EXHIBIT 160

Dear Investor,

February 4th, 2013

In my last two letters I told you of how the U.S. Securities and Exchange Commission has illustrated to a court of law Investors Prime Fund, LLC, and SBC Portfolio Fund financial information which was grossly inaccurate, and that they have admitted to using a formula which should never have been used by a federal agency which is charged with regulating financial services and publicly traded companies. These are very serious matters, and their admission of a false formula is a very serious matter. Ponzi businesses - by definition - over state their earnings or income distributions; this is an established legal precept. The irony in these matters is that the SEC has over stated fund distributions, entirely out of legal bounds, and not SB Capital, who did not make, or ever use, the financial claims illustrated by the SEC. SEC has called their gross overstatements the results of "good faith" efforts some seven times in their court reply to my motion. I hope that you are getting the picture that the SEC and all of its accountants are doing some serious backpedaling now because of their forced admission.

My court challenge to SEC was based upon facts, and not upon my "good faith" efforts. SEC admitted that it was not just an accusation that I made upon them; their admission is their acknowledgement that my accusation was factually supported. The SEC was fully aware that it used a formula which could only lead to very false and misleading financial illustrations to the court. Their lawsuit was ***based upon false pretense,*** and there is no getting around this matter. Now that you know it, please let the court know that you know it. SEC did the equivalent of taking White-Out Liquid to paste over your fund's CPA prepared historical financial information in a court of law, and unlawfully as the basis for then allowing a receiver, who they chose, to seize your property and to put it out of your control, and continue to hold your property against your will. It is now established as fact that every fund historical financial illustration used by the SEC in its lawsuit – ***and there are many used*** - is inaccurate and grossly misleading financial information. I'm sure you agree that SEC's admission is startling, and it may not have settled in with you yet. That is part of why I'm writing to you again – to make sure that you believe it, and act upon it. **It was an admission that I forced upon them, demonstrated factually on my part using their own data, and not made voluntarily on their part.**

The Receiver – Reasons for Questioning the Validity of His Work

The receiver's prior work history indicates that he has earned, and continues to earn, millions of dollars in revenue from his SEC based work. The receiver has grossly and deliberately misrepresented matters in his letters and court filings, and I have shown in my court motions how the receiver continues to misrepresent the financial information and past operations of the funds to the court. You probably haven't seen most of these court filings, however. This morning, I looked at the receiver's site again, and was surprised by what I found. You might look at it (www.sbcapitalreceiver.com), and note that the receiver and his attorneys are finally, after seven months of my challenging and fighting them, starting to post most, or all, of my opposing court submissions to their reports. Perhaps it is because I sent him copies of my first two letters, and he realized that investors are going to seriously start questioning him. In other words, the receiver is finally starting to get it that he can't mislead investors forever and get away with this. As recently as three weeks ago the receiver's attorney wrote me that it was not "cost effective" to put my motions on the receiver's web site, even though the receiver was putting his replies to my motions on his web site. So, in other words, they would habitually "post the answers, but not the questions".

Facts About IPF and SBC PF that the SEC and the Receiver Have Not Shared with The Court or With Investors

1. IPF and SBC Portfolio Fund are very well capitalized. Both funds at the time prior to the lawsuit enjoyed a ratio of tangible to intangible assets that had them on solid footing and envied by their peers, in particular the seven hundred banks that have failed since the time of the Madoff scandal and the Mortgage Meltdown, both of which the SEC failed to recognize in time. IPF capital levels, including those of its wholly owned subsidiary, were ten times the minimum federal regulatory requirement to hold their SBA lending license.

   Neither fund had, or has, any risk leverage, as compared to the high amounts of 10:1 leverage on capital typical for mortgage lending institutions. In the event of any recognition of financial or operating risks, the fund's outside public accountant was obligated to disclose these matters in his annual audited reports. His reports were fully inclusive of any such risks that he identified, and per requirements under the public accountant's licensing guidelines. The auditor reflected specific opinion of the funds' unsecured notes and intangible assets (fund assets which are neither cash or note investments), in accordance with generally accepted accounting principles ("GAAP"). Neither the SEC nor the receiver has refuted the matter of the auditor's attestation that the fund's financial statements were prepared in accordance with GAAP.

2. The day before the court action, IPF had been pre-approved by Wells Fargo Bank for a $30,000,000 line of credit as supplemental capital for financing its SBA guaranteed loans. This was after months of financial

review by Wells. Benefits included lowering the funds' cost of capital, and growing revenues substantially. By the end of the first quarter of 2012 IPF and SBC Portfolio Fund were no longer accepting capital primarily due to their solid cash positions and due to the pending approval on the credit line. This prequalification died on the vine after the SEC's action, and to the detriment of the fund investors. SB Capital had, with investor support, established the infrastructure for $100,000,000 of annual new loan fundings. This was taken apart in one day by the receiver upon his arrival. The receiver also caused the cancellation of $25,000,000 in loan fundings, and caused the loss of $5,000,000 in additional fund liquidity when SBA declined his request for note sales, which they had already approved prior for SB Capital.

3. Combined, the funds had approximately $15,000,000 in liquid assets and near term receivables on the day of the injunction. The receiver claims to have "marshaled and protected" these resources in his court reports, when, in fact, they were there all the time and under SB Capital's proper management. It is an irrefutable fact that IPF and SBC were already very well positioned by SB Capital for their primary mission, which was to finance SBA guaranteed loans under their federal licensing. IPF and its wholly owned subsidiary was already under federal supervision, which was in place due to their licensing, and which included the requirement for regular on-site Safety and Soundness Examinations by the federal government.

   Additionally, and is should be evident by the fund's strong levels of liquidity, all verified by the receiver in his reports, the funds' cash positions allowed for all normal fund redemption requests. There was never a need for "new member capital", which is an entirely false and fabricated illustration of the SEC. On a positive note, the balance sheets and liquidity of the funds, and their core earnings which are already in place can allow for a fairly rapid return to their prior operational and gross revenue level within a short period. This is subject to Feathers' resumption in managing the funds if the court makes its determination that the SEC has employed false pretense in their lawsuit, and properly allows a lawful reversion in control.

4. Certain letters from an investor have outlined unsupportable notions about discounts in the fund asset values, i.e. discount to 58% of value. These letters are far off from even the receiver's already falsely predicated discounts, and extreme in their illustrations and attempt to spread more rumors. No reliable source is quoted by the "activist investor" as to where the source information is gathered; these should not be relied upon at all – in fact they're scary numbers, employed questionably, and harmfully, by this person.

