

**UNITED STATES DISTRICT COURT  
MIDDLE DISTRICT OF FLORIDA  
FORT MYERS DIVISION**

**CASE NO.: 2:09-cv-229-FtM-29 SPC**

<b>SECURITIES AND EXCHANGE COMMISSION,</b>	)
	)
<b>Plaintiff,</b>	)
	)
<b>v.</b>	)
	)
<b>FOUNDING PARTNERS CAPITAL MANAGEMENT, CO.,</b>	)
<b>and WILLIAM L. GUNLICKS,</b>	)
	)
<b>Defendants,</b>	)
	)
<b>SUN CAPITAL, INC.,</b>	)
<b>SUN CAPITAL HEALTHCARE, INC.,</b>	)
<b>FOUNDING PARTNERS STABLE-VALUE FUND, LP,</b>	)
<b>FOUNDING PARTNERS STABLE-VALUE FUND II, LP,</b>	)
<b>FOUNDING PARTNERS GLOBAL FUND, LTD, and</b>	)
<b>FOUNDING PARTNERS HYBRID-VALUE FUND, LP,</b>	)
	)
<b>Relief Defendants.</b>	)
	)

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**PLAINTIFF'S RESPONSE TO DEFENDANT WILLIAM L. GUNLICKS'S  
RENEWED EMERGENCY MOTION TO MODIFY THE ASSET FREEZE**

**I. INTRODUCTION**

Defendant William L. Gunlicks's renewed motion to modify the asset freeze [DE 72] again does not provide a valid basis for this Court to grant him relief. First, Gunlicks directed and controlled the activities of Defendant Founding Partners Capital Management, Co. ("Founding Partners") in connection with the fraudulent activity alleged in the Complaint. Accordingly Gunlicks and Founding Partners should be held jointly and severally liable for the full disgorgement of all illegally obtained proceeds, which at this point in the case amounts to at

least the \$550 million they raised from investors under false pretenses as to how they would use the money. This amount dwarfs the \$9 million in personal assets that Gunlicks is claiming.

Second, even if the Court limits the amount of disgorgement for which it holds Gunlicks responsible to the management fees Founding Partners earned (which would not be correct), this amount also significantly exceeds the \$9 million in personal assets Gunlicks claims he has. From 2004 through 2008 alone, Founding Partners earned in excess of \$23 million from the primary fund it managed. During the same period, Founding Partners also earned sizable royalty payments from this fund and additional fees from the other funds it managed. Thus, Gunlicks does not have sufficient frozen assets to satisfy a disgorgement award based on Founding Partners's management fees alone.

Third, Gunlicks has provided virtually no support for claiming his assets are worth anywhere near \$9 million. For example, he provides little or no official documentation demonstrating the value of the real estate he holds, instead asking the Court to rely on his unsupported "good faith estimate" of the value. Similarly, there is no documentation showing the value of purported securities and other investments.

Fourth, Gunlicks's estimated living expenses are either no reasonable on their face or are not supported by the necessary documentation. For example, Gunlicks asks for more than \$20,000 a month to pay expenses on five different pieces of property, hardly a reasonable request. Even those expenses that appear reasonable are not adequately supported by any documents or other evidence. Finally, Gunlicks offers no legal or practical justification for using \$75,000 that otherwise could go to defrauded investors, to pay his lawyers.

For all these reasons, the Court should deny Gunlicks's renewed motion for a modification of the asset freeze.

## **II. FACTUAL AND PROCEDURAL BACKGROUND**

On April 20, 2009, the Commission filed a Complaint for Injunctive Relief against Gunlicks and Founding Partners (together “Defendants”), and naming as relief defendants certain related entities. At the same time, the Commission sought, among other things, an emergency temporary freeze order with respect to the assets of Defendants and the funds they managed, Relief Defendants Founding Partners Stable-Value Fund, LP, Founding Partners Stable-Value Fund II, LP, Founding Partners Global Fund, Ltd, and Founding Partners Hybrid-Value Fund, LP (collectively “Founding Partners Relief Defendants”).

As set forth in the Complaint, Gunlicks and Founding Partners raised more than \$550 million from investors. Gunlicks and Founding Partners, in their offering materials, monthly reports, and in oral conversations, represented to investors they would loan the money to Sun Capital Healthcare, Inc. and Sun Capital, Inc. (together “Sun Capital”) to purchase short-term commercial and healthcare receivables (i.e., receivables that had not aged more than 150 days), and that these receivables would fully secure the loans to Sun Capital. Gunlicks controlled and directed all of the activities of Founding Partners and the Founding Partner Relief Defendants.

Unbeknownst to investors, Gunlicks, beginning in at least 2004, allowed Sun Capital to invest in longer-term, less liquid, and much riskier receivables, including workers-compensation receivables (with an average collection period of 1065 days and subject to adjudication) and DSH receivables (a portion of which are only collectible several years out and then only if the hospital is still operating). Gunlicks also allowed the Sun Capital principals to invest nearly a third of the \$550 million of investor money directly in hospitals or in real estate on which the hospitals are located. Gunlicks did not disclose any of this to investors, who were misled into

believing there had not been any change in the underlying factoring strategy or Sun Capital's activities.

Based on this evidence, this Court granted an *ex parte* request for an asset freeze order with respect to the Defendants and Founding Partner Relief Defendants on April 20, 2009. On May 5, 2009, Gunlicks filed what he styled an Emergency Motion to Amend and/or Modify Order Freezing Assets and other Emergency Relief and Incorporated Memorandum of Law [DE 43, 45]. That same day, the Court held a show cause hearing as to the continuation of the asset freeze and heard oral argument from counsel.

On May 7, 2009, the Court issued an Order [DE 56] holding that, based on the evidence submitted, the Commission had established a likelihood of success on the merits with respect to the underlying securities fraud claims against Gunlicks and Founding Partners. (Order at 6). Accordingly, the Court ordered that its Order Freezing Assets and Other Emergency Relief [DE 10] would continue in effect as to Gunlicks until further order of the Court. (Order at 10).

In its May 7 Order, the Court also addressed the portion of Gunlicks's motion challenging the scope of the asset freeze and seeking a modification to allow him to pay living expenses and attorneys' fees. The Court held that it was appropriate to freeze all of Gunlicks's assets, whether or not they were related to the alleged fraud, as long as the "reasonable approximation of the amount of disgorgement" exceeded Gunlicks's assets. (Order at 7-8). The Order further noted that the Court was not yet convinced that \$550 million (the approximate amount of investor funds Sun Capital currently holds) would be the amount of disgorgement. (Order at 8). Instead, the Court noted that Founding Partners charged an annual management fee of 1.75% on the outstanding loan amount and held, based on a calculation using this percentage, that \$5,912,500 would be "utilized by the Court in the absence of the presentation of a more

specific figure by the SEC.” (Order at 9). The Court continued the full asset freeze pending the presentation of more specific information by either party. The Court also denied Gunlicks’s request for a modification of the asset freeze order to pay for living expenses and attorneys’ fees. (Order at 9-10).

On May 19, 2009, Gunlicks filed a renewed motion to modify the asset freeze [DE 72].<sup>1</sup> For the reasons set forth below, Gunlicks once again does not provide any legitimate basis for this Court to modify the asset freeze.

### **III. MEMORANDUM OF LAW**

#### **A. Gunlicks Is Jointly and Severally Liable For More Than \$550 Million Plus Interest**

A court may impose an interim asset freeze on all of a defendant’s assets up to the amount of the defendant’s ill-gotten gains to preserve funds for equitable remedies such as disgorgement. *CFTC v. Levy*, 541 F.3d 1102, 1114 (11<sup>th</sup> Cir. 2008) (holding that “a district court may freeze a defendant’s assets to ensure the adequacy of a disgorgement remedy”) (citations omitted); *Levi Strauss & Co. v. Sunrise Int’l Trading, Inc.*, 51 F.3d 982, 987 (11<sup>th</sup> Cir. 1995) (holding that “district court may exercise its full range of equitable powers, including a preliminary asset freeze, to ensure that permanent equitable relief will be possible”). As this Court noted, such “a freeze order may ‘remain in effect until the district court determines whether it can make an informed determination of the amount of the unlawful proceeds retained by [defendant], and, if it can, what the amount may approximate.’” (May 7, 2009 Order [DE 56] at 7 (quoting *Levy*, 541 F.3d at 1114 (citation omitted))).

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<sup>1</sup> On May 11, 2009, Gunlicks filed a motion asking for leave to file under seal his forthcoming renewed motion for modification of the asset freeze [DE 64]. By Order dated May 28, 2009 [DE 82], the Court denied that motion as moot because Gunlicks had already filed his financial information in the public record in connection with his renewed motion on May 19, 2009.

Therefore, before determining whether to release any frozen funds to Gunlicks, the Court must determine whether these funds will be needed to satisfy a potential disgorgement order. The law does not require precision in determining the proper amount of disgorgement. The amount of disgorgement “need only be a reasonable approximation of profits causally connected to the violation.” *SEC v. First City Fin. Corp.*, 890 F.2d 1215, 1231 (D.C. Cir. 1989); *SEC v. ETS Payphones, Inc.*, 408 F.3d 727, 735 (11<sup>th</sup> Cir. 2005) (accord).<sup>2</sup> The amounts should include “all gains flowing from the illegal activities.” *SEC v. Cross Fin. Servs.*, 908 F. Supp. 718, 734 (C.D. Cal. 1995), *aff’d*, 139 F.3d 674 (9<sup>th</sup> Cir. 1998). The amount of disgorgement may also include prejudgment interest on the ill-gotten gains. *ETS Payphones*, 408 F.3d at 735; *SEC v. Calvo*, 378 F.3d 1211, 1217 (11<sup>th</sup> Cir. 2004) (affirming disgorgement order covering illicit gains and prejudgment interest); *SEC v. First Jersey Sec., Inc.*, 101 F.3d 1450, 1456, 1476-77 (2nd Cir. 1996) (affirming disgorgement order of \$22 million, plus \$52 million in prejudgment interest); *SEC v. Moran*, 944 F. Supp. 286, 295 (S.D.N.Y. 1996) (“Requiring payment of interest prevents a defendant from obtaining the benefit of what amounts to an interest free loan procured as a result of illegal activity.”).

