

# **EXHIBIT 217**

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

ORIGINAL

In the Matter of: )  
 ) File No. LA-04141-A  
SMALL BUSINESS CAPITAL CORP. )

WITNESS: Mark Feathers

PAGES: 1 through 236

PLACE: Securities and Exchange Commission  
Los Angeles Regional Office  
5670 Wilshire Boulevard, 11th Floor  
Los Angeles, California 90036

DATE: Monday, May 14, 2012

The above-entitled matter came on for hearing,  
pursuant to notice, at 9:40 a.m.

Diversified Reporting Services, Inc.

(202) 467-9200

1 APPEARANCES:

2

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1 Q And what is the source of the commissions? Where  
2 does SB Capital get the money?

3 A SB Capital from our earn- -- well, earnings,  
4 again, is determined by our CPA audits. And so it could be  
5 growth from the manager's note that's a source of that as  
6 well.

7 Q Now, the note we did -- I did find one note. I'm  
8 going to ask the court reporter to mark the next document  
9 as Exhibit 9.

10 (SEC Exhibit 9 marked for  
11 identification.)

12 BY MS. HANNAN:

13 Q And we've been talking about a note. I just want  
14 to know if this is the note that we're talking about. For  
15 the record, this is a document that's Bates numbered  
16 SBCC004068. It's a promissory note of January 1st, 2011,  
17 in the amount of \$1,850,000. And I'll show that to the  
18 witness and ask you to clarify what that is.

19 A Yes. This is the manager's note. It appears from  
20 the beginning of 2011.

21 Q And is there any other note other than this one?

22 A Well, the note itself can be changed subject to  
23 the amount of the manager's note. The fund manager is the  
24 one who actually draws this up and so up to the statutory  
25 limit outlined in the offering circular. So for instance,

1 at the end of 2011, the note balance could be a different  
2 amount.

3 Q Okay. But as of January 1st, 2011, the amount of  
4 the note was \$1,850,000; is that correct?

5 A It appears that way. In looking at that, I don't  
6 have the financial statements in front of me. But I'd  
7 agree that that's what that appears to show.

8 Q Okay. And is this note backed by any collateral?

9 A No.

10 Q And the borrower on this note is Mark Feathers.  
11 Is that your signature, Mr. Feathers?

12 A Yes.

13 Q And the lender is -- and that's -- borrower is  
14 Small Business Capital Corporation; correct?

15 A Yes.

16 Q And who is the lender on that one?

17 A Investors Prime Fund.

18 Q And who signed for that?

19 A I did for both.

20 Q Okay. Did you have this document reviewed by  
21 anybody?

22 A As far as?

23 Q As far as professionals.

24 A The note itself is reviewed by our accountants as  
25 if they'd like to see the note as well when they're doing

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PROOFREADER'S CERTIFICATE

In the Matter of: SMALL BUSINESS CAPITAL CORP.  
Witness: Mark Feathers  
File Number: LA-04141-A  
Date: Monday, May 14, 2012  
Location: Los Angeles, California

This is to certify that I, Susan Davis,  
(the undersigned), do hereby swear and affirm  
that the attached proceedings before the U.S.  
Securities and Exchange Commission were held  
according to the record and that this is the  
original, complete, true and accurate transcript  
that has been compared to the reporting or recording  
accomplished at the hearing.

S. Davis  
(Proofreader's Name)

5.18.12  
(Date)

**UNITED STATES SECURITIES AND EXCHANGE  
COMMISSION**

**REPORTER'S CERTIFICATE**

I, LINDA M. KLEA-BAKER, BSBA, CSR 12468, RPR, reporter, hereby certify that the foregoing transcript is a complete, true and accurate transcript of the testimony indicated, held on 5-14-12 at L.A., CA in the matter of:

Small Business Capital Corp.

I further certify that this proceeding was recorded by me and that the foregoing transcript has been prepared under my direction.

Date: 5-15-12

Official Reporter: Linda M. Klea Baker  
Diversified Reporting Service, Inc.

**Diversified Reporting Services, Inc.**  
**(202) 296-9200**  
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# **EXHIBIT 218**



1 UNITED STATES DISTRICT COURT  
 2 NORTHERN DISTRICT OF CALIFORNIA  
 3 SAN JOSE DIVISION

4  
 5  
 6 SECURITIES AND EXCHANGE  
 COMMISSION,

7 Plaintiff,

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

9 vs.