5. The full majority of the mortgage note investments of the funds hold SBA federal guarantees of loan repayment. These guarantees lend further security to all fund members' capital by way of protections against capital loss on any SBA guaranteed loans which might go into default in the future. These loans guarantees are unique in commercial lending, and great effort and expense was made by SB Capital to obtain this federal licensing for IPF. The license is one of only fourteen in the country and was obtained with the approval of IPF fund members both for high yield opportunities, and for portfolio safety.

6. Investors must take note, and **take heart** in the fact, that the court has yet to approve any of the receivers' billing requests. In my "spare time", I have strongly contested all of the receiver's billings with my own detailed reports to the court of the receiver's errors and his omissions. Prior to this past week, the receiver has not posted the majority of my court motions on his web site for SB Capital, and which are critical in any way of his work. ***The receiver has <u>not</u> been paid yet for seven months of work – and some or all of his billings may be declined by the court.*** Although the receiver's billings are painful for investors to read about, little, if any monies have been spent so far by the funds on the receiver's work. I believe that this is due, at least in part, to my filed court motions, and I will continue to fight his requests, and to show the court his gross errors. If the court determines that SEC used a false pretense in their lawsuit on February 22nd, they may also make an additional determination that the receiver has failed to reach his required levels of responsibility. If so, they may fully disapprove of his requests. In their reports to the court, the receiver and his attorney have written:

Mr. Feathers goes through the Receiver's bills line-by-line

My response to this? **Of course I do.** This is my responsibility. The receiver's work is very flawed. Line by line analysis allows the discovery of many errors like this which I report to the court. Here is an example of a very large error I showed to the court where he either "lost or misplaced" more than $200,000 of fund capital:

an incorrect cash balance for

...

SCMF was used. The correct number is $244,556, not $24,556 as stated in the PFAR,

The Receiver Has No Professional Liability Bonding Specifically for This Receivership in Place

The receiver has not produced evidence of professional bonding for the funds' protection against errors and omissions, which is normal to have in place for receivers. I have asked the court in a formal motion to require that the receiver have this protection in place, and the receiver and SEC have both protested my request. The SEC asked the court to put their own specific receiver into place. However, the SEC asked the court **to not require a safety bond in place for him**. Why? In their court replies to my motions and oppositions, and on behalf of the receiver, his attorneys go as far as saying that I am coming up with "conspiracies". With my motions challenging their assertions, and all refuted with facts, the receiver and his attorney will typically respond to the court with statements such as "The Receiver notes that his report is preliminary".

The receiver employs an unorthodox modified cash basis accounting in all of his reports to the court. These are not in conformance with accounting methods used by businesses, CPAs. His reports are plagued with calculation errors, omissions, and unexplained methodologies to support his conclusions. In his 4th report to the court, the receiver excludes $2,000,000 of fund assets and capital which he had reported on his 1st report to the court. For example, the receiver omits the SBA license of IPF in his report, even while he is factually aware from private and public sources that I have referred him to that its value is at approximately $1,000,000, or greater. The receiver's fourth report to the court also directly and unexplainably conflicted with many elements of his forensic report to the court, which was submitted at the same time. In my challenges to the receiver's court submissions, I use fact-based easy to follow language. The receiver's replies to the court offer back convoluted language throughout, always fails to adequately address his deficiencies, and always describe his work as "preliminary". The receiver has tens of millions of dollars of cash, capital, and mortgage note investments in his possession, yet has no specific performance bond in place for this receivership to cover IPF and SBC for any errors, omissions, recklessness, negligence, or fraud on his part. A bonding requirement waiver clearly should not have been requested by the SEC.

SEC's Legal Action

In describing which firms that they review, which are almost always small firms with limited resources, the SEC publicly states in their press replaces that they are employing, in their words: "**unconventional methods**" to analyze the performance of these funds. Other people, however, more commonly call these methods "fraud" and "false premise" when they are used as a basis for illustrating false numbers to a court, such as SEC has done.

SEC presented grossly inaccurate financial illustrations of the funds to the court. This doesn't mean that the Judge will dismiss the lawsuit. You can, and you should, write the Judge after you form your own opinions on these proceedings. SEC's actions have led to the taking and holding of your money. In addition to the great harm caused to you and I by SEC's false financial information, they also caused twenty five employees to be fired and $25,000,000 in cancelled loan fundings to small business owners.

Writings of an Ill-informed Activist Investor

As outlined already, one investor has approached investors, and the court, and indicated in so many words: "I'm experienced, and I know how this works. Let the SEC and Feathers duke it out, and give us our many back, even if you have to sell everything at pennies on the dollar". This person, audaciously, even took my company's name, and wrote an "SB Capital Newsletter" (this was very cheesy). The content of the letter is the result of poor research. Theirs' is not the right solution for investors. The investor offers to investors poor options, does not appear to share in all of his motivation reasons for writing the letter, and it appears that the letter was presented to investors based upon his opinions, and not upon true and verified facts. Additionally, the letters were presented to investors even after I had challenged SEC's formula, and did not incorporate knowledge of this matter, and what it would mean for fund investors if the SEC acknowledged the truthfulness of matters outlined in my motions. Although I truly agree that hope springs eternal, the reality is that there is no quick fix to these matters, such as the investor tries to illustrate his actions, or unified actions might bring about. There is, however, I believe a **very distinct possibility of a full dismissal of this lawsuit from the court to my four submitted motions, and which will be heard by the court in less than three weeks' time.** I believe that these matters will be assisted if investors write the court in large numbers.

Broader Issue Comments

Government is there to protect its citizens. I have no doubt that most federal agency actions are for good cause. Hopefully these are not commonly based on false pretense like the SEC's, however. The SEC's campaign to remedy past issues (i.e., "Madoff"), when taken to excess like they have been in this lawsuit, can have very harmful consequences, whether intended or not. Bad faith actions of government victimize all citizens. The SEC cannot be allowed to employ a formula, and keep this lawsuit in front of the court, when it knew its formula would cause to be invalid any and all of its financial illustrations in a court filing. SEC cannot be allowed to benefit from their unlawful action and false pretense to a lawsuit. Government is about protecting its citizens, and not about providing fraudulent or grossly misleading financial information to a court to seize the property of its citizens. Courts are the last bastion of

the law, and SEC has provided false illustration to a court of law, and now, when challenged irrefutably with fact by myself on its formulas, had admitted to their invalidity.

