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| DISTRICT COURT, ARAPAHOE COUNTY, COLORADO 7325 S. Potomac Street Centennial, Colorado 80112 | |
| STATE OF COLORADO, ex rel. JOHN W. SUTHERS, ATTORNEY GENERAL, Plaintiff, v. CORPORATE DEFENDANT & S.P.C.A., INC.; MARY C. WARREN, an individual; ROBERT WARREN, an individual; and STEPHENIE L. GARDNER, an individual; Defendants. | |
| Waverton Group, LLC as custodian 4101 East Louisiana Avenue, Suite 300 Denver, Colorado 80246 Office: 303-781-9900 Fax: 303-781-4311 Email: rblock@xpn.com | <p style="text-align: center;">▲ COURT USE ONLY ▲</p> Case Number: 2008-CV-2659 Division: 404 |
| RECEIVER’S TENTH REPORT | |

Waverton Group, LLC, the receiver over WindownCHS, Inc.¹ (the “Corporate Defendant”) and the assets of the Corporate Defendant (the “Assets”), respectfully makes this Receiver’s Tenth Report (this “Report”).

¹ As explained in the report on the Judicial Sale in this Report, the receiver sold the assets of the Corporate Defendant & S.P.C.A., Inc. at Judicial Sale. Among the assets sold was the name and all associated rights. Prior to the closing of the Judicial Sale, the receiver formally changed the name of the corporation to WindownCHS, Inc. It would be appropriate to change the name of the defendant in this action. The receiver will inquire of the District Court Clerk as to how that, and the change in case numbers Ordered by this

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I. THE RECEIVERSHIP 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.

Court, can be accomplished, if at all. Any reference to the “Colorado Humane Society” in this Report will be to the new entity that purchased the name, unless otherwise stated.

4. The custodian, in accordance with paragraph 2 of the Order Appointing Custodian, filed an Oath of Custodian with this 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 assumed control over the Custodianship Action and the Custodianship Estate.

6. By Order dated November 16, 2009, this Court entered its Order Severing Custodianship Issues from Other Issues and Creating New Case, thereby establishing a separate Custodianship Action under this caption.²

7. By Order dated December 1, 2009, this Court entered its Order Re: Motion to Allow (1) the Custodian, or in the Alternative the Receiver, to Sell Assets of the Custodianship Estate by Judicial Sale Free and Clear of Claims, Liens, and Encumbrances and (2) Further Motions to Establish Sale Procedures and Terms; and Individual Defendants' Memorandum Concerning Reinstatement Following Trial (the "Sales Order"). In paragraph F.3. of the

² The receiver has been unable to get a case number assigned to the new action by the District Court Clerk. The District Court Clerk suggested using the old case number until the problem can be corrected. The receiver has made a recommendation in the body of the report as to how this situation can be resolved without much further effort.

Order, the Court Ordered that "The Custodian is hereby converted into a receiver in order to conduct a Judicial Sale of the assets."³

8. On April 2, 2010, this Court entered its Order Authorizing And Confirming the Judicial Sale of Certain Assets of Colorado Humane Society & S.P.C.A., Inc.

9. 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.

10. Pursuant to paragraphs 6.d. of the Order Appointing Custodian the receiver presents this Report.

II. THE FINANCIAL REPORT

11. Financial Information. The receiver previously Reported that it expected to have reconstructed the books and records for the Colorado Humane Society, to the best extent they can be reconstructed given the fact

³ For continuity, the receiver has continued the consecutive numbering for the Reports.

that information is missing, by January 20, 2010. The task has proven considerably harder than originally anticipated because for the last eighteen months before the Corporate Defendant was placed into custodianship, there are no records as to the source of the deposits made into the Corporate Defendant's accounts, and no way to trace that source in most circumstances.

12. Financial Statements. The Balance Sheet for the Receivership Estate for May 20, 2010 is attached to this Report as Exhibit 1. The Income Statement for the period from January 1, 2010 to May 20, 2010 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 receiver's accounting system, but should not be considered reliable until the receiver has finished the task of updating the accounting system for the period between July 1, 2007 and December 16, 2008.

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

14. Federal and State Form 990s. The receiver had previously been reconstructing the books and records in a new accounting system for the

Colorado Humane Society intended to enable the receiver to amend Form 990 for the fiscal year ended June 30, 2007, to file Form 990 for the fiscal year ended June 30, 2008, and to file a Form 990 for the fiscal year that ended June 30, 2009. Given the change from a custodianship to a receivership, the receiver had hoped to determine that there is no necessity to file the Form 990s, however, the receiver's inquiries of the Internal Revenue Service were met with the collections department of the Internal Revenue Service filing a lien on the general receivership account. The Technical Services department of the Internal Revenue Service removed the lien the same day, but the receiver still has not been able to finalize any arrangements with the Internal Revenue Service. Accordingly, the preparation of the Form 990s will proceed.

15. Invoices. Consistent with the Order Appointing Custodian, the receiver closes its invoice on the 20th of every month. Consistent with the Rate Card of Waverton Group, LLC as submitted to this Court, the receiver pays 80% of the receiver's fees when the invoice is presented, and accrues the remaining 20% for payment on the 20th of the following month if money is available. The receiver's invoices for January 20, 2010, February 20, 2010, March 20, 2010, April 20, 2010, and May 20, 2010 are attached as Exhibit 3.

