

Fund”), filed petitions under Chapter 7 of title 11, of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of Texas, Houston Division, on or about March 24, 2015 and April 2, 2015 (Case Nos. 15-31594-H4-7 and 15-31773-H5-7, respectively). The Receiver has engaged Joseph G. Epstein of Winstead PC as bankruptcy counsel for the Receivership Estate with respect to the Wallace and West Houston Fund bankruptcy cases, and other related bankruptcy cases filed by Wallace Bajjali-affiliated entities.

A. Status of State Court Action by Receivership Claimants

With respect to the State Court litigation against the Wallace Bajjali-related parties (*Ellisor et al. v. Wallace, et al.*, Cause No. 2012-01447, 270th Judicial District Court of Harris County, Texas), no action has been taken by the Plaintiffs therein since this Court’s Status Conferences of March 24 and April 2, 2015. Five additional parties, represented by the same counsel as the Ellisor Plaintiffs, filed a Petition in Intervention on April 1, 2015, incorporating the factual allegations of the Ellisor Plaintiffs’ live Petition and asserting materially identical causes of action against the defendants.

As the Receiver represented to this Court in his Brief on attachment and receivership [Enforcement Action Doc. # 278], he would support the appointment of a temporary State-Court receiver over the “WB Companies” (with respect to those entities that have not filed for bankruptcy protection) under limited circumstances, and for the sole purpose of preventing the potential waste of those entities’ assets. *See, e.g.*, Enforcement Action Doc. # 278 at 13–15. The Ellisor Plaintiffs have not moved the State

Court for such relief subsequent to this Court's Status Conferences, nor has their counsel contacted the Receiver to confer with respect to any such relief in the State Court lawsuit in the future.

B. Judgments Against Defendants LFW Fund and Costa Bajjali

The Receiver has transmitted to the Fort Bend County, Texas clerk's office an Abstract of Judgment with respect to the Bajjali Judgment for recordation in the Official Public Records of Fort Bend County, Texas. The Receiver further intends to conduct discovery forthwith with respect to potential non-exempt personal property of Defendant Bajjali and to seek generally post-judgment discovery against LFW Fund. On information and belief, and based upon asset schedules filed by West Houston Fund in its bankruptcy case (*see* discussion, *infra*), LFW Fund's material assets consist of ownership interests in WB Real Estate Holdings, LLC (the "Holding Company"), which owns special purpose subsidiary entities (which in turn own underlying real property assets). The Holding Company has filed a Chapter 7 bankruptcy case in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (Case No. 15-31770-H1-7, now jointly administered under Case No. 15-31305-H5-7), as have numerous real property-owning subsidiaries. The Receiver and bankruptcy counsel are monitoring the Holding Company bankruptcy with respect to the interests of LFW Fund in the Holding Company (and any derivative benefit through those interests in the real property owned by its subsidiaries).

C. West Houston Fund Bankruptcy

Lowell Cage has been appointed Chapter 7 Trustee of West Houston Fund. On May 21, 2015, the Chapter 7 Trustee conducted the Meeting of Creditors. The Chapter 7 Trustee concluded the Creditors' Meeting and determined that potential assets may exist to pay a dividend to creditors. As of this time, no deadline has been established for creditors to file proofs of claim in the West Houston Fund bankruptcy case.

On May 22, 2015, the Bankruptcy Court in the case *In re Porter Development Partners, LLC* (Case No. 15-31305-H5-7) entered an Order for Joint Administration and Transfer of Cases with respect to the joint administration of the bankruptcy estates of West Houston Fund and 20 related Wallace-Bajjali entities [Doc. # 19 therein]. The Receiver and his counsel continue to monitor the West Houston Fund bankruptcy (and the related, jointly administered bankruptcy cases of the Holding Company and its subsidiaries) with respect to the Receivership Estate's claims against West Houston Fund for its breach of the replacement promissory notes which form the basis of this action.