10 SMALL BUSINESS CAPITAL,  
 11 CORP.; MARK FEATHERS;  
 INVESTORS PRIME FUND, LLC;  
 and SBC PORTFOLIO FUND, LLC,

12 Defendants.

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Videotaped deposition of MARK FEATHERS, Volume 1,  
 taken at the offices of The Securities & Exchange  
 Commission, 44 Montgomery Street, Suite 2800, San  
 Francisco, California commencing at 9:43 a.m., on  
 Wednesday, May 1, 2013, before Leslie Rockwood, RPR,  
 CSR No. 3462.

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12 Also Present:

13 Sean McGrath, Videographer

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1 it appears that this reference is to a 5-percent premium  
2 as long as the fund earned at least a 12-percent yield on  
3 the sale of that note. For instance --

4 Q. Which fund, the selling fund or the buying fund?

5 A. Well, the -- the entity -- the funds were set up  
6 on different models of goals. IPF was 7 and a half  
7 percent. SBC Portfolio Fund was 10 percent, and so the  
8 goal was for the buying fund, if it were the party to pay  
9 the premium, that upon the portion that it retained from  
10 the expected five-year history of servicing income and  
11 interest income, that it would get its yield target met.  
12 And it appears that those issues are outlined clearly in  
13 this email.

14 Q. Okay. And so do you dispute that during the  
15 first quarter and second quarter of 2012 you caused loans  
16 to be sold from fund -- from IPF to SBF and from SBF to  
17 IPF? Do you dispute that?

18 A. You're asking me if I dispute that?

19 Q. Yes.

20 A. I don't understand, because the fund records  
21 which are held by the receiver -- and -- and they were  
22 taken, so there're not copies of fund records. The --  
23 the books and ledgers of the funds show loan sales and  
24 premiums, and they also differentiate in ABS when there  
25 were participations on loans and when the deeds were not

1 changed.

2 Q. And you directed those transfers between the two  
3 funds; isn't that correct?

4 A. As the CEO of Small Business Capital Corp. who  
5 is charged with following the offering document  
6 provisions, especially in matters relating to loan sales  
7 and premiums where there could be a conflict of interest,  
8 I was the party who would make sure that the provisions  
9 of the offering documents were adhered to.

10 MR. BULGOZDY: Okay. He has to change the tape.  
11 Let's go off the record, and let's take ten minutes,  
12 please.

13 THE VIDEOGRAPHER: This marks the end of  
14 Volume 1, Disk 3, in the deposition of Mark Feathers.  
15 The time is 4:54 p.m., and we are off the record.

16 (Recess.)

17 (Exhibit 105, G00698, marked for  
18 identification.)

19 THE VIDEOGRAPHER: This marks the beginning of  
20 Volume 1, Disk 4, in the deposition of Mark Feathers.  
21 The time is 5:08 p.m., and we are on the record.

22 Q. BY MR. BULGOZDY: While we were off the record,  
23 the court reporter marked as Exhibit 105 -- while we were  
24 off the record, the court reporter marked at Exhibit 105  
25 an email dated February 18th, 2012, at 2:14 a.m., from

1 put some wild numbers out there, that we had 35 percent  
2 premiums or something.

3 So -- so answering your question, Fund III, I  
4 feel very comfortable in stating that this was probably  
5 to SBC Senior Commercial Mortgage Fund.

6 Q. To the extent that these 504 loans that you were  
7 selling between the funds that you managed had such  
8 ability to command a premium, why didn't you cause the  
9 funds to sell these loans to third parties?

10 A. These loans were God's gift to non-bank lenders,  
11 like myself.

12 Q. So then a third party should be knocking down  
13 your door to buy them from you; isn't that right?

14 A. That's not right.

15 Q. Oh, okay. Why not?

16 A. These particular loans were -- were made  
17 possible by provision of the JOBS act in 2009. These  
18 particular loans allowed a non-bank lender to sell 6 --  
19 85 percent of a loan, and they would do it on,  
20 essentially, a risk free first asset. I'm not kidding  
21 you. A risk free -- almost risk free. I don't say risk  
22 free.