16. Cash Shortage. For the first time since December 16, 2009, with the Confirmation of the Judicial Sale, the Receivership Estate is not experiencing a cash shortage. The Receivership Estate does not have enough money to pay all administrative, priority, and unsecured claims, but may have after all assets have matured or been liquidated.

III. OTHER MATTERS

17. Receiver's Judicial Sale. The receiver closed the Asset Purchase Agreement with the Colorado Anti-Cruelty Society and the Court Confirmed that Judicial Sale. The primary asset sold in the Judicial Sale was the name "Colorado Humane Society & S.P.C.A., Inc." One requirement of the Judicial Sale was that upon assignment of the name "Colorado Humane Society & S.P.C.A., Inc." the receiver was obligated to adopt a new name for the corporation that was not confusingly similar to Colorado Humane Society & S.P.C.A., Inc. The receiver selected WindDownCHS, Inc. and officially renamed the corporation.

18. Remaining Assets. The Custodian continues to devote a relatively small amount of time to following through on the assignment of the intangibles that were purchased from the Receivership Estate through the Judicial Sale. With the Confirmation of the Judicial Sale, the Receivership Estate no longer possesses any intangible assets of any value,

and possesses tangible assets that could not be sold. Aside from the files for the Colorado Humane Society and the Receivership Estate, the only tangible assets that remain are computers and computer equipment that no longer has any saleable value. The receiver will probably give the computers and computer equipment to a qualified charity interested in taking them, and if none are interested, the receiver will dispose of them properly.

19. Claims Process. Although the bar date has long since passed, Colorado State University has been attempting collection of a pre-appointment obligation for many months, but had not complied with the Order to Present and File Claims until recently. This month, the claim was turned over to professional collection attorneys who promptly filed a claim on behalf of Colorado State University. The receiver hereby approves the principal amount of the claim, but rejected the interest and penalties. Colorado State University may object to the receiver's rejection of interest and penalties, in which case this Court may determine the amount of the Claim.

20. Contingent Assets. One significant category of Assets that are the property of the Receivership Estate are bequests that were made to the Colorado Humane Society prior to the Confirmation of the Judicial Sale. The receiver is aware of only two bequests that have not been paid. One of the

bequests (Estate of McKnight) has been mostly paid, but is awaiting a tax refund for final distribution. The other bequest (Estate of Broncucia) was in litigation between the decedent's estate and a beneficiary, but that litigation has been settled. See the discussion on the Estate of Broncucia in paragraph 23 below.

21. Case Numbering. Now that the State's claims against the individual defendants have been resolved, there is nothing left in this matter except the main receivership, so the receiver suggests the court vacate its prior order severing the main receivership action from this case, and instead use this case number as the receivership case. The caption should also be changed to *In re receivership of WinddownCHS, Inc.*

22. Philadelphia Insurance Companies. Individual Defendants, Mary C. Warren, Robert Warren, and Stephanie L. Gardner filed a Complaint for declaratory judgment against Philadelphia Insurance Companies ("Philadelphia") on August 11, 2009. That action is currently pending in Arapahoe County District Court as Case No. 2009 CV 1798 (the "Individual Defendants' Philadelphia Action").

On September 18, 2009, Third-Party Plaintiff, Waverton Group, LLC, as Custodian for the Colorado Humane Society filed its Third-Party Complaint for Declaratory Judgment against Third-Party Defendant

Philadelphia Insurance Companies in the main Receivership Action (the "Receiver's Philadelphia Action"). The receiver filed the Receiver's Philadelphia Action against the Philadelphia for a declaration under the same directors and officers liability policy as the Individual Defendants did. At the request of Philadelphia, the Court entered its Order Re: Third-Party Defendant's Motion to Sever and Consolidate, or in the Alternative, to Bifurcate Discovery and Trial of Third-Party Plaintiff's Claims on December 1, 2009, whereby this Court severed the Receiver's Philadelphia Action from the main Receivership Action and consolidated the Receiver's Philadelphia Action with the Individual Defendants' Philadelphia Action.⁴ For reasons that follow, even though consolidated, the separate actions will be referred to as defined above and the resulting consolidated case will be referred to as the "Philadelphia Action." The Receiver's Philadelphia Action constitutes one of the few remaining assets of the Receivership Estate.

⁴ Despite this Order, the District Court Clerk did not add the receiver to the Certificate of Service in the Philadelphia Action. When that Court (which is also this Court) sent out an Order to Show Cause to close the Philadelphia Action if it was not set for trial, the receiver was unaware of it and did not respond. This resulted in the Philadelphia Action being administratively closed. It was re-opened upon the receiver's motion. The Court should note that the both Philadelphia and the Individual Defendants were aware of the administrative closure but did not respond.

This Court Ordered, in both this Receivership Action and the Philadelphia Action, that the parties engage in some form of ADR. Philadelphia was party to both orders, and has flouted both. First, it refused to participate in any form of ADR other than with a paid mediator. As previously reported to the Court, utilizing a paid mediator is highly unusual for a receiver.⁵ Further, the receiver lacked cash to pay a mediator.

In an unusual procedure, the receiver asked for, and received, an Order from this Court allowing it to use a paid-mediator and pre-approving limited authority to settle the case. This occurred months ago, but still has not materially moved ADR forward. Philadelphia has presented a whole series of pretextual reasons why it cannot participate in ADR, all of which the receiver has addressed as if valid. Philadelphia has now gone silent entirely. The receiver expects to file a Motion (possibly for sanctions) on this point shortly.