With respect to Porter Development Partners LLC ("Porter") (Case No. 15-31305-H5-7), an entity owned by the Holding Company, the Chapter 7 Trustee filed a motion requesting the Bankruptcy Court to authorize the Trustee to engage a real estate broker to sell real property which Porter listed in its bankruptcy schedules to be worth approximately \$8 million. The Receiver and his counsel will be monitoring the sale of the Porter real estate specifically, and all other such real estate owned by LFW Fund and West Houston Fund through the Holding Company, with respect to the Receivership Estate's claims and judgment against those Funds. The Receiver will seek to satisfy the

claims of the Receivership Estate with the proceeds of the sale of such assets, to the extent permitted by the Bankruptcy Code and other applicable law.

D. Wallace Chapter 7 Bankruptcy Case

Rodney Tow has been appointed Chapter 7 Trustee of Wallace's Chapter 7 Bankruptcy Estate. On May 5, 2015, the Receiver and Mr. Epstein attended the Meeting of Creditors for debtor Wallace, at which counsel for the Chapter 7 Trustee and creditors questioned Wallace on the record with respect to his bankruptcy schedules and statement of financial affairs. The Chapter 7 Trustee concluded the Creditors' Meeting and has determined that the case has potential assets. A notice will be sent to creditors advising of the deadline within which proofs of claim must be filed.

Pursuant to the Federal Rules of Bankruptcy Procedure, June 22, 2015 is the deadline for creditors, the Chapter 7 Trustee or other parties in interest to commence adversary proceedings to except the dischargeability of a particular debt, or to deny Wallace's right to receive a bankruptcy discharge. On May 27, 2015, the Chapter 7 Trustee filed a motion with the Bankruptcy Court seeking an extension, for all creditors, to commence any discharge challenges by August 21, 2015, which motion was granted on June 1, 2015. The Receiver and his counsel currently are analyzing whether cause exists under the Bankruptcy Code to request such relief from the bankruptcy court before the Court imposed deadline.²

² The Receiver may also ask the Bankruptcy Court to extend the deadline further for cause shown in order to conduct discovery and address any lingering questions prior to choosing to

E. Litigation Surrounding Injunction Against Wallace Claims

On May 22, 2015, certain Plaintiffs in the State Court Ellisor litigation who purchased debt instruments of Receivership Entity BusinessRadio Network, LP through certain Wallace Bajjali-related entities (the “BusinessRadio Note Holders”) filed in the Wallace Chapter 7 bankruptcy case an Emergency Motion to Lift Stay to Seek Relief and Clarification of Judge Atlas’s Order Approving Settlement and Entering Final Bar Order and Injunction in Federal District Court Action [Doc. # 40 therein]. The BusinessRadio Note Holders (or certain of them) are the same parties which opposed this Court’s approval of the Receiver’s settlement agreement with the Wallace Bajjali Parties, and subsequently appealed this Court’s Final Claim Bar Order [Enforcement Action Doc. # 210] (“Bar Order”) entered with respect to claims arising from the purchase of BusinessRadio promissory notes. The BusinessRadio Note Holders seek to lift the automatic stay in the Wallace Chapter 7 Case in order to ask this Court to rescind or modify the Bar Order and authorize the BusinessRadio Note Holders to pursue their claims on the BusinessRadio notes in the Wallace bankruptcy [Doc. # 40 at ¶7] and/or to commence challenges to Wallace’s discharge.

The Receiver has notified counsel for the BusinessRadio Note Holders that he opposes the relief they seek with respect to the Bar Order. The Bar Order was heavily litigated before this Court, affirmed by the Fifth Circuit, and was a material aspect of the settlement agreed to by the Wallace Bajjali Parties and upon which the execution of the “Replacement Notes” and “Guaranty Agreements” (which form the basis of this action

pursue or forego any challenge to discharge.

and the Receiver's judgments herein) was premised. Moreover, the Bar Order does not prohibit parties that have claims that do not relate to the BusinessRadio notes from filing claims in respective bankruptcy cases relating to non-BusinessRadio-note claims, and further because the Bar Order does not prevent such parties from pursuing discharge and dischargeability claims as long as such actions do no relate to the BusinessRadio notes. The Bankruptcy Court has scheduled a hearing on the motion for relief from stay for June 9, 2015.

Dated: June 1, 2015

Respectfully submitted,

THE TAYLOR LAW OFFICES, P.C.

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COUNSEL FOR RECEIVER

CERTIFICATE OF SERVICE

On June 1, 2015, I served the foregoing document on all remaining parties pursuant to the Federal Rule of Civil Procedure as listed below.

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