The proper measurement of ill-gotten gains or profits that are causally connected to the underlying securities laws violations will naturally vary depending on the nature of the illegal activity. In some cases, the amount of the “profit” or “ill-gotten gains” flowing from the illegal activities can be directly equated with the amount by which, for example, the stock price has been inflated or net profits from the sale of stock in violation of the securities laws. *See, e.g., SEC v. Blatt*, 583 F.2d 1325, 1327-28 (5<sup>th</sup> Cir. 1978) (affirming portion of disgorgement order

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<sup>2</sup> As quoted in this Court’s May 7, 2009 Order at 8 n.3: “The SEC is entitled to disgorgement upon producing a reasonable approximation of a defendant’s ill-gotten gains. The burden then shifts to the defendant to demonstrate that the SEC’s estimate is not a reasonable approximation. Exactitude is not a requirement; so long as the measure of disgorgement is reasonable, any risk of uncertainty should fall on the wrongdoer whose illegal conduct created that uncertainty.” *SEC v. Calvo*, 378 F.3d 1211, 1217 (11<sup>th</sup> Cir. 2004) (internal quotations and citations omitted).

based on the profits earned in connection with illegal stock sale, plus interest); *First Jersey*, 101 F.3d at 1456, 1459-62 (affirming disgorgement of illegal profits from stock sale based on “excessive prices unrelated to prevailing market prices”); *SEC v. Shapiro*, 494 F.2d 1301, 1309 (2d Cir. 1974) (affirming calculation of profits from insider trading to be the “paper” profits earned prior to information being publicly announced).

In contrast, where money is raised from investors under false pretenses in violation of the federal securities laws, all of the investor funds raised and not returned to investors represent ill-gotten gains. *SEC v. JT Wallenbrock & Associates*, 440 F.3d 1109 (9<sup>th</sup> Cir. 2006) (defendants ordered to disgorge entire \$253.2 million fraudulently raised from investors through the sale of unregistered promissory notes); *SEC v. R.J. Allen & Associates, Inc.*, 386 F. Supp. 866, 881 (S.D. Fla. 1974) (defendants ordered to disgorge the full amount received from investors who were defrauded into purchasing bonds); *SEC v. First Pacific Bancorp*, 142 F.3d 1186 (9<sup>th</sup> Cir. 1998) (defendants ordered to disgorge entire \$688,000 raised from outside investors, plus prejudgment interest).

Moreover, “[w]here two or more individuals or entities collaborate or have a close relationship in engaging in the violations of the securities laws, they [may be] held jointly and severally liable for the disgorgement of the illegally obtained proceeds.” *JT Wallenbrock*, 440 F.3d at 1117 (citation omitted); *see also Calvo*, 378 F.3d at 1215 (noting that “it is a well settled principal that joint and several liability is appropriate in securities law cases where two or more individuals or entities have close relationships in engaging in illegal conduct”); *First Jersey*, 101 F.3d at 1474-75 (owner of securities firm was jointly and severally liable for firm’s profits, not just his own ill-gotten gains, where he participated in and profited from illegal conduct); *First Pacific Bancorp*, 142 F.3d at 1191-92 (holding corporate officer jointly and severally liable for

entire amount raised from outside investors); *R.J. Allen & Associates*, 386 F. Supp. at 881 (same).

The Ninth Circuit in *First Pacific Bancorp* concluded it was appropriate for the district court to have held the CEO and his corporate codefendants jointly and severally liable where the CEO had played the principal role in the corporate defendants' fraudulent offering of securities. 142 F.3d at 1191-92. The court expressly rejected the CEO's argument that he should not be ordered to disgorge the total proceeds of the offering because he did not receive a "personal financial benefit as a result of that offering." *Id.* at 1192. In so doing, the court noted the CEO had benefited indirectly from the offering through salaries, commissions, and other fees, and that it was thus appropriate to hold him jointly and severally liable for the entire \$688,000 that had not been returned to investors. *Id.* at 1190-92.<sup>3</sup>

Courts have also refused to reduce the disgorgement amount merely because defendants no longer possess the ill-gotten gains. In *JT Wallenbrock*, the Ninth Circuit affirmed the district court's decision ordering the defendants to disgorge the entire amount raised from investors, even though the defendants had, among other things, loaned a significant portion of the funds to another company. 440 F.3d at 1115-16.<sup>4</sup> "The district court properly ordered this amount disgorgeable, because it was a subsequent investment of the illegally obtained investor funds. . . . The manner in which [defendants] chose to spend the illegally obtained funds has no relevance to the disgorgement calculation because, as we have explained, the defendants had the full benefit of the entire \$253.2 million fraudulently raised from investors." *Id.*; see also *SEC v.*

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<sup>3</sup> The court also noted the fact that the CEO had lost \$1 million of his own funds in the failed scheme did not "release him from his obligations toward the defrauded investors." *First Pacific Bancorp*, 142 F.3d at 1192 n.6.

<sup>4</sup> The defendants in *JT Wallenbrock* had misrepresented to investors that they were using investor proceeds to purchase accounts receivable of Malaysian latex glove manufacturing companies and emphasized the minimal risk involved, when in fact the defendants had used the investors' funds to invest in speculative business ventures. 440 F.3d at 1111.



*Benson*, 657 F. Supp. 1122, 1134 (S.D.N.Y. 1987) (“The manner in which [defendant] chose to spend his misappropriations is irrelevant as to his objection to disgorge.”).

Gunlicks and Founding Partners together raised and loaned out more than \$550 million in investor funds pursuant to fraudulent misrepresentations and omissions. On top of that, Gunlicks and Founding Partners collected, on a yearly basis, a significant management fee and royalty payment based on these same proceeds. Almost the entire \$550 million today remains in the possession of Sun Capital pursuant to a disputed loan arrangement.<sup>5</sup> It is entirely unclear at this stage how much of that \$550 million will be preserved and ultimately returned to investors. Nevertheless, at this stage, this \$550 million, along with the management fees and royalty payments, represents the ill-gotten gains which are properly subject to disgorgement.

Because Gunlicks directly participated in the fraudulent activities alleged in the Complaint, and directed and controlled the activities of Founding Partners, he should be held jointly and severally liable for the full amount of ill-gotten gains that rightfully belong to investors. It is of no consequence under the law that Gunlicks may only have personally retained a portion of the ill-gotten gains in the form of management fees and royalty payments because he determined how investor funds were used. *See JT Wallenbrock & Assoc.*, 440 F.3d at 1117 (“The entire \$253.2 million the defendants received was an ‘ill-gotten gain’ that ‘unjustly enriched’ a ‘wrongdoer.’”) (*quoting First Pacific Bancorp.*, 142 F.3d at 1191-92).

Accordingly, because the amount of ill-gotten gains subject to disgorgement from Gunlicks far exceeds the \$9 million he is claiming in personal assets, it is appropriate to maintain

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<sup>5</sup> Because all of the investor funds were and are being re-invested on a rotating, continual basis, even those investors who contributed money prior to 2004 are harmed by the fraud in this case because their money has, at this point, been pooled with all the other money Sun Capital is using in a manner inconsistent with the representations made to these, and subsequent, investors. Thus the entire amount of the outstanding loan to Sun Capital represents ill-gotten gains in this case.

the asset freeze in place without modification in order to preserve funds for eventual disgorgement in this case.

*B. Gunlicks and Founding Partners Earned Fees In Excess of His Current Assets*

Responding to the Court's preliminary disgorgement calculation of \$5,912 in the May 7, 2009 Order denying his first motion [DE 56 at 9], Gunlicks argues the Court should modify the asset freeze because his current assets allegedly exceed that by several million dollars. (Gunlicks Mem. at 2). In his unsworn declaration, Gunlicks asserts his personal assets are today worth approximately \$9,970,801. (Gunlicks Mem. Ex. A ¶ 18). Even if this were an accurate valuation of his assets (which, as we demonstrate below, it is not), it still falls short of a potential disgorgement award based on Founding Partners's management fees alone.

The financial statements for the funds Founding Partners managed reveal the true amount that Gunlicks and Founding Partners received in fees and royalty payments exceeds \$27 million. (Declaration of Tonya Tullis, attached hereto as Exhibit A, Tab 1). From 2004 through 2008, the primary fund alone, Stable-Value Fund, LP ("Stable-Value"), paid Founding Partners management fees in excess of \$23 million. (Tullis Decl. ¶ 4). During this same time period, Stable-Value paid royalty fees in excess of \$8 million to Founding Partners Bermuda Capital (f/k/a Stewards and Partners Ltd.), in which Founding Partners has held a 42 2/9% ownership interest since September 20002. (*Id.*). Moreover, these numbers do not take into account additional fees paid to Founding Partners by the other funds it managed. (*Id.* ¶ 5).

As the sole shareholder of Founding Partners, Gunlicks was the primary beneficiary of these management fees and royalty payments. Under this Court's analysis in its May 7 Order [DE 56], if management fees are the true measure of Gunlicks's disgorgement, he faces a potential disgorgement order of more than \$27 million, plus prejudgment interest. Even

Gunlicks's flawed estimate of the value of his personal assets does not, therefore, provide a basis for modifying the asset freeze.

C. Gunlicks's Estimate of the Value of His Personal Assets Is Flawed and Lacks Support

Gunlicks does not provide the necessary support for the estimated value of his purported assets. First, Gunlicks requests that the Court determine that the assets described in paragraphs six through eleven of his unsworn declaration are sufficient to satisfy the amount required to be frozen (assumed to be \$6 million). (Gunlicks Mem. at 3 and Ex. A). The purported assets listed in paragraphs six through eleven appear to be (1) common stock in First National Bank of Gulf Coast, (2) estimates from memory of amounts Gunlicks claims he invested in the funds Founding Partners managed, and (3) an unsecured note Promise Healthcare, Inc. owes to him.