The SEC is the primary federal regulator of capital markets, which are vital to our economy. Businesses are frozen by a regulatory agency which they believe acts in bad faith, and when they know that a powerful agency can, and will, say anything to a court of law. The SEC cannot be allowed to overstate IPF and SBC Portfolio Fund distributions by more than fifty percent, and then call us a Ponzi with its own falsely produced illustrations. The SEC has both made a false accusation, and provided false evidence to a court to back it up.

Most, if not all, investors have been scared or have been anxious for the past seven months about the prospect of losing money, or seeing it held forever. A few investors have called me or emailed me with threats. That's what calling somebody a Ponzi will cause to happen. One investor told me that "the SEC does not ever lie". Yes, I say back, the SEC does in fact falsely illustrate financial information, and other federal agencies or their officers are also occasionally caught making false statements. It took the Department of Defense a very long time, as investors may recall, to reverse their prior position and admit to ongoing research efforts of the family of Pat Tillman, a South Bay native, that he had been fatally harmed by friendly fire overseas from his own troops, and not from insurgents firing upon him. I have factually rebutted SEC's financial illustrations, and they have admitted to employing a false formula, which itself forces grossly misleading illustrations in the entirety of their lawsuit, and they are holding $45,000,000 of invested capitalization unlawfully at this time. While these verifiable facts may take a while to settle in, I recommend that investors consider now channeling their outrage or their anxiety about this matter towards the court. If you haven't already, please control your destiny and write the Judge now and tell him that you demand that the lawsuit be dismissed, and why you are making this demand on the court. If it would benefit you to hear again how the SEC falsely illustrated the financial information of the funds, the method they used is outlined again after my signature on this page. The court hearing is on the 22nd of February. We must take back NOW what is ours, or this will go on for years. Write the Judge, and mention "SEC v. Small Business Capital Corp."

Hon. Judge Edward J. Davila
United States District Court
280 S. 1st. St., 4th Floor
San Jose, CA 95113

Regards,
Mark Feathers

<u>The SEC's Ruse on the Court Which has Allowed an SEC Recommended Receiver to Seize Your Property</u>

How did the SEC makes its false illustrations, and provide entirely unreliable information to the court? How did it mislead the court with a ruse, and to take your property? The method was simple but only professionals like the accountants at the SEC could know (and so far, successfully) - put this ruse together:

1. About fifty percent of fund members typically reinvest their money ("compounding"). Like all members, these people would receive monthly distributions. They authorized SB Capital to put these monies right back into their accounts as reinvestments, in order to let them grow. SEC took all distributions, and added these reinvestments, which allowed SEC to count them TWICE deliberately (in their court reply, they called this a "good faith" oversight).
2. This had the effect of making it look like distributions were more than fifty percent than they actually were. This was not an accident on the SEC's part. This is the SEC, which oversees trillions in dollars in traded securities and regulates thousands of companies and their financial statements.
3. In my motion, I challenged the SEC on this matter, because this formula, which produced invalid results, and which they admitted that they used, is not allowed under accounting guidelines **<u>anywhere</u>**. SEC had to admit they used an invalid formula in their reply, because my facts are irrefutable, and I confronted them head-on, and they couldn't deny this.
4. The compounded issue is that the SEC then next took its false numbers, which they certainly knew to be false, and ran with them – calling us a Ponzi scheme, and causing an illegal seizure of our funds, based entirely on a false premise.

That's how it all worked. The SEC never showed this method of its formulations to the court. I had to extract it backwards from their own court submissions and not company information – not at easy task, since they took all records, fired almost everyone, and changed the locks and canceled our leases. This was all done by SEC without any fact based proof to the court for justifying their actions. That is SEC's unchecked power.

In summary, the SEC altered our financial information to a court of law in order to make it look like we were making distributions that were never made. This is comparable to a loan broker fraudulently putting white-out over their client's mortgage application to a lender. It is my belief the SEC thought that nobody would discover this in time for it to matter, and that Feathers would give up, or be totally outmatched at a trial ("only a fool represents himself as an attorney at a trial", after all as

they saying goes). Here, again is the table from my motion of how they over-illustrated by more than $1,000,000, the distributions of IPF in 2010 and 2011, and employed their lies to make claims of "Ponzi-like" scheme and "needed new member capital to make these distributions", and their admission, all by their CPA using the formula: "Distributions = Distributions + Reinvested Capital" and, also not illustrating this formula to the court in the lawsuit. SEC's Admission:

> The Commission does not dispute that in calculating member returns in the Complaint, it added together the line items "distributions" and "re-invested distributions" to arrive at the total

The Real Numbers vs. SEC Numbers

For Investors Prime Fund, LLC

Year	2010	2011
Boudreau's Falsely Illustrated Distributions from his Declarations	$1,284,874	$2,146,299
Actual Distributions from Company Financial Statements	$850,514	$1,390,853
Boudreau's Fraudulent Percentage Increase to distributions:	51%	54%

A few of Feathers' comments about the receiver's work in his court filings. There are many like this, too many to list.

(34) In regards to the receiver's page 12, line 14 entry "Receivership Fees", a combined billing payable for the receiver and his counsel in excess of $300,000 hardly represents a reduction "as expected". These are very large amounts, comparing them to a larger previous amount does not make them any better, and they continue to represent more than 50% of the receivership estate's free cash flow, for a situation which represents a small loan servicing portfolio to manage.

(38) Clearly the receiver's reporting – not just his irregular methods – but his style and substance are causing substantial harm and stress to the members of the receivership estate, as evidenced by their recent submissions to the court.

The receiver's and his counsel's journal entries indicate a history of submitting receiver's reports and court correspondence to the SEC prior to submitting these items to the court, thereby violating all matters of receiver neutrality, and demonstrating bias in their proceedings.

The defendant cannot help but wonder if the receiver's fourth report and his preliminary forensic report were submitted prior to the SEC, "on the record", or if they opted to use a "blink once if you agree, and blink twice if you disagree" method of communicating at the receiver's offices or SEC's offices "off the record".

III SBA Loan Premiums – a vital component of IPF revenues and profits - gone

Plaintiff calls SBA loan premiums "non-recurring". SBA loan premiums provided $3,000,000, or more, of revenues to IPF. They are only "non-recurring", as the receiver calls them, because the Small Business Administration has twice rebuffed the receiver's request to either originate, or to sell loans. They specifically point out the receiver's lack of servicing abilities, an

The government's own criticism of the SEC:

GAO — United States General Accounting Office
Report to the Chairman, Subcommittee on Oversight and Investigations Committee on Energy and Commerce House of Representatives

Page 22

The guidelines state that the committee should avoid selecting the same person repeatedly for appointments as a receiver, so as to avoid the appearance of favoritism. The committee must also justify its

SEC Lacks Formal Qualification Standards for Receiver Selection Process

Page 4

Qualification standards and guidelines for selecting individuals to recommend as receivers are necessary to promote public confidence that the selection was made on an impartial basis. Without such standards, the selections by federal courts and SEC can convey the appearance of favoritism. However, SEC has no formal policies or qualifying standards to ensure that the receivers it recommends to the courts are selected on an impartial basis.