In an effort to either bring about a business resolution of the receiver's claim against Philadelphia or further develop the claim in the Receiver's Philadelphia Action, last year the receiver asked Philadelphia for the

⁵ The point of such a mediation is to settle the case, but receivers usually lack that authority absent express assent of the appointing court. That lack of authority typically defeats the receiver's ability to bind the Receivership Estate, which is expected in connection with a mediation.

documents that passed between Philadelphia and the Individual Defendants. For example, there is reportedly a commitment letter from Philadelphia guaranteeing payment of the Individual Defendants lawyers. This letter, if it actually exists, could possibly result in the Individual Defendants, as plaintiffs in the Individual Defendants' Philadelphia Action, abandonment of the Individual Defendants' Philadelphia Action, with the claim being then separately litigated by the attorneys for the Individual Defendants under that commitment letter. That would leave Philadelphia and the receiver as the only remaining litigants in the Philadelphia Action, thereby laying waste to countless hours of the receiver's time and the time of the receiver's counsel. Had Philadelphia provided copies of material correspondence when asked by the receiver last June, the receiver would have the benefit of knowledge possessed by Philadelphia and deliberately withheld from the receiver, or more importantly, the insured under the policy. As the insured, the receiver was entitled to all of this information.

A material portion of the receiver's claim against Philadelphia relates to the fact that Philadelphia subsidized a cross-claim by the Individual Defendants against the Receivership Estate for precisely those matters for which Philadelphia refused to defend the Receivership. This is analogous to a title insurance company providing survey protection to both sides in a

boundary dispute, but paying only for one side to prosecute the litigation against the other.

Coverage under the policy can hardly be disputed—on February 5, 2009, Philadelphia filed a sworn and notarized Claim of Creditor for \$2,500.00 for the deductible under the policy. Obviously, if a deductible has been triggered (as Philadelphia has sworn to under oath), then there must be coverage.

The Coverage Action has been set for trial.

23. The Estate of Broncucia. Since September, 2009, the receiver has been working on a bequest from the Estate of Broncucia. The bequest was made to the “Humane Society of Denver.” When the receiver was first contacted by the litigation attorney for the Estate of Broncucia, it was for the purpose of settling a dispute with other beneficiaries. The amount necessary to compromise the dispute was under the \$10,000 threshold, so the receiver settled the portion of the dispute that belonged to the Receivership Estate at the recommendation of the mediator. On the date of this Report, the receiver learned that the estate attorney for the Estate of Broncucia had determined that the bequest was, in fact, to the Denver Dumb Friends League and not the Colorado Humane Society & S.P.C.A., Inc. It is the receiver’s understanding that this bequest was in the range of \$100,000, and was a

material component in the receiver's ability to pay all creditors in full.

Without this money, the receiver may not be able to fully pay general unsecured creditors. The receiver has asked the estate attorney to provide a written explanation of what happened, and justification for the determination that the bequest was for the Denver Dumb Friends League and not the Colorado Humane Society.

24. The Warrens and Ms. Gardner. When the receiver concludes the reconstruction of the books and records of the Receivership Estate, the receiver will know whether the Receivership Estate has a claim against the Warrens or Ms. Gardner, some of them or all of them. If a claim is established, the receiver will first attempt to determine whether it is collectible before expending further resources on it.

25. Winding Down and Termination. Receiverships are comprised of four primary business cycles. These four cycles commence in the following sequence, but tend to resolve contemporaneously:

- a. *Identify, Locate, and Marshal Assets* – The receiver typically starts with locating and marshaling cash, follows that with perishable or deteriorating assets, and finishes with other assets. Included in the category of other assets are the claims the receiver has against parties and third parties in possession of assets of the Receivership Estate.
- b. *Claims Process* – Once the receiver is convinced that no assets will perish or deteriorate, the receiver will request an Order to Present and File Claims and obtain a Claims bar date. By consenting to the claims process, the claimants consent to a transfer of the equitable or

judicial lien of their claims against the assets of the Receivership Estate to the cash generated by a judicial sale of assets.

c. *Asset Sale* – Absent another resolution of the Receivership Estate (e.g., rehabilitation), the receiver conducts a Judicial Sale of assets in an effort to convert all assets to cash or cash equivalents. By converting the Receivership Estate to liquid assets, distribution of the assets of the Receivership Estate becomes arithmetic.

d. *Wind Down and Termination* – With the claims fully adjudicated and the assets converted to cash, the receiver is then in position to start the wind down process. The objective is to distribute the remaining liquid assets of the Receivership Estate to the claimants in order of their relative priority until there are no assets left, report the completion of the distribution to the Court and request termination by formal motion. The wind down and termination process is a highly technical process that happens quickly.

In the context of the foregoing, the receiver has identified and located, substantially all of the Assets that it expects to find. The receiver has marshaled all of the Assets except the potential claims against the Individual Defendants and the claims against Philadelphia Insurance Companies. The receiver has completed the Judicial Sale. With the filing of the Special Report on Claims, and now the filing of the claim of Colorado State University, the Court is in a position to resolve all Claims against the Receivership Estate, except the Colorado State University Claim, and the actual and potential Claims of the Internal Revenue Service. There have been no objections filed against the receiver's treatment of any Claimant, so with the exception of the Colorado State University claim, the Court may

resolve all claims as and when it is prepared to do so. Until all potential obligations to the Internal Revenue Service are resolved, however, there is no urgency in resolving Claims because of 31 U.S.C. § 3713, which reads as follows:

§ 3713. Priority of Government claims

(a) (1) A claim of the United States Government shall be paid first when--

(A) a person indebted to the Government is insolvent and--

(i) the debtor without enough property to pay all debts makes a voluntary assignment of property;

(ii) property of the debtor, if absent, is attached; or

(iii) an act of bankruptcy is committed; or

(B) the estate of a deceased debtor, in the custody of the executor or administrator, is not enough to pay all debts of the debtor.