With respect to the First National Bank stock, while Gunlicks provides some documentary evidence that he paid \$300,000 in total for 20,000 shares on August 15, 2008 and 10,000 shares on September 5, 2008, he provides no evidence of the fair market value of those shares today, which is undoubtedly much lower given the recent financial crisis and its impact on bank stocks in particular. As for his purported investments in the Founding Partners funds, Gunlicks is relying entirely on memory as to the amounts, and their current value, and Gunlicks's ability to obtain those funds, is entirely speculative given the disputed nature of Sun Capital's current possession of all investor funds. The "fair market value" of the "unsecured personal note" Promise Healthcare, Inc. purportedly owes him is equally speculative at this point, particularly given the precarious financial condition of the Promise entities. There is no way of knowing whether the note has any chance of every being collected. Gunlicks also does not explain why he has not obtained a copy of this purported note evidencing its terms from Promise Healthcare, Inc. In sum, Gunlicks has not come close to reasonably establishing that the

assets listed in paragraphs six through eleven equal or exceed \$6 million or that it would be appropriate for this Court to consider them in determining the value of Gunlicks's assets.

In paragraphs twelve through sixteen of his unsworn declaration, Gunlicks list various items of real estate property that he appears to assert in total are worth approximately \$3.5 million in terms of his equity. (Gunlicks Mem. Ex. A ¶¶ 12-16). While Gunlicks attached certain documents listing the "taxable value" of the properties, he merely offers his "good faith estimate" of each property's "fair market value." This is not sufficient to satisfy his obligations to establish the value of his assets subject to the asset freeze.

Finally, Gunlicks lists a joint checking account at North Shore Community Bank and Trust which the Commission had not previously realized existed and that as of April 20, 2009, the date of the statement he provided, contained approximately \$125,000. (Gunlicks Mem. ¶ 17, Ex. 13). The Commission notes that this account only contained approximately \$113,000 as of June 1, 2009, when the Commission notified the Bank of the Court's freeze order. Gunlicks does not state whether this is the only such account or whether he has other bank accounts held jointly or otherwise. This is the only hard asset with any demonstrable value that Gunlicks lists.

Accordingly, for all the reasons stated above, Gunlicks has not and cannot demonstrate that his assets currently subject to the asset freeze exceed the amount of ill-gotten gains, plus interest, which would be subject to disgorgement.

*D. Gunlicks Provides No Reasonable Basis for Modifying the Asset Freeze to Permit Payment of Living Expenses, and/or Attorneys' Fees*

Without citing any legal support, Gunlicks asks the Court, in the alternative, to modify the asset freeze to allow him to (1) preserve real estate, (2) pay living expenses, and (3) pay \$75,000 in attorneys' fees. The Court should deny this renewed request because Gunlicks has once again failed entirely to set forth reasonable expenses supported by documentation.

As an initial matter, Gunlicks ask the Court to grant him access to \$21,693.35 a month to pay purported expenses in connection with no less than five different pieces of property. (Gunlicks Mem. at 3 and Ex. B ¶¶ 9-14). Most of the expenses listed, including multiple monthly charges for electricity, gas, and telephone, are undocumented. Gunlicks does not provide any explanation as to why he was unable to obtain the documentation from the provider or association. More importantly, Gunlicks offers no explanation or support for why it is reasonable to allow him to spend more than \$20,000 a month of money subject to disgorgement on five different pieces of real estate. Such a request is clearly not reasonable. At most, the Court should allow him to pay reasonable expenses on one primary residence.

As to the remaining living expenses, while the total amount of \$2,943 is not facially unreasonable, Gunlicks again does not provide any supporting documentation or a valid explanation for why he was unable to obtain the necessary documentation. (Gunlicks Mem. Ex. B ¶¶ 15-20). For example, Gunlicks claims that he is obligated to pay various monthly car, health, and insurance premiums, but the only explanation he offers as to the lack of documentation is to suggest that it is located in the Founding Partners office in Naples. Gunlicks does not even attempt to explain why he was unable to obtain copies from the relevant providers and insurers, or that he asked the Receiver for access to any of these documents.

To justify the release of any funds to pay reasonable living expenses, Gunlicks is required to produce evidence of those expenses in the form of a sworn statement accompanied by detailed and complete documentation. *Spear & Jackson*, Slip Op. at 5-6 (denying defendant's motion to release frozen funds for living expenses in part because she had not produced detailed documentation of expenses); *A.B. Financing*, Slip Op. at 4 (same); *SEC v. Starcash, Inc.*, Case No. 02-80456-CIV-

MIDDLEBROOKS, Slip. Op. at 2 (S.D. Fla. June 18, 2002) (same);<sup>6</sup> *CFTC v. Prism Fin. Corp.*, 1996 U.S. Dist. LEXIS 22488, at \*11 (D. Col. April 5, 1996) (defendant wishing to apply for modification of asset freeze ordered to do so under oath and with all proposed expenses “fully substantiated by all relevant financial documentation”).

Gunlicks has again not met this burden. In addition, Gunlicks has still not demonstrated that he has no alternative sources of income. Before releasing any ill-gotten gains, the Court should require Gunlicks to conclusively demonstrate that he has no access to any other funds. *Dowdell*, 175 F. Supp. 2d at 854-55 (court agreed to modify asset freeze to give defendant living expenses only after he showed he had no other source of income).

Finally, the Court should deny Gunlicks’s request to modify the asset freeze to allow him to pay the initial retainer fee of \$75,000 to the law firm of Carlton Fields, P.A. Gunlicks has not provided any legal basis, in light of his failure to establish that his assets exceed the amount of disgorgement, for justifying a modification to allow him to pay attorneys fees, let alone a retainer fee of \$75,000 to cover attorney rates of up to \$485 an hour. As previously pointed out, courts typically and properly place investors’ interests over those of defendants. *SEC v. Bremont*, 954 F. Supp. 726, 733 (S.D.N.Y. 1997) (holding that “until such time as the Court can determine whether the frozen assets exceed the SEC’s request for damages, defendants will not be permitted to use any of the frozen assets”); *SEC v. Comcoa Ltd.*, 887 F. Supp. 1521, 1524 (S.D. Fla. 1995) (noting that court frequently have “essentially held that a defendant has no right to spend another’s money for services rendered by an attorney, even if those funds are the only way that the defendant will be able to retain counsel of his choice.”); *SEC v. Roor*, 1999 U.S. Dist. LEXIS 11527, at \*7 (S.D.N.Y. July 29, 1999) (holding that defendant “may not use income

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<sup>6</sup> Copies of these unpublished opinions were provided to the Court in connection with the Commission’s opposition to Gunlicks’s first request for a modification of the asset freeze [DE 50].

derived from alleged violations of the securities laws to pay for legal counsel”); *SEC v. Coates*, 1994 U.S. Dist. LEXIS 11787, at \*8 (S.D.N.Y. Aug. 23, 1994) (holding that “defendant is not entitled to foot his legal bill with funds that are tainted by his fraud”).

As previously suggested, should the Court be inclined to modify the asset freeze to pay Gunlicks’ lawyers, it should strictly limit the amount of funds and ensure they are being properly used. At this point, despite having been given a second opportunity to come forward with the necessary detail and assurances, Gunlicks has merely made an open-ended request for the release of a significant amount of investor funds without any limits or oversight.<sup>7</sup> This request is unreasonable and should be denied.

#### **IV. CONCLUSION**

For all the foregoing reasons, the Court should deny Gunlicks’s renewed motion for a modification of the freeze order.

Respectfully submitted,

June 4, 2009

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<sup>7</sup> Counsel for Gunlicks disingenuously suggests that they have “attempted to negotiate acceptable allowances with the SEC. To date, the parties have been unable to agree.” (Gunlicks Mem. at 4). The truth is that on May 6, 2009, the Commission’s counsel sent Gunlicks’s counsel a detailed proposal with respect to allowances for living expenses and attorneys’ fees. It is now nearly a month later and counsel for the Commission has still not heard back from Gunlicks’s counsel one way or the other with respect to that proposal.

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that on June 4, 2009, I electronically filed the Plaintiff's Response to Defendant William L. Gunlicks's Renewed Emergency Motion to Modify the Asset Freeze with the Clerk of the Court using CM/ECF. I also certify that the foregoing document is being served this day on all counsel of record or *pro se* parties identified on the attached Service List in the manner specified, either via transmission of Notices of Electronic Filing generated by CM/ECF or in some other authorized manner for those counsel or parties who are not authorized to receive electronically Notices of Electronic Filing.

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*Counsel for Defendant William L. Gunlicks*

s/ C. Ian Anderson  
C. Ian Anderson

### **DECLARATION OF TONYA TULLIS**

Pursuant to 28 U.S.C. § 1746, the undersigned states as follows:

1. My name is Tonya Tullis. I am over 21 years of age, and I have personal knowledge of the matters set forth herein. I am a Certified Public Accountant licensed in the State of Florida.

2. I am employed as a Staff Accountant with the Miami Regional Office of the United States Securities and Exchange Commission ("Commission"). My office is located at 801 Brickell Avenue, Suite 1800, Miami, Florida, 33131.


3. I was assigned to assist in the Commission's investigation regarding Founding Partners Capital Management Company. ("Founding Partners") (SEC File No. FL-3460). As part of my duties, I reviewed Founding Partners Stable-Value Fund, LP's ("Stable-Value") audited financial statements from 2004 through 2006, unaudited draft financial statements for 2007, and its internal December 31, 2008 financial statements. (Attached hereto as Tabs 2 through 6).

4. Based on my review of the financial statements, Stable-Value paid management fees in excess of \$23,000,000 from 2004 through 2008. During the same period, Stable-Value also paid royalty fees in excess of \$8,000,000 to Founding Partners Bermuda Capital (f/k/a Stewards and Partners Limited). A chart detailing the payments made by Stable-Value has been attached as Tab 1.