23 And so the reason for this is, within the  
24 spectrum of A, B and C paper out there for 504 loans for  
25 a non-bank lender to originate these essentially risk

1 free, minimal loan loss reserves, we could take  
2 properties that were special use properties such as  
3 hotels, car washes --

4 Q. Sir, my question is just if the loans -- if --  
5 were able to command the premium that you say they were,  
6 why didn't you just sell them to third parties rather  
7 than selling them between the loan funds that you managed  
8 for a premium?

9 A. I think you asked me how come banks weren't  
10 knocking our door down or some expression, third parties  
11 were not knocking our door down, is how I recall.

12 These -- and I would even tell my investors that  
13 these were God's gift from the government to a non-bank  
14 lender like ourself, that we could -- even years into our  
15 fund operating and having provisions to be able to buy  
16 notes at a premium. These products -- these loans fell  
17 into our lap for our ability to earn a very good risk  
18 adjusted return and to be able to form a third fund,  
19 which as a matter of fact focused on nothing but these  
20 504 loans, and which would have an economic benefit so  
21 appealing as to earn a 20 or 25 percent return over the  
22 life of a loan on a 50 percent loan-to-value first, so --

23 Q. So then you could sell them to a third party for  
24 this same premium?

25 A. I did not say that.

1 Q. Well, could you have sold these loans to a third  
2 party for the same premium that you were selling them at  
3 between the funds?

4 A. These particular loans were so unique, because  
5 in the world of mortgage banking and A paper and B paper  
6 and C paper and D paper, that the fund manager, in the  
7 provisions of his offering documents, as long as he  
8 demonstrated an economic analysis on these particular  
9 loans, had no incentive -- there are two parts to answer  
10 that. Had no incentive to sell these loans.

11 And most lenders were not that interested. For  
12 instance, the community banks that we sold participations  
13 on our 7(a) loans, under a different kind of loan, FDIC  
14 insured lenders had -- they -- they were not as  
15 interested in buying a portion of a loan that might be in  
16 West Virginia, a hotel, or a Miami hotel.

17 And so I made the decision on behalf of my  
18 investors knowing from 20 years of SBA 504 lending  
19 experience -- indeed I owned the SBA 504 loan url, and my  
20 first company name --

21 THE REPORTER: I'm sorry. Indeed I owned the --

22 THE WITNESS: 504 -- SBA 504.lender -- excuse  
23 me -- SBA504lender.com, SBA504loan.com. I have a strong  
24 history in 504 loans going back to when I -- including  
25 Small Business Capital Corp. It was started as 504 First



1 Mortgage Lending Corp., and I indeed worked for the Small  
2 Business Administration, so I'm considered somebody who  
3 knows this product well.

4 Q. BY MR. BULGOZDY: So was there a market to sell  
5 these 504 loans to third parties?

6 A. There's a large market to sell 504 loans to --  
7 to third parties, and we made substantial fees from  
8 selling -- from knowing our buyers of these loans and  
9 knowing what kind of property it was and where it fit in  
10 their matrix. We were able to broker these out. We were  
11 able to sell participations.

12 Q. So in 2012, how many of these 504 loans did you  
13 sell to third parties?

14 A. I can't answer that question, but I -- within  
15 all the information that was mirror imaged by the  
16 receiver, there is -- there's substantial evidence that  
17 we brokered out a good number of 504 loans. We were  
18 supposedly one of the largest referral sources of 504  
19 loans to national lenders like Zions.

20 Q. Did you discuss at all with your auditor whether  
21 or not you could account -- you could recognize the  
22 premiums on sales between the funds as income?

23 A. Did we recognize?

24 Q. Did you talk at all with your auditor about  
25 whether the funds could recognize the premiums as income?

1 for Small Business Capital Corp., which is on an accrual  
2 basis, 10:30 a.m., on 3/23/11. As you put it in front of  
3 me, that's what I recognize.

4 Q. And does this appear to accurately state the  
5 performance of Small Business Capital Corporation for  
6 2010?

7 A. Well, it's going to take two parts to answer  
8 that. One is: It's an unaudited statement. And by  
9 definition, it's not accurate. The other is because fund  
10 investors approved a receivable to the fund manager in  
11 2010, that receivable was to cover organizational and  
12 syndication expenses of SB Capital. This -- this created  
13 a unique accounting situation whereas the fund had an  
14 asset, but SB Capital had expenses.