(2) This subsection does not apply to a case under title 11.

(b) A representative of a person or an estate (except a trustee acting under title 11) paying any part of a debt of the person or estate before paying a claim of the Government is liable to the extent of the payment for unpaid claims of the Government.

[Emphasis added.]

Because the Internal Revenue Service has two years to assess, and because this Court can do nothing to abbreviate that period, it is not possible for the receiver to pay any claims until the United States has been satisfied

first. The receiver will do everything possible to get the Internal Revenue Service to file a Claim, if it has a Claim, or to confirm that it has no claim as quickly as possible. In the meanwhile, the receiver has not booked a claim in favor of the Internal Revenue Service (because one has not been filed), but has reserved the amount of the lien.

Wherefore, Waverton Group, LLC, as receiver, requests that this Court enter an Order approving Section I (The Receivership Estate), Section II, (The Financial Report), and Section III (Other Matters).

Dated this 25th day of May, 2010

Respectfully submitted,



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

Exhibit 1

Colorado Humane Society and S.P.C.A., Inc Balance Sheet May 20, 2010

ASSETS

Current Assets

| | | |
|-----------------------------|--------------|-------------------------|
| Bank of Denver Checking | \$ 85,715.00 | |
| Paypal Account | <u>97.98</u> | |
| Total Current Assets | | <u>85,812.98</u> |
| Total Assets | | 85,812.98 |

LIABILITIES AND CAPITAL

Current Liabilities

| | | |
|----------------------------------|--------------|------------------|
| A/P-Waverton Group | \$ 23,625.00 | |
| A/P-Fairfield & Woods, PC | 3,276.60 | |
| A/P-Spay & Neuters(Cats) | 2,240.00 | |
| A/P-Spay & Neuters(Dogs) | 24,450.00 | |
| A/P-Davis, Shelby | 1,663.56 | |
| A/P-Bardorf, Darchelle | <u>70.00</u> | |
| Total Current Liabilities | | 55,325.16 |

Approved Priority Claims

| | | |
|------------------------------|---------------|--------|
| Filed_Capital Marketing Inc. | 624.42 | |
| Filed_Waalker, Eric | 71.25 | |
| Filed_Wandersee_Aaron | <u>115.50</u> | |
| | | 811.17 |

Approved General Unsecured Claims

| | | |
|--------------------------------|----------|--|
| Filed_Bayer Health Care LLC | 1,415.77 | |
| Filed_Campbell Pet Company | 560.19 | |
| Filed_Central Collections(CSU) | 1,671.58 | |
| Filed_Central Vet Emerg | 1,049.12 | |
| Filed_Colo Animal/Pet Crematio | 350.00 | |
| Filed_Columbine Oxygen | 521.34 | |
| Filed_Front Range Vet Clinic | 242.37 | |
| Filed_Integra Telecom Service | 949.93 | |

Exhibit 1

| | | |
|---|-----------------|--------------------------|
| Filed_Lindsey, Anna | 1,140.00 | |
| Filed_Monument Pharmacy | 1,465.00 | |
| Filed_Philadelphia Insurance | 2,500.00 | |
| Filed_Pushkin Public Relations | 1,000.00 | |
| Filed_Shannon, Meghan Dr. | 3,443.12 | |
| Filed_Xcel Energy | 2,573.03 | |
| Filed_US Waste | <u>32.03</u> | 18,913.48 |
| Unresolved Claims | | |
| Filed_City of Englewood | 2,719.43 | |
| Filed_Hwang Corporation | <u>9,172.82</u> | 11,892.25 |
| Disapproved Priority Claims | | |
| Filed_Capital Marketing-Fees | <u>30.00</u> | 30.00 |
| Disapproved General Unsecured Claims | | |
| Filed_Bayer HealthCare-Int. | 169.89 | |
| Filed_Buffington, Jeffery | 2,248.12 | |
| Filed_Campbell Pet Co-Int. | 42.00 | |
| Filed_Central Collections-int | 448.95 | |
| Filed_Integra Telecom-Fees | 25.00 | |
| Filed_Pinnacol Assurance | 4,942.00 | |
| Filed_US Waste-NSF Fee | 25.00 | |
| Filed_Warren, Bob#1 | 176,548.00 | |
| Filed_Warren, Bob#2 | 76,954.00 | |
| Filed_Warren, Bob#3 | 6,854.30 | |
| Filed_Warren, Bob#4 | 19,995.90 | |
| Filed_Warren, Bob#5 | 2,307.60 | |
| Filed_Warren, Bob#6 | 4,434.00 | |
| Filed_Warren, Bob#7 | 1.00 | |
| Filed_Warren, Mary#1 | 25,800.00 | |
| Filed_Warren, Mary#2 | 3,296.33 | |
| Filed_Warren, Mary#3 | 1.00 | |
| Filed_Warren, Mary#4 | 4,398.09 | |
| Filed_Gardner, Stephanie | <u>1,458.27</u> | 329,949.45 |
| Total Filed Claims | | <u>361,596.35</u> |
| Total Liabilities | | 416,921.51 |