5. I also reviewed Founding Partners' Income Statement for January through December 2008 provided to the Commission by Founding Partners. This statement indicates that for 2008 Founding Partners received \$1,370,824.58 in management fees

from Founding Partners Stable-Value Fund II, LP and \$245,211.53 in management fees from Founding Partners Hybrid-Value Fund, LP. (Attached hereto as Tab 7).

I declare under penalty of perjury that the foregoing is true and correct. Executed on this 4<sup>th</sup> day of June 2009, in Miami, Florida.

  
Tonya Tullis

## Tab 1

Tab 1 to the Declaration of Tonya Tullis

	Management Fee	Royalty Fee	Total Fees
Stable-Value 2004 Financial Statements	\$2,386,701.00	\$1,176,960.00	\$3,563,661.00
Stable-Value 2005 Financial Statements	\$3,807,343.00	\$1,360,819.00	\$5,168,162.00
Stable-Value 2006 Financial Statements	\$4,677,961.00	\$1,622,223.00	\$6,300,184.00
Stable-Value Draft 2007 Financial Statements	\$5,736,405.00	\$2,054,458.00	\$7,790,863.00
Stable-Value Internal 2008 Financial Statements	\$7,061,868.00	\$2,304,175.00	\$9,366,043.00
Total Stable-Value Fees	\$23,670,278.00	\$8,518,635.00	\$32,188,913.00

## Tab 2

FINANCIAL STATEMENTS  
Founding Partners Stable-Value Fund, L.P.  
*Year ended December 31, 2004*

The general partner of the Partnership is registered with the U.S. Securities and Exchange Commission as an investment advisor and is registered as a Commodity Pool Operator under the Commodity Exchange Act. A claim of exemption pursuant to Commodity Futures Trading Commission (CFTC) Rule 4.7 has been made with respect to the Partnership by the general partner.

Founding Partners Stable-Value Fund, L.P.  
Financial Statements

Year ended December 31, 2004

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## Report of Independent Auditors

### The Partners

#### Founding Partners Stable-Value Fund, L.P.

We have audited the accompanying statement of financial condition of Founding Partners Stable-Value Fund, L.P. (the "Partnership"), including the condensed schedule of investments, as of December 31, 2004, and the related statements of operations, changes in partners capital and cash flows for the year then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Partnership's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Founding Partners Stable-Value Fund, L.P. at December 31, 2004, the results of its operations, the changes in its net assets, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States.

*Ernst & Young LLP*

June 6, 2005, except for Note 10  
as to which the date is December 1, 2005

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**FPCM 00084**

Founding Partners Stable-Value Fund, L.P.

Statement of Financial Condition

December 31, 2004

<b>Assets</b>	
Cash	\$ 7,722,306
Due from broker	5,078
Investments — at fair value (cost \$171,471,301)	172,030,994
Interest receivable	2,041,004
Other assets	246,210
Total assets	<u>\$ 182,045,592</u>
 <b>Liabilities and Partners' Capital</b>	
Contributions received in advance	\$ 3,550,000
Distributions payable	145,515
Royalties payable	98,495
Accrued expenses	47,074
Accrued management fees	6,495
Total liabilities	<u>3,847,579</u>
 Partners' capital	<u>178,198,013</u>
Total liabilities and partners' capital	<u>\$ 182,045,592</u>

*See accompanying notes.*

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FPCM 00085

Founding Partners Stable-Value Fund, L.P.

Condensed Schedule of Investments

December 31, 2004

	Percent of Partners' Capital	Fair Value
<b>Investments – United States</b>		
Common stock (cost \$379,500)	0.23%	\$ 414,000
Limited partnerships and limited liability companies (cost \$13,500,000)	7.87	14,025,193
Financing agreements:		
Sun Capital, Inc.	5.48	9,759,647
Sun Capital Healthcare, Inc.	80.90	144,157,154
Total financing agreements (cost \$153,916,801)	86.38	153,916,801
Note receivable:		
Sun Capital, Inc. (cost \$3,675,000)	2.06	3,675,000
<b>Total Investments – United States (cost \$171,471,301)</b>	<b>96.54%</b>	<b>\$ 172,030,994</b>

*See accompanying notes.*

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**FPCM 00086**

Founding Partners Stable-Value Fund, L.P.

Statement of Operations

Year ended December 31, 2004

**Realized and Unrealized Gain from Investment Transactions**

Net realized gain from investment transactions	\$ 31,842
Net change in unrealized appreciation on investments	559,693
Net gain from investments	<u>591,535</u>

**Investment Income and Expenses**

Interest income	19,102,134
-----------------	------------

**Investment expenses:**

Management fees	2,386,701
Royalty fees	1,176,960
Professional fees	119,080
Other	10,727

Total investment expenses	<u>3,693,468</u>
---------------------------	------------------

Net investment income	<u>15,408,666</u>
-----------------------	-------------------

Net Income	<u><u>\$ 16,000,201</u></u>
------------	-----------------------------

*See accompanying notes.*

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FPCM 00087

Founding Partners Stable-Value Fund, L.P.

Statement of Changes in Partners' Capital

Year ended December 31, 2004

	<b>General Partner</b>	<b>Limited Partners</b>	<b>Total</b>
Balance at December 31, 2003	\$ 75,010	\$ 92,756,770	\$ 92,831,780
Capital contributions	370,000	82,012,234	82,382,234
Capital withdrawals	(120,000)	(12,896,202)	(13,016,202)
Net income	24,551	15,975,650	16,000,201
Balance at December 31, 2004	<u>\$ 349,561</u>	<u>\$177,848,452</u>	<u>\$178,198,013</u>

*See accompanying notes.*

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**FPCM 00088**

Founding Partners Stable-Value Fund, L.P.

Statement of Cash Flows

Year ended December 31, 2004

**Cash Flows from Operating Activities**

Net income	\$ 16,000,201
Adjustments to reconcile net income to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Increase in due from broker	(5,078)
Increase in investments	(81,508,088)
Increase in interest receivable	(862,915)
Increase in other assets	(119,039)
Increase in royalties payable	22,161
Decrease in accrued management fees	(133,692)
Increase in accrued expenses	3,574
Net cash used in operating activities	(66,602,876)

**Cash Flows from Financing Activities**

Capital contributions	85,932,234
Capital withdrawals	(15,011,815)
Net cash provided by financing activities	70,920,419
Net increase in cash	4,317,543
Cash at beginning of year	3,404,763
Cash at end of year	\$ 7,722,306

*See accompanying notes.*

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## Founding Partners Stable-Value Fund, L.P.

### Notes to Financial Statements

December 31, 2004

#### 1. Organization

Founding Partners Stable-Value Fund, L.P. (the "Partnership") was organized as a limited partnership on March 1, 1996, pursuant to the provisions of the Delaware Revised Uniform Limited Partnership Act, and commenced operations on September 1, 1996. Founding Partners Capital Management Company (the "General Partner"), a Florida corporation, serves as the general partner of the Partnership and its investment advisor. William L. Gunlicks ("Gunlicks") serves as President and Chief Executive Officer of the General Partner and is the sole shareholder of the General Partner, whose investment at December 31, 2004, totaled \$349,561, or 0.20% of total partners' capital. In addition, at December 31, 2004, Mr. Gunlicks had \$644,997 invested in the Partnership as a limited partner, which represented 0.36% of total partners' capital.

The Partnership was organized for the purpose of achieving an above-average return, while preserving capital and its purchasing power in the short-term. The investment strategy utilizes a healthcare and commercial receivable investment product. The Partnership's investment program is designed to accomplish the investment objectives through the implementation of a stable value investment strategy that has low to no correlation to the equity and bond markets.

The Partnership operates under the terms of the Limited Partnership Agreement ("the Agreement") dated March 1, 1996. The term of the Partnership shall continue until December 31, 2030, or upon its earlier termination as provided in the Agreement.

#### 2. Significant Accounting Policies

The Partnership's financial statements have been prepared in accordance with accounting principles generally accepted in the United States and are stated in United States dollars. The following is a summary of the significant accounting and reporting policies used in preparing the financial statements.

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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7.

Founding Partners Stable-Value Fund, L.P.

Notes to Financial Statements (continued)

**2. Significant Accounting Policies (continued)**

**Financing Agreements**

Effective January 24, 2002 and June 6, 2000, the Partnership entered into Credit and Security Agreements ("Agreements") with Sun Capital Healthcare, Inc. and Sun Capital, Inc. ("Sun Capital"), respectively (collectively "the Borrowers"), under which the Partnership will make loans to the Borrowers. Pursuant to the Credit and Security Agreement with Sun Capital Healthcare, Inc., the borrower will use the proceeds of the loans to purchase healthcare receivables payable by third party payors such as insurance companies, Blue Cross/Blue Shield plans, and government programs such as Medicare and Medicaid from various healthcare providers. Pursuant to the Credit and Security Agreement with Sun Capital, Inc. the borrower will use the proceeds of the loans to purchase commercial trade receivables payable by third party payors such as large retailers. The individual underlying healthcare and commercial trade receivables, and additional Borrowers assets, will serve as collateral for the loans to the Borrowers. Interest accrues on the loans outstanding at 1.245% per month (the "Applicable Rate"). Any underlying healthcare receivables that age beyond 120 days are either replaced by future receivables or are reduced from the future fundings to the healthcare providers. Upon the occurrence and during the continuance of default, as defined in the Agreements, interest accrues at an annual rate of 2.0% plus the Applicable Rate. Interest is payable to the Partnership on the first day of each month and all unpaid interest is due upon maturity of the loans.

The Credit and Security Agreements with Sun Capital Healthcare, Inc. and Sun Capital, Inc. expire February 1, 2010. Both parties must mutually agree to the timing and amount of future fundings under the Agreement. The Agreements permit the Borrowers from time-to-time to prepay all or any portion of the loans without premium or penalty. The Agreements also permit the Partnership to declare, in writing to the Borrowers, all or any part of the unpaid loan balances then outstanding to be immediately due and payable. The Partnership may terminate any of the Agreements by furnishing notice of such termination in writing to the respective borrower.