SEC Has Weak Controls Over Receivers and the Funds in Their Possession

Page 6

Monitoring receivers and the funds they hold is an important managemen control for ensuring that receivers adhere to their responsibility as court-appointed fiduciaries to protect the funds with which they are entrusted and to ensure they comply with court orders. SEC does not provide its attorneys with guidelines or procedures on how to monitor receivers. One way SEC attorneys can monitor receivers is by reviewing receiver fee applications. However, no requirements are placed on

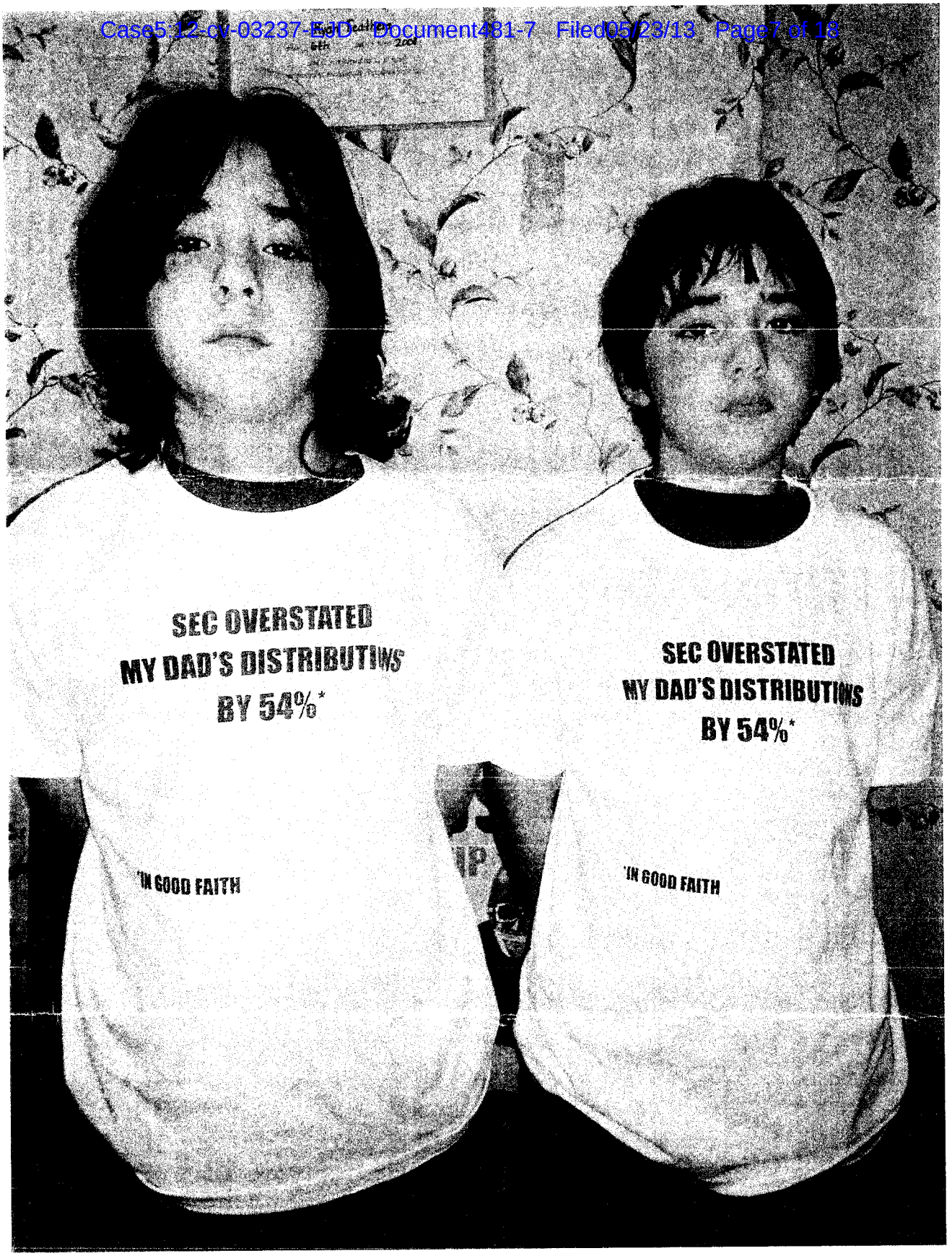
SEC OVERSTATED
MY DAD'S DISTRIBUTIONS
BY 54%*
'IN GOOD FAITH
SEC OVERSTATED
MY DAD'S DISTRIBUTIONS
BY 54%*
'IN GOOD FAITH

EXHIBIT 161

Dear Investors,

February 7th, 2012

Substantial money has been taken from SB Capital managed funds, and is now controlled by a receiver. This person makes millions of dollars from SEC referrals. If you are leveling charges in a lawsuit, you had better have every single fact straight, without refute. Why did the SEC find it necessary to lie about the fund's financial information? If you know that you are not presenting the truth, then you also build around your primary lie many other falsehoods and illusions. You make sure a receiver seizes all of the company books and records and relocates them three hundred miles away in order to keep these from those whom you accuse of fraud, and that he fires almost all employees so nobody's left to question what you've done.

What happens if your lie is caught, though, and you have to admit what you did? I have written Congresswoman Anna Eshoo, whose office is closest to that of SB Capital's former office, for her assistance on this matter (copy on backside of letter). Look up "Mark Feathers Ponzi" on the internet. You will find more than 25,000 citations floating around in cyberspace as fallout from the SEC's actions. By posting, unlawfully, the word "Ponzi" (please look up "Wisconsin v. Contantineau" on the internet, and the term *"fighting words" on* www.Wikipedia.com), which negatively incites people, the SEC has obviously caused substantial harm to my character, which also hurts the funds as well. Over a twenty five year period I had to finish college, join the Navy, work hard for banks and tackle a bank robber, and build successful investment funds to establish my good character. This has been wiped out now by one word recklessly used by a government agency, and despite my own six years of federal service and several more years work in helping the funds obtain a unique and profitable federal small business lending license.