15 And so as I look at this, then it -- I would  
16 arrive at the conclusion that this was put together by  
17 staff who used QuickBooks and who probably had some  
18 genuine accounting basis to put these numbers in here.

19 MR. BULGOZDY: Could you please mark this as  
20 Exhibit 116.

21 (Exhibit 116, H01096 - 99, marked for  
22 identification.)

23 MR. BULGOZDY: The court reporter has marked  
24 as Exhibit 116 a 2010 U.S. income tax return for an  
25 S Corporation, Bates Numbered H01096 through H01099 for

1 Small Business Capital Corporation. And this shows an  
2 ordinary business income or loss. It shows a loss of  
3 \$1,420,795.

4 Q. Do you recognize this document, sir?

5 A. What page is that? Can you just -- I saw  
6 1,000,004. Just are we looking at the same thing?

7 Q. Yes. It's a loss of \$1,420,795. Do you  
8 recognize this document, sir?

9 A. This appears to be the SB Capital's tax return  
10 for 2010, unsigned. Not that I'm questioning its  
11 authenticity. But it appears to be an  
12 accountant-prepared tax return, yes.

13 By the way, I -- I -- I'm going to go on record  
14 as I've already asserted, that this is protected work.  
15 Small Business Capital Corp. was a privately held  
16 company. There are other investors.

17 And bear with me a second here. This is  
18 protected work, and I also -- this is trade secrets as  
19 well. My company spent millions of dollars, including  
20 myself, to be able to be in a point where we were  
21 managing our funds. And I -- I -- I'm protesting this,  
22 because these records are protected, and they should not  
23 be part of the public record. And I will put in whatever  
24 it is, a motion to compel to -- to squelch these.

25 We -- we spent substantial amounts of money to

1 MR. BULGOZDY: I have one more document I'd just  
2 like to mark, sir. It won't take but a second.

3 Could you please mark this as Exhibit 44.

4 (Exhibit 44, SAC00007900 - 901, marked for  
5 identification.)

6 MR. BULGOZDY: The court reporter has marked as  
7 Exhibit 44 a letter, dated April 24th, 2012, addressed to  
8 Mark Feathers Investors Prime Fund from Dennis Doss of  
9 Doss Law. The Bates Number is SAC00007900 to 7901.

10 Q. Do you recognize this documents, sir?

11 A. I personally don't -- yes, I have a recollection  
12 of this when I prepared a motion that was submitted to  
13 the Court with accompanying emails on the issues of these  
14 specifics, the -- the manager's fee, the various --  
15 whatever was referenced in here, premiums. I do recall  
16 reviewing this and making a submission to the Court,  
17 because this was so far off the reality of the offering  
18 documents, and trying to discern -- this is April of  
19 2012.

20 And I -- I was so shocked to find out that what  
21 I thought was privileged information that I did not  
22 provide to the funds CPAs, but I found out that the CPAs  
23 provided to the Commission and, whereupon finding that  
24 out, I addressed, I believe, the Commission. But more  
25 specifically, I addressed the Court as to what was so

1 wrong that I considered this to be a sign of a mental  
2 health issue for that attorney.

3 And I understand that he's relocated to Mexico.  
4 He had a full heart replacement two years ago. And I  
5 hear people in the industry saying he doesn't have  
6 liability policies.

7 And so this -- this brings back certain  
8 memories. Some of them are vivid.

9 Q. Did you receive this letter on or about  
10 April 24th, 2012?

11 A. I -- I cannot answer as to the date that I  
12 received this. I do recall --

13 Q. Why can you not answer as to the date that you  
14 received it?

15 A. Because my recollection is this -- at the time  
16 this came in, I believe it was an email, and I could find  
17 out the date of that, and I was so shocked by this letter  
18 that I immediately wrote the author of this back to show  
19 him clarity as to the offering documents, which he put  
20 together, and the emails which contradicted his  
21 statements. And this same party continued to be counsel  
22 for us several months later. That's what I recall.

23 Q. So did -- did you receive this on or about  
24 April 24th, 2012?

25 A. I -- you're asking me the same question I

1 answered already. I cannot answer that question.

