

1 Maryland. I have obtained a federal tax identification number for the Receivership and I have
2 opened a bank account in the name of the Receivership with Comerica Bank.

3 4. At my direction, Guttilla Murphy Anderson P.C. has filed certified copies of the
4 Receivership Order in Maricopa County, the county I believe Receivership Assets are
5 presently believed to exist. In addition, Guttilla Murphy Anderson, P.C. and I have attempted
6 to inform persons who may have control over Receivership Assets or Receivership Records
7 of the Court's Receivership Order.

8 **Receivership Assets**

9 5. The "Receivership Assets" defined in the Receivership Order, are "...assets,
10 monies, securities, choses in action, and properties, real and personal, tangible and intangible,
11 of whatever kind and description, wherever situated, of Trend Management Group, Inc.
12 ("TREND MANAGEMENT") and Trend Capital, L.L.C. ("TREND CAPITAL")". (See
13 Receivership Order , page 2, ¶ 1). Based upon my experience, it is possible that in some
14 cases, Trend Management or Trend Capital held title to property in the name of other persons
15 or with fictitious names (referred to hereafter as "Affiliates"). Based upon my preliminary
16 investigation, I have not identified any Affiliates. However, if an Affiliate is located, it is
17 quite possible that even though they are properly formed legal entities, their assets are, in fact,
18 assets of the Receivership Defendants or assets traceable or derived from the conduct which
19 brought rise to the allegations made by the Arizona Corporation Commission. I anticipate
20 additional investigation may result in the identification of the Affiliates, the assets of which
21 may need to be added to the Receivership.

1 Document Depository Petition was filed on December 19, 2006. I have begun to develop an
2 inventory for the Trend Capital and Trend Management Document Depository.

3 11. I have not had sufficient time to thoroughly review all Receivership Records
4 which I have taken possession of, but I have identified indicators in my preliminary review of
5 the records of additional Receivership Assets.

6 Receiver's Recommendations

7 12. I do not recommend filing petitions in bankruptcy for any of the Receivership
8 Defendants at this time.

9 13. The reasons for this recommendation are as follows:

10 a. The corporate defendant's principal purpose appears to be the operation
11 of the investments of Trend Management and Trend Capital and the sale of
12 investments. As such, the corporate defendants do not need to be reorganized.
13 Instead, the assets of the corporate defendants need to be recovered by the Receiver
14 and distributed by the investors. *See Commodities Future Trading Com'n v. FITC,*
15 *Inc.*, 52 B.R. 935, 938 (N.D. Cal. 1985) (Defendant corporation was nothing more than
16 a "front for a large and elaborate commodities fraud").

17 b. The access that is provided to a debtor to assets in a bankruptcy estate is
18 inappropriate in this instance where there is real danger that any assets released to the
19 defendants may be disbursed or used for purposes not related to repayment to
20 investors. *See Securities & Exch. Com'n v. First Financial Group*, 645 F.2d 429, 438
21 (5th Cir. 1981) ("it is hardly conceivable that the trial court should have permitted

1 those who were enjoined from fraudulent misconduct to continue in control of [the
2 corporate defendant's] affairs for the benefit of those shown to have been defrauded.”)

3 c. Because the assets of the defendants were obtained through potentially
4 fraudulent means, and because of the possible overlapping criminal activities and
5 regulatory violations of the defendants, the panology of legal issues will exceed the
6 limited jurisdiction of a bankruptcy court. *See Federal Trade Com'n v. R.A. Walker &*
7 *Assoc., Inc.*, 37 B.R. 608 (D.D.C. 1983) (holding that funds obtained through
8 fraudulent means would not be considered property of the estate in a bankruptcy court
9 and not within the jurisdiction of a bankruptcy court).

10 14. Therefore, the interests of judicial economy and the protection of the interests
11 of the defrauded investors dictate that a receivership in the Maricopa County Superior Court
12 is preferable to a bankruptcy court proceeding. In order to maintain judicial economy and
13 efficiency and because of the connection of the defendants to one another in operation of the
14 companies, I recommend that all of the defendants remain in this receivership and that none
15 of the defendants be placed in bankruptcy.

16 15. In making my recommendation, I have carefully considered the most significant
17 advantages to a bankruptcy proceeding – the avoidance powers provided under the
18 bankruptcy code and the mechanisms established for the protection of creditors. Neither of
19 these advantages, in my opinion, outweighs the benefits to a receivership as set forth above.
20 With respect to the avoidance powers provided under bankruptcy, I intend to rely upon the
21 Order entered by this Court empowering me to collect assets acquired from investors in the

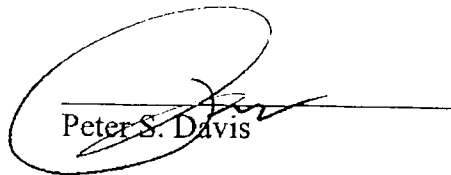
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scheme, and where necessary, the fraudulent transfer statutes. To the extent any of the assets were used to purchase property prior to the institution of the receivership, I will seek to obtain possession of such property, and pursuant to this Court's Orders, liquidate the property so that it may be used to distribute to the investors of the scheme. In order to provide protection to the creditors of the defendants and, in particular, the innocent investors, this Court has been provided a proposed management order that will provide for orderly notice to creditors and a mechanism for the filing and adjudication of claims to the seized monies.

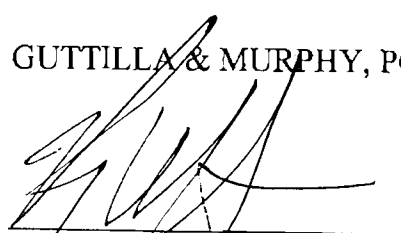
Respectfully submitted this 20th day of December, 2006.

PETER S. DAVIS, RECEIVER FOR TREND
MANAGEMENT AND TREND CAPITAL



Peter S. Davis

GUTTILLA & MURPHY, PC



Ryan W. Anderson
Attorneys for Receiver