The SEC has now held all of the records of SB Capital and the funds going back for fifteen months. You are a member, and you own these fund records, NOT the SEC. The SEC works for you, and has lied about your fund's financial information to a court of law, and their appointed receiver is holding YOUR records and your invested capital, and depriving you of your rightful income from your investment. Even worse, the SEC, with their appointed receiver right by their side, is going to court on my motions on February 22nd to ask the court for even more time to hold and go through these records! If they are successful, this will continue to cost us all lost income and will prevent the funds from lawfully operating once again in their primary mission – which is to originate federally guaranteed small business loans, under their already established federal supervision and federal regulators (not the SEC, however, thank goodness) to produce income for fund members. The SEC has violated your Constitutional rights to your own property. Their false formula is so fundamentally incorrect, that it could only have been used deliberately on their part by their accountants. Look at it again:

Distributions = Distributions + Reinvested Capital

The most senior management of the SEC has the agency working to redeem their image from Madoff and the Mortgage Meltdown. They quadrupled their lawsuits but they have avoided any consistency in going after large companies like Bank of America, JP Morgan Chase, and Countrywide, and their officers who created hundreds of billions of dollars of stated income mortgages ("liar loans") that went into default in huge numbers and crippled the country for years.

Congress gave the SEC substantial new powers after Madoff. Have they now become arrogant and insulated from their actions? Their **bold** outright lie and omissions of accurate information in this lawsuit may suggest so. SEC broke the law by using false pretense. ***"Absolute power corrupts absolutely".*** SEC threw out the Ponzi word, which is its own small company "Weapon of Mass Destruction", and which it used abusively instead of for good. It made up false evidence to support using this word. **These are not American values**. Please let the Judge know that you are aware of the SEC's false formula, and its false financial reporting of the funds to the court. Write now, please, if you haven't already:

Hon. Judge Edward J. Davila, U.S. District Court
280 South 1st Street, 4th Floor
San Jose, CA 95113

Regards...Mark Feathers

The Honorable Anna Eshoo
Congresswoman, United States House of Representatives
698 Emerson St.
Palo Alto, CA 94301

February 8th, 2013

RE: LAWSUIT "SEC v. SMALL BUSINESS CAPITAL CORP"

Dear Ms. Eshoo,

I founded and managed several small investment funds, of about $45,000,000 in total managed investor assets, located in Los Altos and just a few miles from your local congressional office in Palo Alto. Many, perhaps most, of my investors are in your Congressional district. Our fund's specialty was originating SBA guaranteed loans to small business owners under the dba of "**Small Business Capital**". We were very good at it, having financed about $100,000,000 to small businesses around the country in 2010 - 2012, including substantial numbers of SBA loans to small business owners in your Congressional district. We were quickly gaining both local and national recognition for our expertise and our growing small business financing accomplishments.

In June of 2012, my business was abruptly seized and put into receivership through an SEC lawsuit now in the U.S. District Court in San Jose. The constitutional rights of more than four hundred investors to maintain ownership of their own property has been violated by their own federal government, due to this lawsuit. I challenged the lawsuit by showing how the CPAs of the SEC had used a false formula to deliberately overstated to the court our fund's income distributions by more than 50%. **The SEC created false evidence for a federal court of law, and used it as false pretense to a lawsuit.** They knowingly used their false illustrations as the basis for calling us a "Ponzi-scheme" in very public and harmful media and internet postings.

SEC was forced in their court reply to my motion to fully acknowledge their invalid formula. Despite this and now holding all of our books and records for more than fifteen months' time since their review began, they are now asking the court for "more time for discovery". This is a travesty. My investors have suffered the full loss of their property and income for almost eight months. This powerful federal agency is now showing the beginning signs of their own corruption ("*Absolute Power Corrupts Absolutely*").

The court hearing on my primary dismissal motion - that of the issue of SEC's knowingly employing false statements to the court - is just two weeks away, on February 22nd. In addition to the SEC's inexcusable overstatement of our earnings to falsely premise a Ponzi scheme, they are also being charged with other violations such as seizing protected work, violations of attorney client privilege, and Constitutional violations of interferences with due process entitlements to qualified legal representation...some four Constitutional violations in all, along with numerous civil rights violations.

I appreciate you taking the time to review these matters, and your staff sending a formal Congressional inquiry to the Los Angeles Regional Offices of the SEC, attn: Michele Laine, Regional Director. In addition to founding a company which has one of only fourteen of these SBA non-bank lender licenses in the country, I am also an honorably discharged veteran of six years combined federal service with the SBA and the Department of Defense. Attached are a few letters from some of our fund's investors written to the court, and a few of my investor letters which will help you quickly grasp our situation and circumstances.

Thank you for your timely consideration of these matters.

Very Respectfully,

Mark Feathers

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN JOSE DIVISION

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

vs.

SMALL BUSINESS CAPITAL CORPORATION; MARK FEATHERS; INVESTORS PRIME FUND, LLC; and SBC PORTFOLIO FUND, LLC,

Defendants.

Case No. 5:12-CV-03237-EJD

PLAINTIFF SECURITIES AND EXCHANGE COMMISSION'S OPPOSITION TO DEFENDANT MARK FEATHERS' MOTION FOR F.R.C.P. 9 SPECIAL SANCTIONS AGAINST ROGER BOUDREAU FOR MISCONDUCT OF A GOVERNMENT AGENT ACTING UNDER COLOR OF AUTHORITY AND F.R.C.P. 12(b)(6) DISMISSAL FOR CAUSE (Dkt. No. 126)

Date: February 22, 2013
Time: 9:00 a.m.
Place: Courtroom 4, 5th Floor
(Hon. Edward J. Davila)

The SEC's Admission:

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The Commission does not dispute that in calculating member returns in the Complaint, it added together the line items "distributions" and "re-invested distributions" to arrive at the total distributions alleged in the Compliant. ...

It may well be that the line item "distributions" includes "re-invested distributions," so that Feathers' lower number will ultimately be shown to be correct.

Their Further Response to Their Own Admissions?

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Discovery could also further bolster the Commission's allegations.

SEC's Good Faith Explanations for Their Invalid Math Formula and False Illustrations

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14 || The Commission's staff at all times acted in

15 || good faith, and had a good faith basis that there was evidentiary support for the allegations made

16 || in the Complaint.

The Commission says that there was no Reasonable Evidence? Does its' admission of its false formula not cause it to contradict itself?

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20 || There is simply no evidence, or reasonable inference, to support Feathers' repeated

21 || accusations that the Commission or its staff acted in bad faith,

The SEC's licensed CPA, with more than twenty years' experience, and working in the Enforcement Division of the SEC, also acted only in "good faith". Is this the proper and allowable legal, moral, or agency standard to call somebody a Ponzi and to post this to the media and on the internet?