Exhibit 1

| | | |
|--|---------------------|----------------------------|
| Capital | | |
| Retained Earnings | 364,948.17 | |
| Net Income | <u>(696,056.70)</u> | |
| Total Capital | | <u>(331,108.53)</u> |
| | | |
| Total Liabilities & Capital | | <u>\$ 85,812.98</u> |

Unaudited-For Management Purpose Only

Exhibit 2

Colorado Humane Society & S.P.C.A., Inc.
Income Statement
For the Eleven Months Ending May 20, 2010

| | Current Month | Year to Date |
|-------------------------------|-------------------|-------------------|
| Revenues | | |
| Adoption Fee-Dog | - | 49,754.01 |
| Adoption Fee-Cat | - | 9,580.00 |
| Adoption Fee-Senior | - | 4,055.00 |
| Board Fee | - | 386.00 |
| Reclaim Fee | - | 4,763.00 |
| Surrender Fee | - | 3,345.00 |
| Sales-Other | - | 240.00 |
| Contributions/Donations | 2,127.99 | 70,576.49 |
| Donatons-iWoof & Wagg 5K | - | 10,867.48 |
| Donations-Woof & Wag Sponsors | - | 1,960.00 |
| Woof & Wag T-Shirts | - | 70.00 |
| Donations-Paypal | - | 7,890.00 |
| Donations-Grants | - | 11,000.00 |
| Dew Claws | - | 25.00 |
| Micro Chip | - | 50.00 |
| Housing Income_City Englewood | - | 23,214.00 |
| Housing Income_City Littleton | - | 15,820.00 |
| Housing Income_City Lonetree | - | 1,568.00 |
| Miscellaneous Income | 225,000.00 | 225,000.08 |
| Total Revenues | 227,127.99 | 440,164.06 |
| | | |
| Gross Profit | 227,127.99 | 440,164.06 |
| | | |
| Expenses | | |
| Accounting Expense | - | 60.00 |
| Accounting-Custodian | 4,097.50 | 27,692.50 |
| Advertising | - | 668.00 |
| Auto Expenses | - | 542.92 |
| Auto(Gas) Expenses | - | 1,274.23 |
| Auto-Ford Auto Payment | - | 61.51 |
| Bank Fees | 10.00 | 258.90 |
| Bank Fees-Credit Card | (25.00) | 1,485.87 |
| Bank Fees-Paypal | 44.21 | 526.04 |

Exhibit 2

Expenses (cont.)

| | | |
|-------------------------------|-----------|------------|
| Computer Support | - | 450.00 |
| Custodian Fees | 15,000.00 | 138,375.00 |
| Clinic-Maintenance & Repairs | - | 451.13 |
| Clinic-Medicine/supplies | - | 6,906.20 |
| Clinic-Oxygen Rental | - | 283.35 |
| Clinic-Rent | - | 9,981.35 |
| Clinic-Trash | - | 2,213.78 |
| Clinic-Utilities | - | 4,427.09 |
| Clinic-Vets | - | 1,850.00 |
| Clinic-Vets Services | 2,120.53 | 35,960.83 |
| Dues & Memberships | 71.63 | 1,497.13 |
| Legal Fees | 3,276.60 | 51,804.32 |
| Insurance-Auto | - | 1,377.95 |
| Insurance-General Liability | - | 2,620.67 |
| Insurance-Workers Comp | - | 2,305.30 |
| Meals & Entertainment | - | 65.24 |
| Office Expense | - | 243.71 |
| Postage and Shipping Expense | 194.86 | 428.60 |
| Reproduction Expense | 152.90 | 2,000.40 |
| Supplies Expense | - | 290.81 |
| Telephone Expense | 102.71 | 1,813.06 |
| Shelter Expenses | - | 2,512.96 |
| Shelter-Cremations | - | 2,326.00 |
| Shelter-Medicine | - | 809.74 |
| Shelter-Storage Shed | - | 1,066.08 |
| Shelter-Telephone | - | 1,822.69 |
| Shelter-Utilities | - | 2,598.84 |
| Shelter-Utilities(Rocky Ford) | - | 21.35 |
| Health Insurance | - | 1,873.02 |
| Penalties & Interest | - | 18.00 |
| Postage | - | 108.68 |
| Professional Fees | 600.00 | 10,550.00 |
| Rocky Ford Sale-Closing Cost | - | 20,079.80 |
| Rocky Ford Sale-Taxes | - | 6,339.08 |
| Rocky Ford Sale-Loss on Prop. | - | 285,000.00 |
| Rocky Ford Sale | - | 14,516.22 |
| Travel Expense | - | 65.27 |
| W&W-Advertising | - | 1,984.04 |

Exhibit 2

Expenses (cont.)

| | | |
|--------------------------------|-------------------|---------------------|
| W&W-Dues & Permits | - | 260.00 |
| W&W-Insurance | - | 921.00 |
| W&W-Msc. Expenses | - | 5,064.86 |
| Workers Comp Insurance | - | (995.65) |
| Interest Expense | - | 1.00 |
| Claim Expenses | - | 19,995.90 |
| Claims-Shelter/Clinic | - | 2,248.12 |
| Claims-Shelter/Clinic-Medicine | - | 521.34 |
| Claims-Shelter/Clinic-Utilitie | - | 2,719.43 |
| Claims-Wages | - | 302,052.59 |
| Salary & Wage Expense | - | 103,977.42 |
| FICA Expense | - | 6,446.63 |
| Medicare Expense | - | 1,507.78 |
| SUTA Tax Expense | - | 1,536.93 |
| Travel-Hotel | - | 105.83 |
| Travel-Auto | - | 203.50 |
| Travel-Meals | - | 79.26 |
| Gain/Loss on Sale of Assets | - | 32,484.11 |
| Total Expenses | 25,645.94 | 1,128,737.71 |
| Net Income | 201,482.05 | (688,573.65) |