2 Q. Do you know -- did you receive this letter  
3 before you gave testimony in the Commission's  
4 investigation?

5 A. What was the date of my testimony in the  
6 Commission's investigation?

7 Q. It was in May of 2012.

8 A. I can't -- it was in May of 2012?

9 Q. Yes.

10 A. And did I receive this letter before that?

11 Q. Yes.

12 A. I can't answer that question.

13 Q. Why not?

14 A. Because I don't know.

15 Q. Okay. And isn't it true that you asked Mr. Doss  
16 to provide this letter to the outside auditor for  
17 Investors Prime Fund?

18 A. No. Would you like to know what my sequence of  
19 past understanding is? And, again, memory's favor with  
20 time.

21 I informed that -- Mr. Doss that our CPA was  
22 looking for a letter specifically to address some issues  
23 which were already addressed in the offering documents of  
24 the funds, and I recall finding out -- again, I -- I  
25 did -- I was not even aware that our CPAs had this

1 STATE OF CALIFORNIA ) ss:

2 COUNTY OF MARIN )

3

4 I, LESLIE ROCKWOOD, CSR NO. 3452, do hereby  
5 certify:

6 That the foregoing deposition testimony was  
7 taken before me at the time and place therein set forth  
8 and at which time the witness was administered the oath;

9 That testimony of the witness and all objections  
10 made by counsel at the time of the examination were  
11 recorded stenographically by me, and were thereafter  
12 transcribed under my direction and supervision, and that  
13 the foregoing pages contain a full, true and accurate  
14 record of all proceedings and testimony to the best of my  
15 skill and ability.

16 I further certify that I am neither counsel for  
17 any party to said action, nor am I related to any party  
18 to said action, nor am I in any way interested in the  
19 outcome thereof.

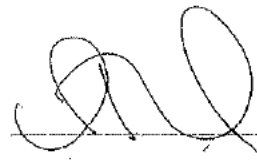
20 IN WITNESS WHEREOF, I have subscribed my name  
21 this 2nd day of May, 2013.

22

23

24

25



LESLIE ROCKWOOD, RPR, CSR NO. 3462

# **EXHIBIT 219**



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UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN JOSE DIVISION

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

No. 5:12-CV-03237-EJD

vs.

SMALL BUSINESS CAPITAL,  
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INVESTORS PRIME FUND, LLC;  
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Defendants.

Videotaped deposition of MARK FEATHERS, Volume 2,  
taken at the offices of The Securities & Exchange  
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CSR No. 3462.

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19

20

21

22 Also Present:

23 Benjamin Gerald, Videographer

24

25

--oOo--

1 Sir, you testified that financial statements  
2 were made available to fund investors. Were the 2010  
3 financial statements of IPF, these audited financial  
4 statements, Exhibit 27, were they sent to fund investors?

5 A. Fund financial statements per the offering  
6 documents were made available to fund investors who asked  
7 for those financial statements.

8 Q. Okay. So if a fund investor did not ask for the  
9 financial statement, were they provided with the  
10 financial statements?

11 A. I can't answer that question. I don't recall.

12 Q. Do you have any recollection of whether these  
13 financial statements, Exhibit 27, were mailed by the fund  
14 manager to investors in IPF?

15 A. I can't answer that question, but I do recall  
16 that any investor who asked for fund financial statements  
17 was provided financial statements.

18 Q. And with regard to the SPF financial statements,  
19 which we looked at earlier, Exhibits 28 and Exhibit 16,  
20 which you have in front of you, which are the 2009 and  
21 2010 audited financial statements of SBC Portfolio Fund,  
22 were those financial statements mailed by the fund  
23 manager to investors in SBC Portfolio Fund?

24 A. I can't answer that question. I can't answer  
25 that. If they asked for the financial statements, they

1 know.

2 Q. So my question is: Do you recognize this as an  
3 offering circular for Investors Prime Fund, LLC, dated  
4 June 11th, 2009?

5 A. Yes. I don't know that it is the final offering  
6 document, but it may well be. So I -- I do recognize  
7 what it says. It says, "June 11th, 2009."

8 Q. And for any offering circular for Investors  
9 Prime Fund, LLC, did you review and approve it before it  
10 was provided to prospective investors?

11 A. The sequence was we would work with our  
12 securities counsel. It would go to the California  
13 Department of Corporations and be approved. And we would  
14 be issued a new permit.

