are issues regarding withholding taxes payable both before and after the appointment of the custodian. Until the custodian is able to determine what withholding taxes are actually due, the financial statements may not accurately reflect the withholding taxes paid and payable. This issue will be substantially resolved with the treatment elected by the custodian and described in paragraph 18 below.

14. Invoice. Consistent with the Order Appointing Custodian, the custodian closes its invoice on the 20<sup>th</sup> of every month. Consistent with the Rate Card of Waverton Group, LLC as submitted to this Court, the custodian pays 80% of the custodian's fees when the invoice is presented, and accrues the remaining 20% for payment on the 20<sup>th</sup> of the following month. The custodian's invoice for February 20, 2008 is attached as Exhibit 3.

### **III. OTHER MATTERS**

15. Special Report. At a meeting with all of the Individual Defendants and their representatives on February 10, 2009, the Individual Defendants provided the custodian with a copy of an inventory of assets they prepared as of December 12, 2008 (four days before the appointment of the custodian). A copy of the inventory is attached as Exhibit 4. The custodian has attempted to verify the Assets reflected on the inventory that was provided and adjust the books and records accordingly. The results will only

be partially reflected in the financial statements attached to this Report as Exhibits 1 and 2. The custodian expects to fully contemplate the inventory in the financial statements that will be attached to the Fourth Report.

16. Board of Advisors; Agents of the Custodian. The custodian has invited the following people to join the custodian's Board of Advisors, and all have accepted:

Susan Fredinburg	Currently the manager of the Colorado Humane Society Shelter and Clinic
Carole Hughes	Animal rights expert from New York with no stake in the outcome of the Colorado Humane Society
Beth Pugh	Marketing professional with expertise in animal shelters and clinics
Peter Reshetniak	Chief Executive Officer of the Raptor Education Foundation
Martha Smith	President, All Breed Rescue Network, Inc., and animal shelter expert, and note author
Elaine Marlier	Manager of Petco in Golden, Colorado, animal shelter expert and noted author on animal adoption
Sharan Wilson	Executive Director, Freedom Service Dogs, Inc.
Frankie Cordova	Private businessman
Kathy Hill	Animal Shelter Expert; Board of Almost Home Adoptions

17. Department of Agriculture. As previously reported by the Custodian, the Colorado Department of Agriculture, under the Pet Animal

Care Facilities Act and the regulations promulgated thereunder ("PACFA") regulates the business of animal shelters in the State of Colorado. The license issued under PACFA for the Colorado Humane Society expires in the near future. In furtherance of the custodian's determination to fully cooperate with the Department of Agriculture, absent contrary instructions by this Court, the custodian intends to file a license renewal application with the Department of Agriculture, but will submit the license renewal application under an appropriate cover letter explaining that the application in no way is intended to diminish this Court's exclusive jurisdiction over the Custodianship Estate.

18. Pre-Appointment Payroll. December 16, 2008, the day the custodian was appointed by this Court, was payday at the Colorado Humane Society. Accordingly, two full weeks of payroll and associated benefits and expenses were caught by the Order Appointing Custodian. In order to avoid disruption in the operations of the Colorado Humane Society that failure to pay the entire staff would have occasioned, the custodian advanced an amount equal to the payroll to each non-terminated employee of the Colorado Humane Society. Although this action preserved the operations of the Colorado Humane Society, it was inconsistent with accounting conventions,

and it was inconsistent with the accounting of the Colorado Humane Society's payroll processing agent's treatment of the payments.

The custodian has determined that retroactively converting the advances to unpaid pre-appointment wages, salaries, bonuses, vacation, personal, holiday, sick time-off, and normal work-related reimbursement requests is in the best interests of the Custodianship Estate. Absent a contrary determination by this Court, the custodian's determination to treat the advances as payroll and all withholding, including all pre-appointment withholding taxes, Social Security taxes, and Medicare taxes, will be approved by the Order approving this Report.