Unaudited-For Management Purpose Only

EXHIBIT 3



4101 East Louisiana Avenue, Suite 300, Denver, Colorado 80246
Direct Line: 303-388-1300 Main Office: 303-781-9900,
Fax: 303-781-4311 Email: rblock@xpn.com

INVOICE January 20, 2010
Client: Colorado Humane Society & S.P.C.A., Inc.
For: Professional Services and Expenses
By: Waverton Group, LLC
From: December 21, 2009
To: January 20, 2010

| Date: | Services: | Hours Billed: |
|--------------|---|----------------------|
| 21-Dec-09 | Worked on closing shelter and clinic and transferring animals to Humane Society of the South Platte Valley; prepared Ninth Receiver's Report; posted documents to the Internet. | 3.25 |
| 22-Dec-09 | Worked on closing shelter and clinic and transferring animals to Humane Society of the South Platte Valley; prepared Ninth Receiver's Report. | 2.00 |
| 23-Dec-09 | Closed shelter and clinic; met with staff; prepared email memo to J. Bolmer; worked on document production; prepared email memo to S. Sturgis. | 3.75 |
| 24-Dec-09 | Worked on trademark issues; reviewed historical documents; prepared email memo to E. Johnson regarding trademark issues. | 3.00 |
| 28-Dec-09 | Prepared letter to the Internal Revenue Service; worked on filing with the Colorado Secretary of State. | 2.25 |
| 29-Dec-09 | Prepared Ninth Receiver's Report; worked on trademark applications. | 3.00 |
| 30-Dec-09 | Prepared Ninth Receiver's Report; worked on Warrens' claims for Claims Report; worked on document production issues. | 4.75 |

Invoice: January 20, 2010
Client: Colorado Humane Society
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| | | |
|-----------|---|------|
| 31-Dec-09 | Prepared Ninth Receiver's Report; worked on Warrens' claims for Claims Report; worked on letter to J. Bolmer regarding Warrens' demand memo. | 4.00 |
| 2-Jan-10 | Prepared Ninth Receiver's Report; worked on Warrens' claims for Claims Report. | 5.00 |
| 3-Jan-10 | Prepared Ninth Receiver's Report; worked on Warrens' claims for Claims Report; worked on letter to J. Bolmer regarding Warrens' demand memo. | 4.50 |
| 5-Jan-10 | | 8.00 |
| | Prepared Ninth Report and Special Report on Claims; worked on administrative expense issues. | |
| 6-Jan-10 | Prepared Ninth Report and Special Report on Claims. | 6.00 |
| 7-Jan-10 | Prepared Ninth Report and Special Report on Claims; worked on trademark issues; worked on Judicial Sale.. | 7.50 |
| 8-Jan-10 | Prepared Ninth Report and Special Report on Claims; worked on trademark issues; worked on Judicial Sale.. | 6.50 |
| 11-Jan-10 | Worked on trademark issues; reviewed historical documents. | 3.50 |
| 13-Jan-10 | Worked on the Sale Procedure Order and Sale Confirmation Order. | 3.00 |
| 15-Jan-10 | Posted documents to the Internet; prepared letter to terminate Qwest service for Colorado Humane Society and to rearrange cell phone service to maintain telephones; worked on Sale Confirmation Order; worked on Sale Contract; worked on Affidavit. | 5.00 |
| 16-Jan-10 | Worked on Asset Purchase Agreement; prepared Affidavit; worked on Sale Confirmation Order; worked on Escrow Agreement; worked on Sale Procedures Order. | 4.75 |

Invoice: January 20, 2010
Client: Colorado Humane Society
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|-----------|---|-----------------|
| 18-Jan-10 | Worked on Asset Purchase Agreement; prepared Affidavit; worked on Sale Confirmation Order; worked on Escrow Agreement; worked on Sale Procedures Order. | 4.00 |
| 20-Jan-10 | Worked on trademark issues; reviewed historical documents. | 3.00 |
| | Total hours worked | <hr/> 86.75 |
| | Hourly rate | 250.00 |
| | Subtotal | <hr/> 21,687.50 |
| | Reduction for Cap | -6687.50 |
| | | <hr/> 15,000.00 |

EXHIBIT 3



4101 East Louisiana Avenue, Suite 300, Denver, Colorado 80246
Direct Line: 303-388-1300 Main Office: 303-781-9900,
Fax: 303-781-4311 Email: rblock@xpn.com