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**FPCM 00091**



Founding Partners Stable-Value Fund, L.P.

Notes to Financial Statements (continued)

**2. Significant Accounting Policies (continued)**

**Note Receivable**

During March 2003, Sun Capital had \$5,247,377 in gross receivables from an unrelated commercial receivable factor client for which Sun Capital determined that the factor client sold invoices through a fraudulent scheme, which included fictitious contracts and documentation. Sun Capital had drawn approximately \$4,500,000 from the Partnership to fund the factor client. Due to the fraud, Sun Capital acquired a third party lender's position in the factor client, as well as all four of its affiliated companies, and subsequently took control over the stock of the factor client and all of its affiliate companies. Sun Capital retained an outside consulting firm to help implement a plan to successfully manage the day-to-day operations of these companies.

The Partnership had UCC-1 filings on the \$5,247,377 gross receivables from the factoring client. Sun Capital restructured the original \$4,500,000 loan from the Partnership to a 60 month, \$5,247,377 note at 18%, along with a commercial guarantee. As collateral for the \$5,247,377 note, Sun Capital's three principals pledged their personal stock ownership in an unrelated healthcare company that owns and operates long-term acute care centers. At December 31, 2004, the note receivable had a balance due of \$3,675,000.

**Investments Transactions and Valuation**

The Partnership records investment transactions on a trade-date basis. The resulting change in unrealized appreciation and depreciation is reflected in the statement of operations. The cost of investment securities held in the portfolio of the Partnership and the net realized gains or losses thereon are determined for financial accounting purposes on the specific identification method.

The Partnership's portfolio includes one equity investment in a privately held company and a related party, which was valued by the General Partner, as of December 31, 2004, at \$414,000 or 0.23% of the Partnership's capital. Absent other third party information, the General Partner believes the fair value of this investment is best represented by the price paid by other investors in the investee company's most recent round of financing in May 2004.

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**FPCM 00092**

## Founding Partners Stable-Value Fund, L.P.

### Notes to Financial Statements (continued)

#### 2. Significant Accounting Policies (continued)

##### Investments in Investment Partnerships

The Partnership's portfolio includes investments in four unaffiliated limited partnerships and limited liability companies. Investments are recorded based on the Partnership's proportionate share of the net assets of the underlying investment vehicles, as reported. The appreciation or depreciation of investments in limited partnerships and limited liability companies is recorded based on the Partnership's proportionate share of the aggregate amount of earnings (losses) recorded by each underlying investment. It includes the Partnership's share of interest and dividend income, and realized and unrealized gains and losses on securities held by the underlying investment vehicles, net of operating expenses and fees. The Partnership's risk of loss for each investment in a limited partnership or limited liability company is limited to its initial investment.

##### Fair Value of Financial Instruments

The fair value of the Partnership's assets and liabilities that qualify as financial instruments under Statement of Financial Accounting Standards No. 107, *Disclosures about Fair Value of Financial Instruments*, approximates the carrying amounts presented in the statement of financial condition.

##### Interest and Dividends

Interest income is recorded as earned on the accrual basis and dividends are recorded on the ex-dividend date.

##### Income Taxes

Partnerships are not taxable entities. Federal and state income tax statutes require that the income or loss of a partnership be included in the tax returns of the individual partners.

#### 3. Indemnification

The Partnership enters into contracts that contain a variety of indemnifications. The Partnership's maximum exposure under these arrangements is unknown. However, the Partnership has not had prior claims or losses pursuant to these contracts, and the General Partner expects the risk of loss to be remote.

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## Founding Partners Stable-Value Fund, L.P.

### Notes to Financial Statements (continued)

#### 4. Capital Contributions and Withdrawals

Capital contributions may be made on the first day of each month and withdrawals may be made, with prior notice to the General Partner as specified in the Partnership Agreement, on the last business day of each calendar quarter. Pursuant to the terms of the Partnership Agreement, a limited partner may not withdraw any portion of its capital during the first year of its investment.

#### 5. Allocation of Partnership Income

Partnership profits and losses are allocated in proportion to the individual partner's capital account as of the beginning of each accounting period as defined in the Partnership Agreement.

#### 6. Related Party Transactions

As provided in the Agreement, the General Partner provides investment management services to the Partnership and pays substantially all of the Partnership's expenses. In consideration for these services, the General Partner receives a management fee based on an annual rate of 1.75% of respective partner's capital account at the first day of each month. Management fee expense was \$2,386,701 for the year ended December 31, 2004.

The Partnership pays a royalty fee to Stewards and Partners Limited ("the Company"), a related party and privately held company in Bermuda, for developing the investment product of funding receivables. The royalty fee is charged each month at an annualized 1% of capital invested in the receivables investment strategy. As of December 1, 2004, the royalty fee was reduced from 1% to 0.75%. Royalty fees totaled \$1,176,960 for the year ended December 31, 2004. William L. Gunlicks, the President and CEO of the Partnership's General Partner serves, without compensation, as Chairman of the Company. The General Partner is also a 42.2% shareholder in the Company.

Founding Partners Equity Fund, L.P., a related party with the same general partner, Founding Partners Capital Management Company, invests in the Partnership. At December 31, 2004, Founding Partners Equity Fund, L.P. had an investment of \$1,388,847 in the Partnership, or 0.78% of the Partnership's net assets. Founding Partners Global Fund, Class A and Founding Partners Global Fund, Class B (the "Global Funds"), related parties whose investment manager is the Partnership's general partner,

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## Founding Partners Stable-Value Fund, L.P.

### Notes to Financial Statements (continued)

#### 6. Related Party Transactions (continued)

also invest in the Partnership. At December 31, 2004, the Global Funds had investments of \$859,777 and \$64,887,098, or 0.48% and 36.41% of the Partnership's capital, respectively.

The Partnership pays a sub-advisory fee to SSR Capital Partners, L.P. (SSR) for certain assets in the Partnership that are invested in other complimentary stable value style investments. At December 1, 2004, those investments represented 5.4% of the Partnership. Founding Partners Equity Fund, L.P., a related party with the same general partner, Founding Partners Capital Management Company, has a one-third ownership interest in SSR.

#### 7. SEC "Wells Notice"

On December 16, 2003, the Partnership's general partner, Founding Partners Capital Management received a letter from the Staff of the Securities and Exchange Commission ("SEC"), stating that they intend to recommend that the SEC take legal action against William L. Gunlicks and against the General Partner for alleged violations of federal securities laws. This letter, which is commonly referred to as a "Wells Notice," summarizes a number of allegations. The letter does not necessarily mean that the SEC will take legal action, or that any violations have actually occurred. The General Partner is co-operating with the SEC Staff ("Staff") to resolve this issue.

The General Partner and the Staff are discussing a number of issues, but conversations with the Staff have focused on certain investments made in Sovereign Assurance Company, Limited ("Sovereign Assurance") and the relationships involving Stewards & Partners Ltd. ("Stewards"). Founding Partners Equity Fund, L.P. ("Equity Fund") and Class A Shares of Founding Partners Global Fund ("Global Fund") invested in Sovereign Assurance in July 1999, which at the time was not affiliated with the General Partner, the Equity Fund, or the Global Fund. The investment consisted of promissory notes with stock equity participation, and was made so that Sovereign Assurance could complete the development of a new investment program. When it became clear that Sovereign Assurance could not repay certain amounts due under the promissory notes, Stewards, a new entity majority-owned by the Equity Fund and Global Fund, agreed to assume Sovereign Assurance's obligations to repay under the promissory note. Stewards was also partially owned (19%) by the General Partner. After a substantial amount of time,

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Founding Partners Stable-Value Fund, L.P.

Notes to Financial Statements (continued)

**7. SEC "Wells Notice" (continued)**

Stewards completed the development of Sovereign Assurance's investment program and licensed it to the Partnership in exchange for an annualized royalty fee of 1% of its assets. As of December 1, 2004, the royalty fee was reduced from 1% to 0.75%. The Partnership has been paying the royalty fee to Stewards since early 2001.

The General Partner has responded to the SEC Staff in a "Wells Submission" dated April 2004, and continues to cooperate with the SEC Staff in its examination.

The General Partner believes it is too early to determine the impact of this matter on the Partnership.

**8. Financial Highlights**

Financial highlights for the year ended December 31, 2004, are as follows:

Total return	13.08%
Ratios to average limited partners' capital:	
Expenses	2.84%
Net investment income	11.86%

Financial highlights are calculated for limited partners taken as a whole. An individual investor's results may vary from these results based on the timing and amount of capital transactions and different management fee arrangements.

**9. Subsequent Events**

Subsequent to December 31, 2004, and prior to June 1, 2005, the Partnership received approximately \$43,450,000 in capital contributions from limited partners. In addition, withdrawals of approximately \$16,475,000 were paid to limited partners.

**10. Settlement with SEC**

The General Partner and Gunlicks, through counsel, have had extensive settlement discussions with the Staff. The General Partner's and Gunlicks's tentative agreement with the Staff provides that the Staff will recommend that the SEC seek: (1) cease-and-desist order against the General Partner from future violations of the federal securities laws; (2)

Founding Partners Stable-Value Fund, L.P.

Notes to Financial Statements (continued)

**10. Settlement with SEC (continued)**

cease-and-desist order against Gunlicks from causing future violations of the federal securities laws; (3) \$50,000 monetary penalty against the General Partner; and (4) \$50,000 monetary penalty against Gunlicks. Lastly, the Staff has agreed to recommend that the SEC not seek to bring any follow-on proceeding against the General Partner and/or Gunlicks.

The Staff is not seeking to bring any charges against the Partnership. To date, the SEC has not alleged that the Partnership engaged in any conduct that may have violated the federal securities laws. Nor has the Staff indicated that they intend to recommend enforcement action against the Partnership. Based on the foregoing, the General Partner believes that, at this advanced stage of settlement negotiations with the Staff, the SEC does not intend to proceed against the Partnership.