19. Custodian's Request for Proposal. The custodian intends to rehabilitate the Colorado Humane Society by means of a Custodian's Request for Proposal. The custodian will prepare its proposed Custodian's Request for Proposal, and submit it to this Court under a motion for approval, thereby allowing interested parties and concerned citizens to comment and object.<sup>2</sup>

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<sup>2</sup> The custodian understands that concerned citizens may not have standing to voice their comments and objections formally in this Custodianship Action, however, due to the charitable nature of the Colorado Humane Society, the custodian will make arrangements to take into account comments and objections from concerned citizens who would otherwise not have standing in this Custodianship Action.

The Custodian's Request for Proposal will contain a description of the status of the Colorado Humane Society, and will solicit proposals from people interested in assuming the control of the Colorado Humane Society subject to its then current status and consistent with its plans. One of the cornerstones of the Colorado Humane Society's plans is to establish the Colorado Humane Society as a regional animal shelter providing services to a number of municipalities in the southwest quadrant of the Denver Metropolitan area (but not including the City of Denver).

The proposers will be expected to provide detailed information about themselves, and a detailed description of their intentions for the Colorado Humane Society, including a clearly identified slate for the new Board of Directors, consistent with the Colorado Humane Society's Articles of Incorporation and Bylaws. The Custodian's Request for Proposal and all proposals in response to the Custodian's Request for Proposal will be (a) competitive in nature, and (b) on the public record. The custodian will accept proposals from every proposer regardless of their nature or identity.

The custodian, with the advice of the custodian's Board of Advisors and the municipalities interested in utilizing the Colorado Humane Society as a regional animal care facility, will select the best proposer and accept the proposal from that proposer. The proposal, as accepted by the custodian, will

be submitted to this Court for approval and confirmation, thereby making the proposal subject to objections and comments from interested parties and concerned citizens.

The custodian acknowledges that it may not receive any acceptable proposals. In this event, the custodian will so advise the Court, and the custodian will rehabilitate the Colorado Humane Society internally. The custodian believes that a competitive, public solicitation is the best way to rehabilitate the Colorado Humane Society, but failing that, the custodian has no doubt that the rehabilitation can be accomplished internally.

#### **IV. INFORMATIONAL REPORT**

20. Informational Report, Generally. The custodian segregates its Reports into two primary segments, the second of which is this segment, the Informational Report. The purpose of this is to allow the custodian to Report litigation matters with conclusions of law and editorial content for the benefit of the Court and beneficiaries of the Custodianship Estate without submitting the Informational Report to the Court for approval. In this way, the custodian is capable of describing the pending litigation in the Custodianship Estate without attracting objections to the descriptions contained therein. Furthermore, the portion of the Custodian's Reports that are above the Informational Section are customarily approved and entered as

Orders of the Court upon approval. This is procedurally sound as it simply asks the Court to adopt the findings of fact from the custodian. Conversely, as a matter of custodianship law, the Court is obligated to review the custodian's conclusions of law *de novo*, so the Informational Section often contains conclusions of law. Accordingly, there is no advantage to approving the custodian's conclusions of law, and every disadvantage in having to resolve the issues involving the custodian's conclusions of law prematurely. The custodian has nothing to report in the Information Section of this Report.

21. Clinic Facilities. As reported in the custodian's Second Report, the Colorado Humane Society operates the facility located at 2760 South Platte River Drive, Englewood, Colorado, 80110 as a veterinary clinic (the "Clinic"). Contrary to the custodian's Second Report, the landlord for the Clinic has advised the custodian that she disputes the terms and conditions as reported, and has demanded double the rent reported. The custodian will attempt to negotiate a termination of the lease of the Clinic, taking into account the significant costs the custodian has incurred in repairing the Clinic property (which was otherwise uninhabitable). This negotiation will likely entail a diagnostic review of the tenancy of the Colorado Humane Society and the tenancy of the Individual Defendants under a separate lease

for premises contiguous and partially overlapping with the lease of the Colorado Humane Society from the inception of the Clinic lease (around June of 2008).

WHEREFORE, Waverton Group, LLC, as custodian, requests that this Court enter an Order approving Section I (The Custodianship Estate), Section II, (The Financial Report), and Section III (Other Matters). No request is made for approval of Section IV (Informational Report), which is included in this Report for informational purposes only.