INVOICE February 20, 2009
Client: Colorado Humane Society & S.P.C.A., Inc.
For: Professional Services and Expenses
By: Waverton Group, LLC
From: January 21, 2010
To: February 20, 2010

| Date: | Services: | Hours Billed: |
|--------------|---|----------------------|
| 21-Jan-10 | Prepared letter to Qwest regarding termination of services. | 0.75 |
| 22-Jan-10 | Worked on Motion for Judicial Sale; worked on trademark maintenance issues. | 2.50 |
| 25-Jan-10 | Worked on Motion for Judicial Sale. | 2.00 |
| 26-Jan-10 | Prepared directory of archives of the Colorado Humane Society; prepared transmission letter to Denver Dumb Friends League. | 2.50 |
| 27-Jan-10 | Worked on Motion for Judicial Sale; worked on trademark maintenance issues. | 1.50 |
| 30-Jan-10 | Worked on Asset Purchase Agreement; Worked on Sale Motion; Sale Procedures Order and Bidding Procedures; worked on IP Assignment; prepared Affidavit; worked on Escrow Agreement; worked on Confirmation Order. | 5.00 |
| 1-Feb-10 | Worked on Motion for Judicial Sale and attachments. | 4.25 |
| 2-Feb-10 | Worked on Motion for Judicial Sale and attachments. | 3.00 |
| 3-Feb-10 | Worked on Motion for Judicial Sale and attachments. | 2.00 |
| 4-Feb-10 | Worked on Motion for Judicial Sale and attachments. | 3.00 |

Invoice: February 20, 2009
Client: Colorado Humane Society
Page 2



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|-----------|---|-----------------|
| 5-Feb-10 | Worked on Motion for Judicial Sale and attachments. | 3.00 |
| 8-Feb-10 | Prepared mailing of Judicial Sale. | 3.00 |
| 9-Feb-10 | Prepared mailing of Judicial Sale; mailed, faxed, and emailed Judicial Sale; worked on action against Philadelphia. | 6.75 |
| 10-Feb-10 | Distributed Sales Prodecure Order. | 3.00 |
| 11-Feb-10 | Prepared letter to Philadephia; posted documents to the Internet. | 1.75 |
| 12-Feb-10 | Distributed Sales Prodecure Order; prepared affidavit of delivery. | 2.50 |
| 17-Feb-10 | Prepared Notice of Sale for Denver Business Journal; prepared letter to the Internal Revenue Service regarding Judicial Sale. | 2.00 |
| | Total hours worked | <hr/> 48.50 |
| | Hourly rate | <hr/> 250.00 |
| | Subtotal | <hr/> 12,125.00 |
| | Reduction for Cap | <hr/> - |
| | | <hr/> 12,125.00 |

EXHIBIT 3



4101 East Louisiana Avenue, Suite 300, Denver, Colorado 80246
Direct Line: 303-388-1300 Main Office: 303-781-9900,
Fax: 303-781-4311 Email: rblock@xpn.com

INVOICE March 20, 2010
Client: Colorado Humane Society & S.P.C.A., Inc.
For: Professional Services and Expenses
By: Waverion Group, LLC
From: February 21, 2010
To: March 20, 2010

| Date: | Services: | Hours Billed: |
|--------------|---|----------------------|
| 22-Feb-10 | Worked on estate of Broncuccia. | 1.00 |
| 23-Feb-10 | Prepared publication for Denver Business Journal; reviewed documents regarding the Estate of Broncuccia. | 1.50 |
| 24-Feb-10 | Worked with potential competitive bidder; prepared Confidentiality Agreement for bidder. | 2.50 |
| 25-Feb-10 | Worked with potential competitive bidder and current bidder. | 1.00 |
| 26-Feb-10 | Attended conference call regarding Estate of Broncuccia; spoke with attorney for Personal Representative separately; worked on settlement issues and authority of receiver. | 3.50 |
| 2-Mar-10 | Worked on administrative issues. | 1.00 |
| 3-Mar-10 | Worked on two estates donating money to Colorado Humane Society | 1.75 |
| 4-Mar-10 | Worked on and signed Settlement Agreement for the Estate of Broncuccia. | 2.00 |
| 7-Mar-10 | Reviewed the Order regarding the Judicial Sale and circulated copies. | 2.00 |
| 8-Mar-10 | Worked on and signed Confidentiality Agreement for competitive bidder. | 1.50 |

Invoice: September 20, 2009
Client: Colorado Humane Society
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|-----------|---|----------------|
| 11-Mar-10 | Worked with A. Jones regarding the Internal Revenue Service issues; prepared memo and delivered documents to the Internal Revenue Service. | 2.00 |
| 15-Mar-10 | Spoke with S. Arora with the Internal Revenue Service; spoke with A. Jones with the Internal Revenue Service; worked on Internal Revenue Service issues. | 2.00 |
| 16-Mar-10 | Worked on settlement issues regarding claim against Philadelphia Insurance; worked on Motion and Order to enable receiver to attend mediation; researched issues related to receiver's authority. | 2.25 |
| 18-Mar-10 | Worked on settlement issues regarding claim against Philadelphia Insurance; worked on Motion and Order to enable receiver to attend mediation; researched issues related to receiver's authority; worked on Judicial Sale and worked with bidder. | 4.50 |
| | Total hours worked | <hr/> 28.50 |
| | Hourly rate | 250.00 |
| | Subtotal | <hr/> 7,125.00 |
| | Less retainage | 1,425.00 |
| | Please pay this amount | <hr/> 5,700.00 |