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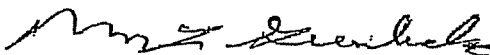
**FPCM 00097**

**Founding Partners Stable-Value Fund, L.P.**

5100 N. Tamiami Trail, Suite 119  
Newgate Center  
Naples, Florida 34103

**Affirmation of the Commodity Pool Operator**

To the best of the knowledge and belief of the undersigned, the information contained in the audited financial statements of Founding Partners Stable-Value Fund, L.P. for the year ended December 31, 2004, is accurate and complete.



William L. Gunlicks  
President and CEO  
Founding Partners Capital Management  
Company, General Partner to  
Founding Partners Stable-Value Fund, L.P.

**CONFIDENTIAL**

**FPCM 00098**

### **Tab 3**



FINANCIAL STATEMENTS  
Founding Partners Stable-Value Fund, L.P.  
*Year ended December 31, 2005*

The general partner of the Partnership is registered with the U.S. Securities and Exchange Commission as an investment advisor and is registered as a Commodity Pool Operator under the Commodity Exchange Act. A claim of exemption pursuant to Commodity Futures Trading Commission (CFTC) Rule 4.7 has been made with respect to the Partnership by the general partner. The exemption relieves the Partnership of certain disclosures and reporting obligations under the commodity pool rules of the CFTC.

Founding Partners Stable-Value Fund, L.P.

Financial Statements

Year ended December 31, 2005

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## Report of Independent Auditors

The Partners  
Founding Partners Stable-Value Fund, L.P.

We have audited the accompanying statement of financial condition of Founding Partners Stable-Value Fund, L.P. (the "Partnership"), including the condensed schedule of investments, as of December 31, 2005, and the related statements of operations, changes in partners' capital, and cash flows for the year then ended. These financial statements are the responsibility of the Partnership's management.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Partnership's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Founding Partners Stable-Value Fund, L.P. at December 31, 2005, and the results of its operations, the changes in its partners' capital, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

*Ernst & Young LLP*

June 23, 2006

Founding Partners Stable-Value Fund, L.P.

Statement of Financial Condition

December 31, 2005

<b>Assets</b>	
Cash	\$ 638,174
Investments — at fair value (cost \$219,618,464)	221,139,689
Withdrawal due from partnership investment	5,226,286
Interest receivable	2,755,088
Other assets	309,523
Total assets	<u>\$ 230,068,760</u>
<b>Liabilities and Partners' Capital</b>	
Withdrawals payable	\$ 5,135,427
Royalties payable	126,696
Accrued expenses	67,973
Accrued management fees	2,037
Total liabilities	<u>5,332,133</u>
Partners' capital	<u>224,736,627</u>
Total liabilities and partners' capital	<u>\$ 230,068,760</u>

See accompanying notes.

Founding Partners Stable-Value Fund, L.P.

Condensed Schedule of Investments

December 31, 2005

	Percent of Partners' Capital	Fair Value
<b>Investments – United States</b>		
Common stock (cost \$379,500)	0.19%	\$ 434,700
Limited partnerships and limited liability companies (cost \$11,000,000)	5.55	12,466,025
Financing agreements:		
Sun Capital, Inc.	4.34	9,759,647
Sun Capital Healthcare, Inc.	84.63	190,179,317
Total financing agreements (cost \$199,938,964)	88.97	199,938,964
Notes receivable:		
Sun Capital, Inc.	1.23	2,775,000
Sun Capital Healthcare Inc.	2.46	5,525,000
Total notes receivable (cost \$8,300,000)	3.69	8,300,000
<b>Total Investments – United States (cost \$219,618,464)</b>	<b>98.40</b>	<b>\$ 221,139,689</b>

See accompanying notes.

Founding Partners Stable-Value Fund, L.P.

Statement of Operations

Year ended December 31, 2005

<b>Realized and Unrealized Gain from Investment Transactions</b>	
Net realized gain from investment transactions	\$ 1,039,461
Net change in unrealized appreciation on investments	<u>961,532</u>
Net gain from investments	2,000,993
<b>Investment Income and Expenses</b>	
Interest income	29,741,904
Investment expenses:	
Management fees	3,807,343
Royalty fees	1,360,819
Professional fees	201,457
Advisory fees	188,983
Other	<u>12,833</u>
Total investment expenses	<u>5,571,435</u>
Net investment income	<u>24,170,469</u>
Net Income	<u>\$ 26,171,462</u>

*See accompanying notes.*

Founding Partners Stable-Value Fund, L.P.

Statement of Changes in Partners' Capital

Year ended December 31, 2005

	General Partner	Limited Partners	Total
Balance at December 31, 2004	\$ 349,561	\$177,848,452	\$ 178,198,013
Capital contributions	100,000	63,250,600	63,350,600
Capital withdrawals	(240,000)	(42,743,448)	(42,983,448)
Net income	49,581	26,121,881	26,171,462
Balance at December 31, 2005	<u>\$ 259,142</u>	<u>\$224,477,485</u>	<u>\$224,736,627</u>

*See accompanying notes.*

Founding Partners Stable-Value Fund, L.P.

Statement of Cash Flows

Year ended December 31, 2005

**Cash Flows from Operating Activities**

Net income \$ 26,171,462

Adjustments to reconcile net income to net cash used  
in operating activities:

Changes in operating assets and liabilities:

Purchase of investments (59,647,163)

Proceeds from disposition of investments 12,539,461

Net realized gain from sale of investments (1,039,461)

Unrealized appreciation of securities (961,532)

Increase in interest receivable (714,084)

Decrease in due from broker 5,078

Increase in other assets (63,313)

Increase in withdrawal due from Partnership investment (5,226,286)

Increase in royalties payable 28,201

Decrease in accrued management fees (4,458)

Increase in accrued expenses 20,899

Net cash used in operating activities (28,891,196)

**Cash Flows from Financing Activities**

Capital contributions 59,800,600

Capital withdrawals (37,993,536)

Net cash provided by financing activities 21,807,064

Net decrease in cash (7,084,132)

Cash at beginning of year 7,722,306

Cash at end of year \$ 638,174

*See accompanying notes.*



## Founding Partners Stable-Value Fund, L.P.

### Notes to Financial Statements

December 31, 2005

#### 1. Organization

Founding Partners Stable-Value Fund, L.P. (the "Partnership") was organized as a limited partnership on March 1, 1996, pursuant to the provisions of the Delaware Revised Uniform Limited Partnership Act; and commenced operations on September 1, 1996. Founding Partners Capital Management Company (the "General Partner"), a Florida corporation, serves as the General Partner of the Partnership and its investment advisor. William L. Gunlicks serves as President and Chief Executive Officer ("CEO") of the General Partner and is the sole shareholder of the General Partner, whose investment at December 31, 2005, totaled \$259,142, or 0.12% of total partners' capital. In addition, at December 31, 2005, Mr. Gunlicks had \$457,839 invested in the Partnership as a limited partner, which represented 0.20% of total partners' capital.

The Partnership was organized for the purpose of achieving an above-average return, while preserving capital. The investment strategy utilizes a healthcare and commercial receivable investment product. The Partnership's investment program is designed to accomplish the investment objectives through the implementation of a stable value investment strategy that has low to no correlation to the equity and bond markets.

The Partnership operates under the terms of the Limited Partnership Agreement dated March 1, 1996 ("the Agreement"). The term of the Partnership shall continue until December 31, 2030, or upon its earlier termination, as provided in the Agreement.

#### 2. Significant Accounting Policies

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

##### Financing Agreements

Effective January 24, 2002 and June 6, 2000, the Partnership entered into Credit and Security Agreements ("Agreements") with Sun Capital Healthcare, Inc. and Sun Capital, Inc. ("Sun Capital"), respectively (collectively "the Borrowers"), under which the Partnership will make loans to the Borrowers. Pursuant to the Credit and Security

## Founding Partners Stable-Value Fund, L.P.

### Notes to Financial Statements (continued)

#### 2. Significant Accounting Policies (continued)

Agreement with Sun Capital Healthcare, Inc., the borrower will use the proceeds of the loans to purchase healthcare receivables payable by third-party payors such as insurance companies, Blue Cross/Blue Shield plans, and government programs such as Medicare and Medicaid from various healthcare providers. Pursuant to the Credit and Security Agreement with Sun Capital, Inc. the borrower will use the proceeds of the loans to purchase commercial trade receivables payable by third-party payors such as large retailers. The individual underlying healthcare and commercial trade receivables, and additional Borrowers' assets, will serve as collateral for the loans to the Borrowers. Interest accrues on the loans outstanding at 1.16% to 1.245% per month (the "Applicable Rate"). Any underlying healthcare receivables that age beyond 120 days are either replaced by future receivables or are reduced from the future fundings to the healthcare providers. Upon the occurrence and during the continuance of default, as defined in the Agreements, interest accrues at an annual rate of 2.0% plus the Applicable Rate. Interest is payable to the Partnership on the first day of each month and all unpaid interest is due upon maturity of the loans.

The Credit and Security Agreements with Sun Capital Healthcare, Inc. and Sun Capital, Inc. expire February 1, 2010. Both parties must mutually agree to the timing and amount of future fundings under the Agreements. The Agreements permit the Borrowers from time to time to prepay all or any portion of the loans without premium or penalty. The Agreements also permit the Partnership to declare, in writing to the Borrowers, all or any part of the unpaid loan balances then outstanding to be immediately due and payable. The Partnership may terminate any of the Agreements by furnishing notice of such termination in writing to the respective borrower.

#### Notes Receivable

During March 2003, Sun Capital had \$5,247,377 in gross receivables from an unrelated commercial receivable factor client for which Sun Capital determined that the factor client sold invoices through a fraudulent scheme, which included fictitious contracts and documentation. Sun Capital had drawn approximately \$4,500,000 from the Partnership to fund the factor client. Due to the fraud, Sun Capital acquired a third-party lender's position in the factor client, as well as all four of its affiliated companies, and subsequently took control over the stock of the factor client and all of its affiliate companies. Sun Capital retained an outside consulting firm to help implement a plan to successfully manage the day-to-day operations of these companies.