Dated this 24<sup>rd</sup> day of February, 2009

Respectfully submitted,



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Waverton Group, LLC, custodian,  
Richard A. Block Managing Member

# Exhibit 1

Colorado Humane Society and S.P.C.A., Inc  
Balance Sheet  
February 20, 2009

## ASSETS

### Current Assets

Bank of Denver Checking	\$ 33,165.47	
Petty Cash-Clinic & Shelter	50.00	
<b>Total Current Assets</b>		<b>33,215.47</b>

### Current Assets-Book Values, Unconfirmed

Wells Fargo Payroll Account	24,130.77	
Wells Fargo Operating Acct	(4,859.61)	
Wells Fargo Tax 8008573	(27,035.33)	
Wells Fargo So.Co Division	10,111.65	
US Bank Res Grant Acct	757.31	
CoBiz Animal Medical Acct	50.00	
CoBiz Operating Acct	(7,857.80)	
Cash on Hand-Other	(1,690.00)	
<b>Total Current Assets-Book Values, Unconfi</b>		<b>(6,393.01)</b>

### Accounts Receivables

Advances_Adducci, Laura	458.19	
Advances_Fredenburger, Susan	875.39	
Advances_Davis, Shelby	150.07	
Advances_McCalaster, Malissa	211.41	
Advances_Silcott, Christy	1,058.69	
Advances_Wells, Kristin	1,062.42	
<b>Total Accounts Receivables</b>		<b>3,816.17</b>

### Accounts Receivables-Book Values, Unconfirmed

A/R-Amy Collier	255.00	
A/R-Arapahoe County	8,250.00	
A/R-City of Englewood	6,600.00	
A/R-City of Glendale	300.00	
A/R-City of Littleton	3,480.00	
A/R-City & County Contracts	20,000.00	
A/R-Discover CC	20.00	
<b>Total Accounts Receivables-Book Values,</b>		<b>38,905.00</b>

**Property and Equipment-Book Values, Unconfirmed**

Furniture and Fixtures	1,250.00
Office Equipment	11,758.16
Automobiles	127,711.39
Auto-Animal Transport Van	10,625.00
Auto-Aco Truck Toppers	6,930.00
Auto-Aco Vehicle-Co Springs	13,679.50
Kennel Equipment	47,864.54
Dryers fro Shelter	2,349.22
Anesthesia Equipment (S&N)	4,457.25
Autoclaves	2,500.00
Diagnostic Equipment	125.34
Infusion Pumps	2,375.12
Surgery Equipment	9,640.58
Surgery Table & Lights	2,618.00
Surgery Spay & Neuter Equipmen	653.00
A/D- Furnitue & Fixtures	(1,250.00)
A/D-Office Equipment	(8,188.75)
A/D- Automobiles	(94,062.80)
A/D-Kennels	(23,357.30)
A/D-Anesthesia Equipment	(3,542.90)
A/D-Autoclaves	(2,500.00)
A/D-Diagnostic Equipment	(125.34)
A/D-Infusion Pumps	(1,137.57)
A/D-Surgery Equipment	(4,444.84)
A/D-Surgery Table & Lights	(2,618.00)

**Total Property and Equipment-Book Valu****103,309.60****Other Assets-Book Values, Unconfirmed**

Prepaid Expenses	0.07
Rent Deposit Lakewood	500.00
Liberty Funds	720.55
Rent Deposit Colo Springs	618.00
Emp Adv-Arms, Stephanie	540.00
Emp Adv-Beachem, Michael	542.54
Emp Adv-Comley, Jeremy	245.00
Emp Adv-Fredinburg, Susan	266.28
Emp Adv-Gardner, Stephanie	1,060.00
Emp Adv-Griffin, Rhonda	1,080.00
Emp Adv-Johnson, Neil	20.00
Emp Adv-Luchenbill, Brooks	17.00