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2 || At all relevant times, Boudreau acted in good faith

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20 || 5. As part of my work, I calculated what I believed in good faith to be the total

21 || amount of distributions to investors from each of the Funds

25 || ... When the

26 || Commission's *ex parte* application was prepared, I believed in good faith that the total amount

27 || of distributions was reached by adding together these two items.

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3 || 6. At the time that I prepared my declaration in June 2012, I believed that I had a

4 || good faith basis for my calculation of the amount of member returns. At all relevant times, I

5 || acted in good faith.

BM00083
Exhibit 161-4

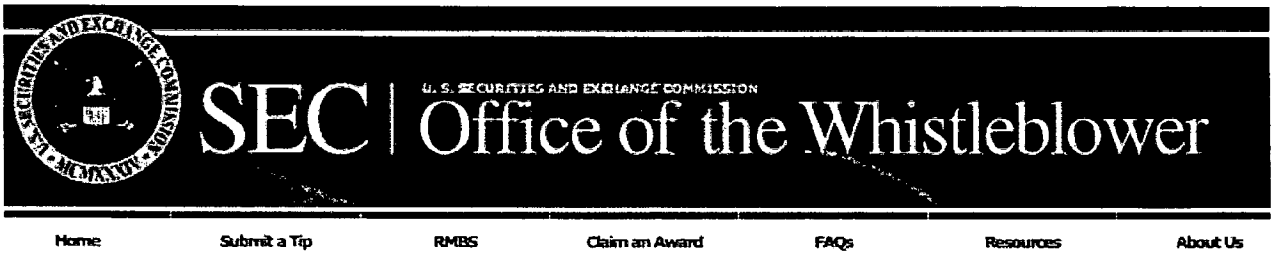
EXHIBIT 162

Dear Investor, February 11th, 2013

This will likely be my last letter to you before the court hearing of February 22nd, and I have a few items of final note for you to think about. You may have asked yourself often, as I have, why the SEC chose our investment funds for review. *They have never told us why, and they never will.* The SEC issues press releases stating that they review companies who regularly advertise in media such as the newspapers. Perhaps this is why, but I don't know. After we expanded to Southern California we advertised almost every day in the last half of 2011 in the widely circulated Los Angeles Times. It was the Los Angeles Regional SEC office that initiated the review, perhaps not coincidentally, and not their Bay Area office. The SEC Los Angeles' regional office web site clearly states that Northern California is not part of their jurisdiction. Perhaps they hadn't met their quota of enforcement actions there in 2011? Aside from this, here are more issues I'd like to share in this final letter before the hearing:

1. In fifteen months time of review the SEC and the receiver have yet to show the court anything to demonstrate that the funds were operated outside of how their offering documents described the funds would be operated. In other words – they operated as we said they would. After thousands of hours of review by the SEC and by the receiver, together they have not shown a single email, questionable checking account entry, or witness statement to show anything improper. *Now they want more time from the court*? I know, and you should know, too, that the SEC was caught totally off guard when SBA, another federal agency who holds us in solid regard and regulates us, and with whom I have a twenty year relationship, absolutely refused to let the receiver sell any of our loans, sell our SBA license, or similar actions on his part to dismantle the fund's ability to generate loans and revenues again in the future. For almost eight months I have held the receiver dead in his tracks, and without receiving payment to this date, with my motions to deny his fees, and by continuously showing gross errors in his reports and the true basis of his actions. I have also now formally asked SBA to have their Office of Inspector General review the SEC's false formula.

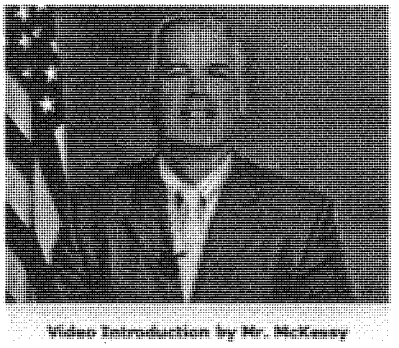
2. After Madoff the SEC very aggressively launched a program which promises large payouts and rewards to to "tipsters" and "whistleblowers". These persons remain anonymous. They can be, and likely are, any disgruntled past employee, investor, or even competitors. The SEC's whistleblower program surely promotes ambulance chasers, bounty hunters, and mercenaries who are willing to lie and stretch the truth in hopes of a big payday. The SEC reports in its press releases hundreds of thousands of emails and phone calls so far, and says it's trying hard to keep up with these. The SEC even has a "Whistlebower Office", with a "Head Whistleblower" who runs it. Is this not a little bit unbelievable? Here is the home page. SEC states directly below "The goal of the whistleblower program is **to incentivize you**"!!!



Introduction by Office of the Whistleblower Chief Sean McKessy

Hi, I'm Sean McKessy, Chief of the SEC's Office of the Whistleblower. Welcome to the Office of the Whistleblower website, designed to be a one-stop shop of information regarding the Office of the Whistleblower incentive program. Here you will find links to the Dodd-Frank Statute creating the Office of the Whistleblower, the Commission's Final Rules for implementing the statute, links to our online tips, complaints and referrals questionnaire, as well as hard copies of Forms TCR and WB-APP - the forms required to submit a tip and make a claim for an award respectively. We have also included Frequently Asked Questions and Resources to address many of the most common inquiries we have received since the Office was created.

The goal of the whistleblower program is to incentivize you to report possible violations of the U.S.



In order to help the SEC, the receiver illustrated, falsely, to the court eleven "$500 gift certificates" to myself, all while knowing that these were never any certificates issued at all, and that these were credit card charges for room deposits at Scotts Seafood in Walnut Creek for investor dinners. He wrote of car payments, while knowing that these were made from my mortgage brokering revenues, but falsely illustrating to the court they were paid for by the funds. He wrote the court of $500,000

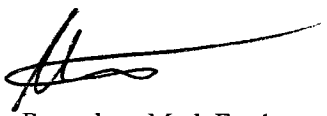
in revenues I received over three years which were from loan brokering, but he did not disclose to the court that these were all fully allowable, disclosed in fund offering documents, and paid out to six or so licensed brokers in that period. That's less than $30,000 per agent per year…not exactly "extravagant" income in the Bay Area, I hope you agree. And yet, mysteriously, the receiver still cannot locate the records of my own investment in SB Capital of more than $500,000, which is all clearly reflected with SB Capital records and bank statements which the receiver took and relocated more than 300 miles away.