## Founding Partners Stable-Value Fund, L.P.

### Notes to Financial Statements (continued)

#### 2. Significant Accounting Policies (continued)

The Partnership had UCC-1 filings on the \$5,247,377 gross receivables from the factoring client. Sun Capital restructured the original \$4,500,000 loan from the Partnership to a 60-month, \$5,247,377 note at 18%, along with a commercial guarantee. As collateral for the note, Sun Capital's three principals pledged their personal stock ownership in an unrelated healthcare company that owns and operates long-term acute care centers. At December 31, 2005, the note receivable had a balance due of \$2,775,000.

On January 11, 2005, the Partnership executed a promissory note with Sun Capital Healthcare, Inc. for \$5,800,000. The funds were used by Sun Capital Healthcare, Inc. to purchase loans from an unrelated third party. This note is a five-year loan earning 14½% per annum with monthly principal payments of \$25,000, and monthly interest payments in the amount of all interest accrued during the prior month, with outstanding principal due payable January 11, 2010. The maturity date may be extended by agreement of the partners involved. The principals of the unrelated third party have pledged their interest in that entity to the Partnership as collateral for the outstanding balance. At December 31, 2005, the note receivable had a balance due of \$5,525,000.

#### Investment Transactions and Valuation

The Partnership records investment transactions on a trade-date basis. The resulting change in unrealized appreciation and depreciation is reflected in the statement of operations. The cost of investment securities held in the portfolio of the Partnership and the net realized gains or losses thereon are determined for financial accounting purposes on the specific identification method.

The Partnership's portfolio includes one equity investment in a privately held company in which the General Partner is also invested. After an analysis of the current financial information and recent transactions, the General Partner determined that the fair value was \$434,700, which represents 0.19% of the Partnership's capital.

#### Investments in Limited Partnerships and Limited Liability Companies

The Partnership's portfolio includes investments in four unaffiliated limited partnerships and limited liability companies. Investments are recorded based on the Partnership's proportionate share of the net assets of the underlying investment vehicles, as reported. The appreciation or depreciation of investments in limited partnerships and limited liability companies is recorded based on the Partnership's proportionate share of the

## Founding Partners Stable-Value Fund, L.P.

### Notes to Financial Statements (continued)

#### 2. Significant Accounting Policies (continued)

aggregate amount of earnings (losses) recorded by each underlying investment. It includes the Partnership's share of interest and dividend income, and realized and unrealized gains and losses on securities held by the underlying investment vehicles, net of operating expenses and fees. The Partnership's risk of loss for each investment in a limited partnership or limited liability company is limited to its initial investment.

#### Fair Value of Financial Instruments

The fair value of the Partnership's assets and liabilities that qualify as financial instruments under Statement of Financial Accounting Standards No. 107, *Disclosures about Fair Value of Financial Instruments*, approximates the carrying amounts presented in the statement of financial condition.

#### Interest and Dividends

Interest income is recorded as earned on the accrual basis, and dividends are recorded on the ex-dividend date.

#### Income Taxes

Partnerships are not taxable entities. Federal and state income tax statutes require that the income or loss of a partnership be included in the tax returns of the individual partners.

#### 3. Indemnification

The Partnership enters into contracts that contain a variety of indemnifications. The Partnership's maximum exposure under these arrangements is unknown. However, the Partnership has not had prior claims or losses pursuant to these contracts, and the General Partner expects the risk of loss to be remote.

#### 4. Capital Contributions and Withdrawals

Capital contributions may be made on the first day of each month and withdrawals may be made, with prior notice to the General Partner as specified in the Agreement, on the last business day of each calendar quarter. Pursuant to the terms of the Agreement, a limited partner may not withdraw any portion of its capital during the first year of its investment.

## Founding Partners Stable-Value Fund, L.P.

### Notes to Financial Statements (continued)

#### 5. Allocation of Partnership Income

Partnership profits and losses are allocated in proportion to the individual partner's capital account as of the beginning of each accounting period as defined in the Agreement.

#### 6. Related Party Transactions

As provided in the Agreement, the General Partner provides investment management services to the Partnership and pays substantially all of the Partnership's expenses. In consideration for these services, the General Partner receives a management fee based on an annual rate of 1.75% of respective partner's capital account at the first day of each month. Pursuant to the Agreement, management fees have been waived for certain related parties. Founding Partners Global Fund Class B, a related party, pays a management fee of 1.75% plus an additional administrative fee of 0.25%. Management fee expense was \$3,807,343 for the year ended December 31, 2005.

The Partnership pays a royalty fee to Stewards & Partners Limited ("the Company"), a related party and privately held company in Bermuda, for developing the investment product of funding receivables. The royalty fee is charged each month at an annualized rate of 0.75% of capital invested in the receivables investment strategy. Royalty fees totaled \$1,360,819 for the year ended December 31, 2005. William L. Gunlicks, the President and CEO of the Partnership's General Partner, serves, without compensation, as Chairman of the Company. The General Partner is also a 42.2% shareholder in the Company.

Founding Partners Equity Fund, L.P., a related party with the same General Partner, Founding Partners Capital Management Company, invests in the Partnership. At December 31, 2005, Founding Partners Equity Fund, L.P. had an investment of \$2,169,627 in the Partnership, or 0.97% of the Partnership's net assets. Founding Partners Global Fund, Class A and Founding Partners Global Fund, Class B (the "Global Funds"), related parties whose investment manager is the Partnership's General Partner, also invest in the Partnership. At December 31, 2005, the Global Funds had investments of \$1,170,888 and \$85,922,204, or 0.52% and 38.23% of the Partnership's capital, respectively.

Founding Partners Stable-Value Fund, L.P.

Notes to Financial Statements (continued)

**6. Related Party Transactions (continued)**

The Partnership pays a monthly advisory fee to SSR Capital Partners, L.P. ("SSR") for assisting the General Partner in its due diligence responsibilities of the Partnership in other investments. At December 31, 2005, those investments represented 5.4% of the Partnership's capital. Advisory fee expense was \$119,962 at December 31, 2005. Founding Partners Equity Fund, L.P. has a one-third ownership interest in SSR.

**7. Financial Highlights**

Financial highlights for the year ended December 31, 2005, are as follows:

Total return	13.14%
Ratios to average limited partners' capital:	
Expenses	2.65%
Net investment income	11.48%

Financial highlights are calculated for limited partners taken as a whole. An individual investor's results may vary from these results based on the timing and amount of capital transactions and different management fee arrangements.

**8. Settlement with SEC**

On December 16, 2003, the Partnership's general partner, Founding Partners Capital Management Company, received a letter from the Staff of the Securities and Exchange Commission ("SEC"), stating that they intended to recommend that the SEC take legal action against William L. Gunlicks ("Gunlicks") and against the General Partner for alleged violations of federal securities laws. This letter, which is commonly referred to as a "Wells Notice," summarizes a number of allegations. The letter does not necessarily mean that the SEC will take legal action, or that any violations have actually occurred. The General Partner is cooperating with the SEC Staff ("Staff") to resolve this issue.

The General Partner and the Staff have discussed a number of issues, but conversations with the Staff have focused on certain investments made in Sovereign Assurance Company, Limited ("Sovereign Assurance") and the relationships involving Stewards & Partners Limited ("Stewards"). Founding Partners Equity Fund, L.P. ("Equity Fund") and Class A Shares of Founding Partners Global Fund ("Global Fund") invested in Sovereign Assurance in July 1999, which at the time was not affiliated with the General Partner, the

## Founding Partners Stable-Value Fund, L.P.

### Notes to Financial Statements (continued)

#### 8. Settlement with SEC (continued)

Equity Fund, or the Global Fund. The investment consisted of promissory notes with stock equity participation, and was made so that Sovereign Assurance could complete the development of a new investment program. When it became clear that Sovereign Assurance could not repay certain amounts due under the promissory notes, Stewards, a new entity majority-owned by the Equity Fund and Global Fund, agreed to assume Sovereign Assurance's obligations to repay under the promissory note. Stewards was also partially owned (19%) by the General Partner. After a substantial amount of time, Stewards completed the development of Sovereign Assurance's investment program and licensed it to the Partnership in exchange for an annualized royalty fee of 1% of its assets. As of December 1, 2004, the royalty fee was reduced from 1% to 0.75%. The Partnership has been paying the royalty fee to Stewards since early 2001.

The General Partner and Gunlicks, through counsel, have had extensive settlement discussions with the Staff. The General Partner's and Gunlicks' tentative agreement with the Staff provides that the Staff will recommend that the SEC seek: (1) cease-and-desist order against the General Partner from future violations of the federal securities laws; (2) cease-and-desist order against Gunlicks from causing future violations of the federal securities laws; (3) \$50,000 monetary penalty against the General Partner; and (4) \$50,000 monetary penalty against Gunlicks. Lastly, the Staff has agreed to recommend that the SEC not seek to bring any follow-on proceeding against the General Partner and/or Gunlicks.

The Staff is not seeking to bring any charges against the Partnership. To date, the SEC has not alleged that the Partnership engaged in any conduct that may have violated the federal securities laws. Nor has the Staff indicated that they intend to recommend enforcement action against the Partnership. Based on the foregoing, the General Partner believes that, at this advanced stage of settlement negotiations with the Staff, the SEC does not intend to proceed against the Partnership.

#### 9. Subsequent Events

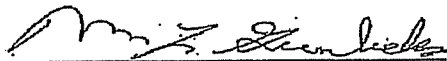
The Partnership recorded limited partner contributions of \$26,997,000 from January 1, 2006 to May 1, 2006. The Partnership paid out distributions of \$12,305,977 from January 31, 2006 through May 31, 2006.

Founding Partners Stable-Value Fund, L.P.

5100 N. Tamiami Trail, Suite 119  
Newgate Center  
Naples, Florida 34103

Affirmation of the Commodity Pool Operator

To the best of the knowledge and belief of the undersigned, the information contained in the audited financial statement of Founding Partners Stable-Value Fund, L.P. for the year ended December 31, 2005, is accurate and complete.