EXHIBIT 3



4101 East Louisiana Avenue, Suite 300, Denver, Colorado 80246
Direct Line: 303-388-1300 Main Office: 303-781-9900,
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INVOICE April 20, 2010
Client: Colorado Humane Society & S.P.C.A., Inc.
For: Professional Services and Expenses
By: Waverton Group, LLC
From: March 21, 2010
To: April 20, 2010

| Date: | Services: | Hours Billed: |
|--------------|---|----------------------|
| 24-Mar-10 | Worked on competitive bid from F. Toland. | 1.50 |
| 25-Mar-10 | Worked on administrative issues. | 2.00 |
| 28-Mar-10 | Prepared documents for closing Judicial Sale; worked on Judicial Sale. | 2.00 |
| 29-Mar-10 | Prepared documents for closing Judicial Sale; worked on Judicial Sale; prepared for and attended conference call with CACS. | 6.50 |
| 30-Mar-10 | Prepared documents for closing Judicial Sale; worked on Judicial Sale; worked with Turcolo on competitive bid; worked on Motion for Instructions (not filed). | 8.00 |
| 31-Mar-10 | Prepared documents for closing Judicial Sale; worked on Judicial Sale; worked on competitive bid from Turcolo. | 3.00 |
| 1-Apr-10 | Worked on competitive bid from Turcolo; worked on Notice of No Competitive Bid. | 1.75 |
| 2-Apr-10 | Worked on Notice of No Competitive Bid. | 2.25 |
| 5-Apr-10 | Reviewed documents; posted documents to the Internet; worked on transfer of domain names and trademarks. | 3.25 |
| 6-Apr-10 | Prepared documents for closing Judicial Sale; worked on Judicial Sale. | 2.50 |

Invoice: April 20, 2010
 Client: Colorado Humane Society
 Page 2



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|-----------|--|-----------------|
| 7-Apr-10 | Prepared documents for closing Judicial Sale; worked on Judicial Sale; worked on Philadelphia Insurance issues; transferred domain names, trademarks, and other intellectual property to CACS. | 7.00 |
| 8-Apr-10 | Prepared documents for closing Judicial Sale; worked on Judicial Sale; prepared letter to adopters regarding spaying and neutering; transferred domain names, trademarks, and other intellectual property to CACS. | 5.75 |
| 12-Apr-10 | Worked on spaying and neutering backlog and database; worked with the collections department of the Internal Revenue Service. | 4.25 |
| 13-Apr-10 | Worked on spaying and neutering backlog and database; worked on mediation with Judge Leopold for Philadelphia matter. | 2.00 |
| 15-Apr-10 | Worked on spaying and neutering backlog and database; worked on file storage issue after termination; worked on final document issues for Judicial Sale. | 2.50 |
| 16-Apr-10 | Worked on mediation with Philadelphia; worked on spay and neuter issues. | 1.00 |
| 17-Apr-10 | Worked on Tenth Receiver's Report. | 3.50 |
| 19-Apr-10 | Worked on Tenth Receiver's Report; worked on claim for unclaimed money. | 4.00 |
| | Total hours worked | <hr/> 62.75 |
| | Hourly rate | 250.00 |
| | Subtotal | <hr/> 15,687.50 |
| | Reduction for Cap | (687.50) |
| | | <hr/> 15,000.00 |
| | Less retainage | -3000.00 |
| | | <hr/> 12,000.00 |

EXHIBIT 3



4101 East Louisiana Avenue, Suite 300, Denver, Colorado 80246
Direct Line: 303-388-1300 Main Office: 303-781-9900,
Fax: 303-781-4311 Email: rblock@xpn.com

INVOICE May 20, 2010
Client: Colorado Humane Society & S.P.C.A., Inc.
For: Professional Services and Expenses
By: Waverton Group, LLC
From: April 21, 2010
To: May 20, 2010

| Date: | Services: | Hours Billed: |
|--------------|--|----------------------|
| 21-Apr-10 | Prepared various state and federal tax filings. | 2.00 |
| 22-Apr-10 | Prepared various state and federal tax filings; worked on Better Business Bureau complaint; worked on Philadelphia Insurance Companies litigation and settlement. | 3.50 |
| 23-Apr-10 | Worked on follow-through for Judicial Sale; worked on Better Business Bureau complaint. | 1.75 |
| 26-Apr-10 | Worked on Internet domain names for Colorado Humane Society for Judicial Sale; worked on spay and neuter issues. | 2.00 |
| 27-Apr-10 | Worked on Internet domain names for Colorado Humane Society for Judicial Sale; worked on spay and neuter issues; worked on Philadelphia Insurance Companies issues. | 2.50 |
| 28-Apr-10 | Worked on Philadelphia Insurance Companies issues. | 1.75 |
| 3-May-10 | Worked on Rule 26 Disclosures for Philadelphia Insurance Company case. | 2.00 |
| 4-May-10 | Worked on Rule 26 Disclosures for Philadelphia Insurance Company case; worked on PTO issues for Judicial Sale. | 1.75 |
| 5-May-10 | Worked on PTO issues for Judicial Sale. | 0.50 |
| 6-May-10 | Worked on administrative issues for the Judicial Sale; reviewed PTO issues. | 1.00 |

Invoice: April 20, 2010
Client: Colorado Humane Society
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|-----------|---|----------------|
| 7-May-10 | Worked on administrative issues for the Judicial Sale; reviewed PTO issues; worked on motion to reopen Philadelphia case. | 3.25 |
| 11-May-10 | Worked on spay and neuter log; worked on Philadelphia issues. | 1.50 |
| 12-May-10 | Worked on spay and neuter issues. | 0.50 |
| 13-May-10 | Worked on Philadelphia Insurance Companies issues. | 1.00 |
| 19-May-10 | Worked on Tenth Report. | 4.50 |
| 20-May-10 | Worked on Tenth Report; worked on administrative matters. | 5.00 |
| | Total hours worked | <hr/> 34.50 |
| | Hourly rate | 250.00 |
| | Subtotal | <hr/> 8,625.00 |
| | Reduction for Cap | - |
| | This Invoice (please pay) | <hr/> 8,625.00 |