The funds, which I personally founded and built, have grossed approximately $10,000,000 in revenues over the past five years, were growing revenues by more than 100% annally for the past three years, and had $15,000,000 in cash and receivable balances at the time of the SEC action. The receiver thinks that I would jeopardize my career with actions, all false, which he illustrates to the court? There are too many lies and false illustrations of the SEC and the receiver to be able to go over each and every one of them. When you label somebody a Ponzi up front, you can get away with stuff like this because they know it's very hard for that somebody to regain their credibility after that. An SEC accountant with more than twenty years of experience, occupying a desk all day long and probably nearing retirement, maybe looking to go out with a bang along with his gold watch, deceptively made up a formula for the SEC to aid their mission. They used this to build false financial illustrations and unlawfully seize your money and place it with a receiver they picked out. To this I answer that you don't say "fire" at a theatre, "bomb" at an airport, and "gun" at a school. Somebody at SEC failed to tell this CPA that you don't say "Ponzi" to investors and to media unless you damned well have the evidence to prove it. The SEC employed a false formula which allowed it to produce false financial illustrations, to which they have now admitted. Their seizure caused the funds to lose $3,000,000 in revenues (no capital, fortunately) in eight months, $25,000,000 in funding commitments to small business borrowers, and to the termination of twenty two skilled employees. A receiver picked by SEC continues to hold your books, records, and your capital.

Fortunately the funds still have core mortgage interest and servicing revenues of $200,000 per month from the portfolios which SB Capital built for the funds. This existing base of steady earnings will allow for investor distributions to start again right away, once properly reverted back to SB Capital management. The funds are well capitalized, with solid balance sheets that have liquidity to resume operations. Just as importantly, my experience and know-how will allow the funds to be quickly positioned to where they were before this mess and to double, or more, their average monthly revenues within just a few quarters. You have my full commitment to all of my efforts on this matter.

Congress gave the SEC more power after Madoff. However, the Law of Unintended Consequences (find out more at www.wikipedia.com) is now causing the inevitable to occur with any governmental agency that has so much power. The SEC is now going after a good company, not just bad companies. **Even worse, they have violated the law by knowingly presenting false financial illustrations to a court of law, and also, it appears to the FBI and to a grand jury**. It would be very hard for my wife to explain to our twin nine year old boys why their Dad has been arrested, if this were occur, and that he's fighting a government agency's lie. The SEC lied to the court and they haven't shown any evidence that the funds were operated outside of how they were supposed to be operated. Now they're asking the court for more time. They can't be allowed to get away with this, and this can't be allowed to go on any longer. You have been very impacted by this lawsuit, and rightfully, you can't be very happy about it. I share your feelings, because I put every bit of my lifetime savings into SB Capital, and seven years of sweat equity on top of that. My personal investment goes well beyond my original investment. With investor consent after SB Capital applied on behalf of IPF for federal SBA lender licensing, I further committed myself and SB Capital to the long term success of the funds and fund investors by assuming full responsibility for millions of dollars in expenses incurred to raisc capital and to build the fund's loan origination team and loan servicing portfolios.

In closing I offer my final opinion. I believe it is a telling statement that, to my belief, and despite SEC's Ponzi label, not a single one of any of the hundreds of fund investors has written the court with anything negative or personal about me, SB Capital, or our employees, with any emails, statements, or similar to corroborate SEC's assertions. **This appears to have been an agency driven action, and not an investor driven action.** Please write the Judge and Congresswoman Eshoo, if you haven't already, to tell them "No more time for SEC". Let them know that you are aware that the SEC presented false financial illustrations to the court, and they knew these were false, and to not let the receiver get paid, who has aided them. "SEC v. Small Business Capital"



Regards….Mark Feathers

Hon. Judge Edward J. Davila
US District Court
280 South 1st St., 4th Floor
San Jose, CA 95113

Hon. Anna Eshoo
698 Emerson St.
Palo Alto, CA 94301

BM00085
Exhibit 162-2

EXHIBIT 163

Dear Investor, February 23rd, 2013

YOU ARE NOW AN UNWILLING PARTICIPANT IN A FULL-ON GOVERNMENT SCANDAL

I hope that you know I hold the best intentions to investors in my writings and my court battles. Nobody else is representing investors at this point who can appear in front of the Judge. This is because the court's orders and injunction, at the suggestion of the SEC and from their legal outlines written for the court, disallow for now any other qualified parties to appear on your behalf. If you are feeling powerless right now to control your assets, or to be heard, this is how SEC designed everything – **which is all on their behalf, and not on your behalf.** I sincerely apologize for any financial hardships you may be feeling at the present time. Please know that every effort I make is as much about protecting investor interests as it is about clearing the damage to my name.

First – the Bad News.

The court did not approve my motions to dismiss the lawsuit. The Judge said that my motions did not meet the required amounts of requisite "legal sufficiency". Is this a surprise? I'm not a lawyer! The Judge also said that the "merits of my motions should be looked at by a jury", or words to that effect, even while he and the SEC know that 98% of lawsuits don't go to trial.

Second - The Scandal

Upon the completion of the hearings, the receiver – somewhat meekly – walked up to me, and told me privately and quietly that he is NOT a certified public accountant ("CPA"). This was a shock to me. It is also now a very big problem for the SEC and for investors. Why? Because last June, as part of their unlawful seizure, SEC lied to the court in order to have their own receiver put into place. The SEC lied about Thomas Seaman's professional credentialing when they told the court that he is a CPA. The receiver has now sat on this lie for the past eight months. Never once did the receiver or the SEC tell the court today that he is not a CPA, or in their responses to my court motions over the past few months. How can the receiver conduct a "forensic accounting" when he is not an accountant, and without the commensurate accounting background? This is outrageous. The SEC has lied to the court, and the receiver has sat on this lie, and therefore contributed to the lie. Please call the receiver, Thomas Seaman, and ask him how he and the SEC could lie to the court, and ask him to resign from his position NOW. Since you know he also has no bonding, you might also ask him about his company liability policy, and for a copy of it. Ask him if he has posted court docket no. 274 on his web site yet, which is the court posting showing that he and the SEC have employed a lie about his professional credentials, or if he and the SEC are going to keep this off of his site, so that investors are in the dark about important matters, as usual. His phone no. is (949) 265-8403. His email is: Tom@thomasseaman.com. His attorneys have also sat on this matter for the past eight months. Please call Ted Fates, Esq., and ask his firm to resign NOW. His phone number is (213) 622-5555. Here is the SEC's court lie:

Case5:12-cv-03237-EJD Document6 Filed06/21/12 Page3 of 3 **"Seaman is a licensed CPA "**

I believe that I have always been forthright with investors, and with the SEC, as well, during their review. Why did the SEC do a midnight run on the funds, "under court seal", and employ one lie after another…all which have led to consitutional violations of your property and your income? **The Judge may refuse to accept the receiver's court reports now, or pay him, which could mean the forensic reporting requirements start again from scratch, and eight months, or more, of wasted time. All the while, your assets and your income continue to be held unconstitutionally by way of SEC's actions.**

Third - Where are things at now?