Emp Adv-Neller, Richard	180.00	
Emp Adv-Riggenbach, Lara	6,523.59	
Emp Adv-Warren, Mary	742.88	
Undeposited Funds	540.00	
<b>Total Other Assets-Book Values, Unconfir:</b>		<b><u>13,595.91</u></b>
<b>Total Assets</b>		<b><u><u>186,449.14</u></u></b>

## LIABILITIES AND CAPITAL

### Current Liabilities

A/P-Waverton Group	\$	3,000.00	
State W/H Payable		193.00	
SUTA Payable		<u>1,078.63</u>	
<b>Total Current Liabilities</b>			<b>4,271.63</b>

### Current Liabilities-Book Values, Unconfirmed

A/P-A Gift Basket		75.00	
A/P-Adams Mark Hotel		22,703.47	
A/P-Animal Emergency Care		1,905.83	
A/P-Antech		1,900.08	
A/P-Barlow		1,490.00	
A/P-Beacon Printing		982.00	
A/P-Central Vet. Emergency		1,165.45	
A/P-Cheyenne Mnt Hospital		2,578.77	
A/P-Classic Party Rental		9.28	
A/P-Colo Badge & Trophy		93.15	
A/P-CSU		283.00	
A/P-Custom Dental Inc.		95.00	
A/P-Davis & Co.		450.00	
A/P-Florial Expressions & Good		152.99	
A/P-Freeman		3,762.00	
A/P-Ivins Design Group		1,800.00	
A/P-MCI		6.85	
A/P-MWI Veterinary Supplies		4,132.16	
A/P-Pfizer Animal Health		2,629.07	
A/P-Public Safety Warehouse		1,746.00	
A/P-Public Service of CO		176.93	
A/P-SAFECO		27,061.87	
A/P-Safeguard		420.84	
A/P-Signs Now		399.68	
A/P-United Screening Services		140.00	
A/P-Other		(6,633.00)	
A/P-Foster Care Deposits		(839.25)	
A/P-Defd Inc Co Spring License		21,996.71	
A/P-Payroll Liabilities		18,060.75	
A/P-Spay & Neuter Deposits		<u>400.00</u>	
<b>Total Current Liabilities-Book Values, Un</b>			<b>109,144.63</b>

<b>Payroll Liabilities-Quickbooks</b>		
401 K Withholding	(5,857.45)	
Co State Inc Tax Withholding	283.26	
Emp Dental Insurance W/H	(7,231.83)	
Emp Medical Insurance W/H	24,229.38	
Employee Liens & Garnishments	1,105.67	
Federal Income Tax W/H	(1,995.39)	
FICA Tax Withholding	(2,623.36)	
Former Employees Cobra	2,231.06	
Medical Tax Withholding	256.94	
Payroll Liabilities-Other	34,331.62	
<b>Payroll Liabilities-Quickbooks</b>		<b>44,729.90</b>
<b>Filed Claims</b>		
Filed_Capital Marketing Inc.	624.42	
Filed_Capital Marketing-Fees	30.00	
Filed_Hwang Corporation	9,172.82	
Filed_Lindsey, Anna	1,140.00	
Filed_Monument Pharmacy	1,465.00	
Filed_Pinnacol Assurance	4,942.00	
Filed_Pushkin Public Relations	1,000.00	
Filed_Shannon, Meghan Dr.	3,443.12	
Filed_Wandersee_Aaron	115.50	
<b>Total Filed Claims</b>		<b>21,932.86</b>
<b>Total Liabilities</b>		<b>180,079.02</b>
<b>Capital</b>		
Opening Bal Equity	1,554.38	
Retained Earnings	(5,673.75)	
Net Income	10,489.49	
<b>Total Capital</b>		<b>6,370.12</b>
<b>Total Liabilities &amp; Capital</b>		<b>186,449.14</b>

Unaudited-For Management Purpose Only

**Exhibit 2**  
**Colorado Humane Society & S.P.C.A., Inc.**  
**Income Statement**  
**For the Eight Months Ending February 20, 2009**