15 And then in a general sense, whether it was  
16 working with investors or whether my -- my employees were  
17 working with investors, they had approval to issue these  
18 to prospective investors, if they were the original  
19 documents.

20 Q. So did you approve -- review and approve the  
21 offering circular?

22 A. I would -- I would be the final authority on the  
23 approval of offering documents, that's correct.

24 Q. And where it says, "The date of this offering  
25 circular is June 11th, 2009," did you from time to time

1 date typically referenced -- whatever was the proper  
2 date, as informed to us by our securities attorney.

3 So your question, if I -- if I recall, was would  
4 we give these to investors as of that date?

5 Q. Prospective investors.

6 A. To prospective investors as of this date?

7 Q. Yes.

8 A. Well, whatever was the offering document that  
9 was approved at that time, under permit, is the one that  
10 we would provide to investors.

11 Q. So from the date here, June 11th, 2009, can you  
12 tell when you began using this offering circular with  
13 prospective investors?

14 A. We would not have begun using this until we had  
15 a permit issued by the California Department of  
16 Corporations, which reflected typically the same date.  
17 So I -- I can't tell you when we --

18 Q. I think you've answered the question.

19 A. Okay.

20 Q. And as you revised the offering circular for  
21 Investors Prime Fund, LLC, annually, did you provide  
22 existing investors in Investors Prime Fund with the new  
23 offering circular after it was approved?

24 A. If an investor asked us for an updated offering  
25 circular, we would provide them, to the best of my

1 Exhibit 191?

2 A. Well, I recognize that it's a letter that's put  
3 in front of me by the Commission.

4 Q. Do you recognize this as a letter that you wrote  
5 and signed?

6 A. Well, I recognize that this may be a letter that  
7 I wrote and signed. It doesn't have any addressee, so  
8 I -- I'm not sure what your point is.

9 Q. And is this a letter that was sent to investors  
10 on or about May 23rd, 2012?

11 A. I don't know.

12 MR. BULGOZDY: Could you please mark this as  
13 Exhibit 192.

14 (Exhibit 192, H00286 - 87, marked for  
15 identification.)

16 Q. BY MR. BULGOZDY: Exhibit 192 is an email  
17 exchange April 3rd, 2012, the subject is "April monthly  
18 newsletter attached," and it's Bates Numbered H00286  
19 through H00287.

20 Please take a moment to review that document and  
21 let me know when you've completed your review.

22 A. All right. I think I'm ready.

23 Q. Okay. Directing your attention to H00287, the  
24 second page of the exhibit.

25 A. Uh-huh.

1 Q. And under the line across the page, there  
2 appears to be an email from Mark Feathers, dated  
3 April 3rd, 2012, to Jeff Spiegel and Dennis Doss, and the  
4 subject is "April monthly newsletter attached"; is that  
5 correct?

6 A. I'm reading the same thing you are, yes.

7 Q. And then if you turn to H00286, at the bottom of  
8 the page there's an email from Dennis@DossLaw.com to  
9 Mark Feathers and Jeff Spiegel. And it's an email that  
10 says, "Mark, you sent" -- quote, "you sent this to me, so  
11 I'm forced to comment on it less you think that somehow I  
12 have condoned it. I know you don't want to hear this,  
13 but the letter is misleading. You have obtained  
14 unauthorized loans from the fund of \$5 million, and for  
15 the past two fiscal years the fund earned less than the  
16 7.5 percent it distributed to investors. There are other  
17 defects in the letter on topics I have previously  
18 mentioned," signed Dennis Doss.

19 Do you see that, sir?

20 A. Well, first of all, I'm going to object. This  
21 is privileged information.

22 So now that that's on the record, what I do see  
23 is a series of statements from this securities counsel to  
24 myself. I see that it includes the fund's CPA, and I  
25 believe as part of a string of emails, I made reference

1 to this securities counsel and to this CPA that the  
2 offering documents and the emails clearly rebut what this  
3 attorney -- who moved out of the country and was making  
4 statements that were contrary to his own offering --  
5 excuse me -- offering document -- off -- writings. So  
6 that is what I see.

7 Q. So again, here this email from Dennis Doss on  
8 April 3rd, 2012, that I just referred you to, you then  
9 forwarded that email to Mr. Spiegel; is that correct?