You should be fully aware that the receiver's intentions now are to sell the assets of the fund's at steep discounts, and he and his attorney are on track to take $1,000,000 of your income this year, while having both either directly lied to investors, or by their omissions, about his credentialing. These assets sales will (a) cost you directly, as any "distressed sales" of assets always are at a discount, as I'm sure that you know, and (b) jeopardize the future ability of SB Capital to honor the terms of the fund manager notes, which could cost investors millions of dollars in losses for organizational and operating investments incurred to build the funds' SBA guaranteed loan servicing portfolios, which might never be recouped. At the present time, the fund's have very strong balance sheets, solid core income, and liquidity to quickly resume operations. **If SEC wins, you lose**. SEC has shown extreme governmental bad faith. It continues to get away with lies. Is it necessary to wait until a jury determines that lies are lies? Must I be in a position to go in front of a jury entirely without any legal counsel to represent fund member interests? Surely the receiver, his counsel, and SEC are not" protecting" investors. They all must have public pressure NOW instead of being allowed to lie to the court time and time again, or say they used "good faith" in their representations to the court about Seaman's professional CPA credentialing.

This Wizard of Oz Charade Cannot be Allowed to Continue On

Please send a letter right away to your Congressional Representative about these matters. Please send a copy of the letter to the court, also, and reference "SEC v. Small Business Capital Corp." I have been informed by the Judge that he may not be able to read these, but that the letters are reflected on public records. Also contact Mr. Seaman, and Mr. Fates, and insist they acknowledge their lies, and their interferences with lawful due process. It is a sham and a shame that I am doing all of this work on my own, and that the Judge has denied, again, my request for legal fees. We must all force the Wizard of Oz (the SEC) to pull back the curtain on their charade.

Hon. Anna Eshoo
698 Emerson St.
Palo Alto, CA 94301

Hon. Judge Edward J. Davila
U.S. District Court
280 S. 1st St., 4th Fl, San Jose CA 95113

Regards…Mark Feathers

BM00086
Exhibit 163-1

The receiver's and the SEC's next "spin move" will be to tell you that he is still "qualified". A lie is a lie, and means that one cannot rely upon the truth – at any time – of those telling the lie. I mentioned this in a recent past newsletter, didn't I, that something like this would happen next? Ask any CPA that you know if anybody can do their work, or easily obtain their license, and maintain it – they will resoundingly tell you how hard it was to become a CPA, and that they have specific skills and experiences, and years of pre-licensing hours, and successful completion of licensing exams, all in order to be able to use the professional designation of "CPA". In the past two months, two cabinet members of the German Chancellor's cabinet – the highest level of government in Germany - were forced to resign because they lied about their professional backgrounds. American virtues are no less demanding of their elected and appointed officials then in other developed countries. As taxpayers we can neither accept the lies of our government, nor the lies of those parties they put into positions by way of the government's lies. If you decide to call the receiver's counsel, Ted Fates, ask him for a copy of his liability policy, also.

Elizabeth Warren is the newest U.S. Senator, and a former Harvard law professor. Here's what had to say in just the past two weeks to the heads of federal agencies, including the SEC, as you can see below. This is a sitting US Senator making statements that U.S. district attorneys and the attorneys of U.S. federal agencies are using "very thin grounds" to their lawsuits against ordinary citizens, and they are excluding Wall Street Firms, who are the very source of most of the country's largest financial problems and debacles of the past decade (Madoff and the Mortgage Meltdown). Senator Warren might be very surprised (or maybe not?) to learn that federal agencies are employing severe lies in their lawsuits, and not just "very thin grounds". Unfortunately, in a country of 350,000,000 persons and with only 100 senators, it's hard to get on the radar screen of a senator who could help you *unless* you're a big Wall Street firm and/or a heavy political donor.

February 23, 2013

HUFF POST POLITICS

Elizabeth Warren Embarrasses Hapless Bank Regulators At First Hearing (VIDEO)

Posted: 02/14/2013 5:14 pm EST | Updated: 02/14/2013 11:36 pm EST

WASHINGTON -- Bank regulators got a sense Thursday of how their lives will be slightly different now that Elizabeth Warren sits on a Senate committee overseeing their agencies.

At her first Banking, Housing and Urban Affairs Committee hearing, Warren questioned top regulators from the alphabet soup that is the nation's financial regulatory structure: the FDIC, SEC, OCC, CFPB, CFTC, Fed and Treasury.

The Democratic senator from Massachusetts had a straightforward question for them: When was the last time you took a Wall Street bank to trial? It was a harder question than it seemed.

"We do not have to bring people to trial," Thomas Curry, head of the Office of the Comptroller of the Currency, assured Warren, declaring that his agency had secured a large number of "consent orders," or settlements.

"I appreciate that you say you don't have to bring them to trial. My question is, when did you bring them to trial?" she responded.

"We have not had to do it as a practical matter to achieve our supervisory goals," Curry offered.

Warren turned to Elisse Walter, chair of the Securities and Exchange Commission, who said that the agency weighs how much it can extract from a bank without taking it to court against the cost of going to trial.

"I appreciate that. That's what everybody does," said Warren, a former Harvard law professor. "Can you identify the last time when you took the Wall Street banks to trial?"

"I will have to get back to you with specific information," Walter said as the audience tittered.

"There are district attorneys and United States attorneys out there every day squeezing ordinary citizens on sometimes very thin grounds and taking them to trial in order to make an example, as they put it. I'm really concerned that 'too big to fail' has become 'too big for trial,'" Warren said.

A Warren constituent, open-Internet activist Aaron Swartz, recently committed suicide after being hounded by federal prosecutors who reportedly said they wanted to "make an example" of him. Warren had met and said she admired Swartz and, after he died, expressed her concern by attending his memorial in Washington.

The financial regulators can blame, at least in part, Wall Street lobbyists (along with outgoing Treasury Secretary Tim Geithner and Senate Republicans) for their embarrassing turn at the hearing. Warren would have been on the panel herself representing the Consumer Financial Protection Bureau, instead of a sitting senator, if her nomination to head the agency hadn't been thwarted in 2011.