	<b>Current Month</b>	<b>Year to Date</b>
<b>Revenues</b>		
Adoption Fee	12,672.77	40,428.77
Board Fee	-	30.00
Reclaim Fee	448.00	1,756.00
Surrender Fee	960.00	2,172.00
Contributions/Donations	12,599.85	30,217.91
Dog Spay	285.00	350.00
Cat Spay	215.00	290.00
Dog Neuter	210.00	30.00
Cat Neuter	-	200.00
Dew Claws	-	30.00
Micro Chip	40.00	120.00
E-Collar	100.00	190.00
Housing Income_City Englewood	3,869.00	7,738.00
Housing Income_City Littleton	-	3,480.00
Miscellaneous Income	-	24,308.11
Other Income	-	193.69
<b>Total Revenues</b>	<b>31,399.62</b>	<b>111,534.48</b>
<b>Cost of Sales</b>		
<b>Total Cost of Sales</b>	-	-
<b>Gross Profit</b>	<b>31,399.62</b>	<b>111,534.48</b>
<b>Expenses</b>		
Accounting Expense	-	257.84
Auto Expenses	311.43	469.08
Computer Expense	-	185.20
Computer Support	-	259.00
Clinic Expense	264.14	282.14
Clinic-Maintenance & Repairs	60.00	913.33
Clinic-Medicine	353.22	1,176.18
Clinic-Oxygen Rental	99.68	99.68

Clinic-Rent	-	1,500.00
Clinic-Trash	302.28	302.28
Clinic-Utilities	539.36	539.36
Clinic-Vets	1,500.00	2,000.00
Dues & Memberships	-	35.00
Office Expense	-	552.06
Reproduction Expense	-	41.90
Supplies Expense	81.70	300.45
Telephone Expense	735.38	735.38
Shelter Expenses	639.88	989.16
Shelter-Cremations	-	264.00
Shelter-Medicine	-	201.00
Shelter-Utilities(Rocky Ford)	31.58	31.58
Health Insurance	495.52	668.36
Health Insurance-Cobra	-	(765.25)
Postage	84.00	126.00
Professional Fees	-	32,295.00
Interest Expense	12.36	12.36
Claims-Shelter/Clinic	-	3,443.12
Claims-Shelter/Clinic-Lease	9,172.82	9,172.82
Claims-Shelter/Clinic-Medicine	-	1,465.00
Claims-Professional Fees	2,140.00	2,140.00
Claims-Wages	654.42	769.92
Claims-Workers Comp Ins.	-	4,942.00
Salary & Wage Expense	7,393.91	31,990.69
FICA Expense	458.43	1,971.92
Medicare Expense	107.23	463.06
SUTA Tax Expense	341.60	1,215.37
<b>Total Expenses</b>	<b>25,778.94</b>	<b>101,044.99</b>
<b>Net Income</b>	<b>5,620.68</b>	<b>10,489.49</b>

Unaudited-For Management Purpose Only

## Exhibit 3



**INVOICE**      Februrary 20, 2009  
**Client:**        Colorado Humane Society & S.P.C.A., Inc.  
**For:**            Professional Services and Expenses  
**By:**             Waverton Group, LLC  
**From:**         January 21, 2009  
**To:**             Februrary 20, 2009

<b>Date:</b>	<b>Services:</b>	<b>Hours Billed:</b>
21-Jan-09	Communicated with P. Sokolof, inspected Clinic; worked on inventory for Second Report; prepared Second Report; prepared and sent assurances letter to K. Anderson (Department of Agriculture).	8.00
22-Jan-09	Communicated with P. Sokolof, B. Pugh, M. Smith, conference call with F. Winocur and M. Kruger; conference call with A. Gardenswartz and L. Richey; prepared Second Report.	8.50
23-Jan-09	Prepared Second Report.	8.75
25-Jan-09	Communicated with J. Tanner, F. Winocur; reviewed documents.	1.00
26-Jan-09	Communicated with M. Smith, J. Tanner, F. Winocur, Colorado Humane Society Advisory Board; examined Colorado Humane Society computer; organized custodian's web site; worked on turnover of Colorado Humane Society web site (www.coloradohumane.org); worked on Rocky Ford property.	4.25
27-Jan-09	Communicated with Division of Insurance, K. McGreevy; prepared letter to title insurance company; prepared email to K. Anderson (Department of Agriculture); met with staff at Colorado Humane Society;	5.00

**INVOICE**

February 20, 2009

**Client:**

Colorado Humane Society &amp; S.P.C.A., Inc.