10 A. I'm not sure that it is correct. I think in an  
11 air of open dialogue, I in -- I may have included the CPA  
12 on here, who made reference -- where the securities  
13 attorney talked about unauthorized loans, which were  
14 clearly rebutted by the very offering documents that he  
15 wrote.

16 Q. So, sir, let me just -- perhaps you're just not  
17 following. So let me just reach across -- so here  
18 (indicating), from Dennis Doss to Mark Feathers and  
19 Jeff Spiegel, there's an email that begins, "Mark," and  
20 ends "Dennis Doss."

21 Do you see that, sir?

22 A. Yes.

23 Q. And then here (indicating) from Mark Feathers,  
24 sent Tuesday, April 30th, 2012, at 11:47 a.m. to  
25 Jeffrey Spiegel is an email that you sent to Mr. Spiegel;



1 only person authorized for disbursements, such as on fund  
2 foreclosed properties and for promissory documents and  
3 draws and such, yes.

4 Q. Okay. And then the endorsement where it says,  
5 "SB Capital deposit only," is that your handwriting also?

6 A. That appears to likely be my handwriting, yes.

7 Q. And then on the deposit ticket where the date is  
8 written November 16th, 2009, and the \$50,000, is that  
9 your handwriting also?

10 A. I can't attest to that. It may be my  
11 handwriting.

12 Q. And when you said "the fund," this was a -- a  
13 payment from Investors Prime Fund to SB Capital Corp.?

14 A. I wouldn't categorize it as a payment. In the  
15 history of the funds -- of this fund and SBC Portfolio  
16 Fund, their combined 11 years, we had several properties  
17 that went into foreclosure. I recall that on or possibly  
18 around this time that there may have been a distribution  
19 on this particular loan in accordance with the loan  
20 documents and the offering document provisions.

21 Q. Now, did Investors Prime Fund take title to  
22 Whiskey Junction in foreclosure?

23 A. I -- I don't believe that IPF took title to  
24 Whiskey Junction in foreclosure, no.

25 Q. In fact, did SB Capital Corporation obtain a

1 loan from IPF to pay off the defaulted and foreclosed  
2 upon loan and then assume title to the property?

3 A. Well, you're asking me technical questions, and  
4 my background isn't foreclosures. We only had several of  
5 them out of 200 transactions in the funds over that  
6 period. We had several properties, I believe one in San  
7 Leandro, and one in -- in Holt, California, so because we  
8 had so few foreclosures, I -- I'm by no means an expert  
9 on this process.

10 But, typically, from memory, what I recall is if  
11 we would foreclosure on a property, the fund manager, per  
12 the offering documents, may assume liability on that  
13 particular note, so -- so mechanically, they're a  
14 separate process. I -- I believe new docs -- loan docs  
15 would have been drawn, and we would have assumed that.  
16 There may have been some provision for interest reserves  
17 for improvements to the property.

18 And so without having a copy of a settlement  
19 statement, without having a copy of the foreclosure  
20 agreements, I -- I can't be more specific as to the  
21 detail on this.

22 Q. Okay. That's all the questions I have on that  
23 document.

24 MR. BULGOZDY: Could you please mark this as  
25 Exhibit 196.

1 STATE OF CALIFORNIA ) ss:  
2 COUNTY OF MARIN )  
3

4 I, LESLIE ROCKWOOD, CSR NO. 3452, do hereby  
5 certify:

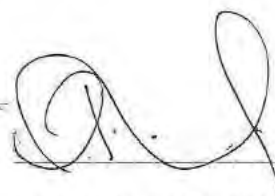
6 That the foregoing deposition testimony was  
7 taken before me at the time and place therein set forth  
8 and at which time the witness was administered the oath;

9 That testimony of the witness and all objections  
10 made by counsel at the time of the examination were  
11 recorded stenographically by me, and were thereafter  
12 transcribed under my direction and supervision, and that  
13 the foregoing pages contain a full, true and accurate  
14 record of all proceedings and testimony to the best of my  
15 skill and ability.

16 I further certify that I am neither counsel for  
17 any party to said action, nor am I related to any party  
18 to said action, nor am I in any way interested in the  
19 outcome thereof.

20 IN WITNESS WHEREOF, I have subscribed my name  
21 this 20th day of May, 2013.

22  
23  
24  
25



LESLIE ROCKWOOD, RPR, CSR NO. 3462