Page 2.

<b>Date:</b>	<b>Services:</b>	<b>Hours Billed:</b>
28-Jan-09	Communicated with F. Winocur, K. McGreevy, L. Moss, M Kruger, B. Rohde, P. Hall, S. Hill; prepared Third Party Claim Form.	2.50
29-Jan-09	Communicated with L. Yoder, L. Pederson, J. Tanner, M. Kruger, D. Hollingsworth, M. Smith, R. Wild, F. Winocur, K. McGreevy, reviewed documents re water issues on Otero County property.	2.00
30-Jan-09	Communicated with L. Richey, B. Pugh, K. Anderson; inspected personal property at Clinic property.	3.00
1-Feb-09	Communicated with C. Hughes, P. Reshetniak, E. Marlier, B. Pugh; prepared package for Union Street property; prepared agenda for Board of Advisors meeting.	1.75
2-Feb-09	Communicated with K. Anderson, P. Reshetniak, M. Smith, J. Swanson, M. Marlier, M. Flaherty, S. Wilson, D. Hallingsworth, J. Tanner; prepared memo to registrar re coloradohumane.org; prepared memo to M. Flaherty re Shelter property.	4.00
3-Feb-09	Communicated with A. Gardenswartz, J. Tanner, M. Smith, C. Hughes, S. Kempf, L. Rittenbach, J. Tanner, M. Flaherty, T. Thompson, T. Carawan, J. Hailey, F. Winocur; worked on model contract to provide services to municipalities; prepared memo to K. McGreevy and F. Winocur with spreadsheets for meeting; prepared memo to T. Thompson.	8.00
4-Feb-09	Communicated with IRS re penalty (two hours that ended with the IRS hanging up); prepared Form 56; prepared Notice to Court; prepared memo to B. Rodriguez at the IRS; worked on Motion to Reform Deed for the Otero County property.	4.50

**INVOICE**

Februrary 20, 2009

**Client:**

Colorado Humane Society &amp; S.P.C.A., Inc.

Page 3.

<b>Date:</b>	<b>Services:</b>	<b>Hours Billed:</b>
5-Feb-09	Communicated with J. Tanner, M. Kruger, B. Pugh; worked on Notice re IRS issues; met J. Swanson at Union Street property; worked on Colorado Humane Society accounting issues.	1.50
7-Feb-09	Prepared the Receiver's Third Report; worked on payroll issues relating to December 16, 2008 (the date of appointment).	2.00
9-Feb-09	Worked on issues related to PayPal on the coloradohumane.org.	2.00
10-Feb-09	Communicated with B. Pugh, J. Hailey, C. Fieger, D. Ackerman, M. Kruger, R. Wild, J. Tanner, L. Richey, met with S. Gardner, R. Warren, M. Warren, F. Winocur, K. McGreevy, M. Kruger, K. Fenimore.	6.50
11-Feb-09	Communicated with J. Nielson, C. Hughes, B. Pugh, S. Clagg, R. Wild, worked on letter and motion for Order to Show Cause regarding Columbia Management's refusal to turn over money; met with representatives of Englewood regarding Shelter maintenance and repair; worked on updated schedule of assets for inventory and for books and records; worked on budgets for the Clinic; worked on insurance issues.	8.00
12-Feb-09	Attended Metro Denver Shelter Alliance meeting; prepared letter to Columbia Management; worked on Directors and Officers liability insurance policy issues.	3.50
13-Feb-09	Worked on issues related to PayPal on the coloradohumane.org.	2.00
17-Feb-09	Prepared Third Report; worked on third party claims to assets previously thought to be property of the Custodianship Estate.	5.00

**INVOICE**

Februrary 20, 2009

**Client:**

Colorado Humane Society &amp; S.P.C.A., Inc.

Page 4.

<b>Date:</b>	<b>Services:</b>	<b>Hours Billed:</b>
19-Feb-09	Prepared Third Report; worked on unemployment compensation issues.	4.25
20-Feb-09	Prepared Third Report.	4.00
	Total hours worked	<u>100.00</u>
	Hourly rate	<u>250.00</u>
	Subtotal	25,000.00
	Reduction for Cap	<u>(10,000.00)</u>
		15,000.00
	Less retainage	<u>(3,000.00)</u>
		12,000.00
	Plus retainage from December, 2008	3,000.00
	Expenses from following page	8,899.30
	This Invoice (please pay).	<u>23,899.30</u>

**Colorado Humane Society Expense Report**  
**Waverton Group**  
**January 21, 2009 to February 20, 2009**

<b>Date</b>	<b>Description</b>	<b>Amount Incurred</b>	<b>Amount Billed</b>
<b>Office Expense</b>			
10/Feb/09	Auto/Parking	\$ 24.00	\$ 24.00
20/Feb/09	Copies	\$ 451.70	\$ 451.70
		<u>\$ 475.70</u>	<u>\$ 475.70</u>
<b>Postage</b>			
20/Feb/09	Postage	\$ 33.60	\$ 33.60
		<u>\$ 33.60</u>	<u>\$ 33.60</u>
<b>Professional Fees - Associates</b>			
20/Feb/09	Block, Justin	\$ 2,850.00	\$ 2,500.00
20/Feb/09	Block, Justin-special	\$ 120.00	\$ -
20/Feb/09	Mendoza, Arturo	\$ 890.00	\$ 890.00
20/Feb/09	Fenimore, Kim	\$ 5,390.00	\$ 5,000.00
		<u>\$ 9,250.00</u>	<u>\$ 8,390.00</u>
		\$ 9,759.30	\$ 8,899.30
	Subtotal (do not pay)	<u>\$ 9,759.30</u>	
	Total (on previous page)		<u>\$ 8,899.30</u>

## **Exhibit 4**

# **COLORADO HUMANE SOCIETY ASSETS AS OF 12/12/2008**

### **CASH**

WELLS FARGO: 7800.00

PETTY CASH: 465.00

### **VEHICLES**

95 GMC PICKUP WITH TOPPER

95 FORD VAN

97 CHEVROLET 3500 TRUCK W/ STARTRANS COACHWORK

03 FORD F-150 WITH TOPPER

04 CHRYSLER PT CRUISER

93 FORD ESCORT STATION WAGON

'60S VINTAGE HORSE TRAILER

### **REAL PROPERTY**

PARCEL 1: 40 ACRES WITH 4 BEDROOM FARMHOUSE, DETACHED GARAGE  
& WORKSHOP, LARGE BARN

PARCEL 2: 5 ACRES WITH 3 BEDROOM HOUSE, DETACHED 6 CAR GARAGE

### **ANIMAL CONTAINMENT AND HANDLING EQPT:**

198 STAINLESS STEEL SHORELINE CAGES, VARIOUS SIZES

90+ "VARI-KENNELS", VARIOUS SIZES

9 CATCH POLES

5 SNAPPY SNARES

25+ MUZZLES

100+ LEASHES

### **FURNITURE**

2 TALL LATERAL FILES

10 DESK CHAIRS

4 DESKS

6 FOUR DRAWER FILE CABINETS

12' CONFERENCE TABLE

12 SIDE CHAIRS  
8 STAINLESS METRO RACK SHELVING UNITS  
4 PIECE MAHOGANY POINT OF SALE UNIT

**CLINIC EQUIPMENT**

22 STAINLESS TABLES  
2 AUTOCLAVES  
CENTRIFUGE  
3 ISOFLOURENE MACHINES WITH ATTACHMENTS  
2 LARGE INCUBATORS  
27 INFUSION PUMPS WITH ATTACHMENTS  
10 NEBULIZERS  
NIKON STEREO MICROSCOPE  
2 EKG MACHINES  
3 PULSE-OX MACHINES WITH EXTRA SENSORS  
3 SURGERY LAMPS  
BLOOD ANALYSIS MACHINE  
2 SURGERY TABLES  
2 CAT SCALES  
2 LARGE FLOOR MODEL DOG SCALES WITH SPARE PARTS  
OPHTHALMOSCOPE  
OTOSCOPE  
7 STETHOSCOPIES  
4 OSTER PROFESSIONAL CLIPPERS  
20 NEW WAHL CLIPPER SETS  
3 5' OXYGEN TANKS  
9 2' OXYGEN TANKS  
INDUCTION BOX  
2 EXAM TABLES

**APPLIANCES**

LARGE STAINLESS REFRIGERATOR  
3 SMALL REFRIGERATORS  
4 FREEZERS  
2 WASHERS  
4 DRYERS  
FULL SIZED REFRIGERATOR

**COMPUTERS AND ELECTRONICS**

2 HP TOWERS  
2 COMPAQ TOWERS  
1 NO-NAME TOWER  
1 E-MACHINES TOWER

3 CRT MONITORS  
2 LCD MONITORS  
2 HP LASERJET 4 PRINTERS  
1 HP LASERJET 8000 TABLOID PRINTER  
TOSHIBA SORTING COPIER  
RICOH COPIER  
2 HP 4 IN 1 PRINTER/SCANNERS  
4 CORDLESS PHONES  
4 CREDIT CARD MACHINES  
2 TIME CARD MACHINES  
1 HP LASER PRINTER  
1 HP INKJET PRINTER  
2 EPSON INKJET PRINTERS  
SECURITY CAMERA SWITCHER  
TIME LAPSE RECORDER  
SECURITY CAMERA MONITOR  
4 INDOOR TV CAMERAS  
2 OUTDOOR TV CAMERAS W/ HOUSINGS  
1 OUTDOOR ALARM KLAXON  
4 FOUR LINE PHONES

**MISC**

2 CART MOUNTED QUAT CLEANER INJECTOR SYSTEMS  
4 INDUSTRIAL HOSES  
6 REGULAR HOSES  
3 SAFES  
3 WOOD SHEDS  
4 6' WHITE FOLDING TABLES  
4 3' WHITE FOLDING TABLES  
12 FOLDING CHAIRS  
8 PLASTIC CHAIRS  
2 SQUARE GAZEBOS  
200+ FOOD BOWLES  
150+ CAT LITTER PANS  
WALL MOUNT SOAP INJECTOR  
6 METRO CARTS  
2 RUBBERMAID CARTS  
1 METAL AV CART

**TRACTOR**

INTERNATIONAL HARVESTER FARMALL 450 DIESEL TRACTOR

## **INVENTORY**

12 LARGE BOXES OF PET SUPPLIES (RESTRICTED)

\$5,000+ CONSUMABLE MEDICAL SUPPLIES

\$7,000+ PHARMACEUTICALS

50+ CHS T-SHIRTS

24 COLLECTOR PLATES

250+ CAT DELIVERY BOXES

<b>DISTRICT COURT, ARAPAHOE COUNTY, COLORADO</b> 7325 S. Potomac Street Centennial, Colorado 80112	
STATE OF COLORADO, ex rel. JOHN W. SUTHERS, ATTORNEY GENERAL, Plaintiff,  v.  COLORADO HUMANE SOCIETY & S.P.C.A., INC.; MARY C. WARREN, an individual; ROBERT WARREN, an individual; and STEPHENIE L. GARDNER, an individual; Defendants.	<p style="text-align: center;"><b>▲ COURT USE ONLY ▲</b></p>
	Case Number: 2008-CV-2659  Division: 202
<b>ORDER APPROVING CUSTODIAN'S THIRD REPORT</b>	

This matter having come before the Court on the Custodian's Third Report, dated the 4<sup>th</sup> day of March, 2009, and the Court having considered the matter, being fully advised in the premises, and other good cause appearing:

It is therefore ORDERED that the Section I (The Custodianship Estate), Section II (The Financial Report), and Section III (Other Matters), are hereby approved.

Done this \_\_\_\_\_ day of \_\_\_\_\_, 2009.

By the Court:

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