William L. Gunlicks  
President and CEO  
Founding Partners Capital Management  
Company, General Partner to Founding  
Partners Stable-Value Fund, L.P.



**Tab 4**

FINANCIAL STATEMENTS  
Founding Partners Stable-Value Fund, L.P.  
*Year ended December 31, 2006*

The general partner of the Partnership is registered with the U.S. Securities and Exchange Commission as an investment advisor, and is registered as a Commodity Pool Operator under the Commodity Exchange Act. A claim of exemption pursuant to Commodity Futures Trading Commission ("CFTC") Rule 4.7 has been made with respect to the Partnership by the general partner. The exemption relieves the Partnership of certain disclosures and reporting obligations under the commodity pool rules of the CFTC.

Founding Partners Stable-Value Fund, L.P.

Financial Statements

Year ended December 31, 2006

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Affirmation of the Commodity Pool Operator



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2100 Ross Avenue  
Dallas, Texas 75201

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Fax: 214 969-8667  
Telex: 671037J  
www.ey.com

## Report of Independent Auditors

### The Partners

Founding Partners Stable-Value Fund, L.P.

We have audited the accompanying statement of financial condition of Founding Partners Stable-Value Fund, L.P. (the "Partnership"), including the condensed schedule of investments, as of December 31, 2006, and the related statements of operations, changes in partners' capital, and cash flows for the year then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Partnership's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Founding Partners Stable-Value Fund, L.P. at December 31, 2006, and the results of its operations, the changes in its partners' capital, and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

*Ernst & Young LLP*

May 23, 2007

Founding Partners Stable-Value Fund, L.P.

Statement of Financial Condition

December 31, 2006

<b>Assets</b>	
Cash	\$ 9,913,997
Investments – at fair value (cost \$275,446,776)	276,925,373
Withdrawal due from partnership investments	1,189,625
Interest receivable	3,444,869
Other assets	367,096
Total assets	<u>\$ 291,840,960</u>
 <b>Liabilities and Partners' Capital</b>	
Withdrawals payable	\$ 3,173,001
Subscriptions received in advance	4,440,000
Royalties payable	148,663
Accrued expenses	89,666
Accrued management fees	35,361
Total liabilities	<u>7,886,691</u>
Partners' capital	<u>283,954,269</u>
Total liabilities and partners' capital	<u>\$ 291,840,960</u>

*See accompanying notes.*

# Founding Partners Stable-Value Fund, L.P.

## Condensed Schedule of Investments

December 31, 2006

	Percent of Partners' Capital	Fair Value
<b>Investments – United States</b>		
Common stock (cost \$379,500)	0.15%	\$ 434,700
Limited partnerships and limited liability companies (cost \$9,000,000)	3.67	10,423,397
Financing agreements:		
Sun Capital, Inc.	3.44	9,759,647
Sun Capital Healthcare, Inc.	86.00	244,207,629
Total financing agreements (cost \$253,967,276)	89.44	253,967,276
Notes receivable:		
Sun Capital, Inc.	0.66	1,875,000
Sun Capital Healthcare Inc.	1.84	5,225,000
HLP Properties of Port Arthur, LLC	1.76	5,000,000
Total notes receivable (cost \$12,100,000)	4.26	12,100,000
<b>Total Investments – United States (cost \$275,446,776)</b>	<b>97.52%</b>	<b>\$ 276,925,373</b>

See accompanying notes.

Founding Partners Stable-Value Fund, L.P.

Statement of Operations

Year ended December 31, 2006

**Realized and Unrealized Gain from Investment Transactions**

Net realized gain from investment transactions	\$ 1,302,873
Net change in unrealized appreciation on investments	(42,628)
Net gain from investments	<u>1,260,245</u>

**Investment Income and Expenses**

Interest income	37,846,746
-----------------	------------

**Investment expenses:**

Management fees	4,677,961
Royalty fees	1,622,223
Professional fees	220,920
Advisory fees	122,080
Other	8,317
Total investment expenses	<u>6,651,501</u>

Net investment income	<u>31,195,245</u>
<b>Net Income</b>	<u><u>\$ 32,455,490</u></u>

*See accompanying notes.*

Founding Partners Stable-Value Fund, L.P.

Statement of Changes in Partners' Capital

Year ended December 31, 2006

	General Partner	Limited Partners	Total
Balance at December 31, 2005	\$ 259,142	\$224,477,485	\$ 224,736,627
Capital contributions	400,000	43,323,000	43,723,000
Capital withdrawals	(350,000)	(16,610,848)	(16,960,848)
Net income	44,922	32,410,568	32,455,490
Balance at December 31, 2006	<u>\$ 354,064</u>	<u>\$283,600,205</u>	<u>\$283,954,269</u>

*See accompanying notes.*



Founding Partners Stable-Value Fund, L.P.

Statement of Cash Flows

Year ended December 31, 2006

**Cash Flows from Operating Activities**

Net income	\$ 32,455,490
Adjustments to reconcile net income to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Purchase of investments	(62,828,312)
Proceeds from disposition of investments	8,302,873
Net realized gain from sale of investments	(1,302,873)
Net change in unrealized appreciation on investments	42,628
Decrease in withdrawal due from partnership investments	4,036,661
Increase in interest receivable	(689,781)
Increase in other assets	(57,573)
Increase in royalties payable	21,967
Increase in accrued expenses	21,693
Increase in accrued management fees	33,324
Net cash used in operating activities	(19,963,903)

**Cash Flows from Financing Activities**

Capital contributions	48,163,000
Capital withdrawals	(18,923,274)
Net cash provided by financing activities	29,239,726
Net increase in cash	9,275,823
Cash at beginning of year	638,174
Cash at end of year	<u>\$ 9,913,997</u>

*See accompanying notes.*

## Founding Partners Stable-Value Fund, L.P.

### Notes to Financial Statements

December 31, 2006

#### 1. Organization

Founding Partners Stable-Value Fund, L.P. (the "Partnership") was organized as a limited partnership on March 1, 1996, pursuant to the provisions of the Delaware Revised Uniform Limited Partnership Act, and commenced operations on September 1, 1996. Founding Partners Capital Management Company (the "General Partner"), a Florida corporation, serves as the General Partner of the Partnership and its investment advisor. William L. Gunlicks serves as President and Chief Executive Officer ("CEO") of the General Partner and is the sole shareholder of the General Partner, whose investment at December 31, 2006, totaled \$354,064, or 0.12% of total partners' capital. In addition, at December 31, 2006, Mr. Gunlicks had \$531,072 invested in the Partnership as a limited partner, which represented 0.19% of total partners' capital.

The Partnership was organized for the purpose of achieving an above-average return, while preserving capital. The investment strategy utilizes a healthcare and commercial receivable investment product. The Partnership's investment program is designed to accomplish the investment objectives through the implementation of a stable value investment strategy that has low to no correlation to the equity and bond markets.

The Partnership operates under the terms of the Limited Partnership Agreement dated March 1, 1996 (the "Agreement"). The term of the Partnership shall continue until December 31, 2030, or upon its earlier termination, as provided in the Agreement.

#### 2. Significant Accounting Policies

##### Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## Founding Partners Stable-Value Fund, L.P.

### Notes to Financial Statements (continued)

#### 2. Significant Accounting Policies (continued)

##### Financing Agreements

Effective January 24, 2002 and June 6, 2000, the Partnership entered into Credit and Security Agreements ("Agreements") with Sun Capital Healthcare, Inc. and Sun Capital, Inc. ("Sun Capital"), respectively (collectively "the Borrowers"), under which the Partnership will make loans to the Borrowers. Pursuant to the Credit and Security Agreement with Sun Capital Healthcare, Inc., the borrower will use the proceeds of the loans to purchase healthcare receivables payable by third-party payors such as insurance companies, Blue Cross/Blue Shield plans, and government programs such as Medicare and Medicaid from various healthcare providers. Pursuant to the Credit and Security Agreement with Sun Capital, Inc., the borrower will use the proceeds of the loans to purchase commercial trade receivables payable by third-party payors such as large retailers. The individual underlying healthcare and commercial trade receivables, and additional Borrowers' assets, will serve as collateral for the loans to the Borrowers. Interest accrues on the loans outstanding at 1.16% to 1.245% per month (the "Applicable Rate"). Any underlying healthcare receivables that age beyond 120 days are either replaced by future receivables or are reduced from the future fundings to the healthcare providers. Upon the occurrence and during the continuance of default, as defined in the Agreements, interest accrues at an annual rate of 2.0% plus the Applicable Rate. Interest is payable to the Partnership on the first day of each month and all unpaid interest is due upon maturity of the loans.

The Agreements with Sun Capital Healthcare, Inc. and Sun Capital, Inc. expire February 1, 2011. Both parties must mutually agree to the timing and amount of future fundings under the Agreements. The Agreements permit the Borrowers from time to time to prepay all or any portion of the loans without premium or penalty. The Agreements also permit the Partnership to declare, in writing to the Borrowers, all or any part of the unpaid loan balances then outstanding to be immediately due and payable. The Partnership may terminate any of the Agreements by furnishing notice of such termination in writing to the respective borrower.

The General Partner believes that the carrying value of the financing agreements approximates fair value.

## Founding Partners Stable-Value Fund, L.P.

### Notes to Financial Statements (continued)

#### 2. Significant Accounting Policies (continued)

##### Notes Receivable

During March 2003, Sun Capital had \$5,247,377 in gross receivables from an unrelated commercial receivable factor client for which Sun Capital determined that the factor client sold invoices through a fraudulent scheme, which included fictitious contracts and documentation. Sun Capital had drawn approximately \$4,500,000 from the Partnership to fund the factor client. Due to the fraud, Sun Capital acquired a third-party lender's position in the factor client, as well as all four of its affiliated companies, and subsequently took control over the stock of the factor client and all of its affiliate companies. Sun Capital retained an outside consulting firm to help implement a plan to successfully manage the day-to-day operations of these companies.

The Partnership had UCC-1 filings on the \$5,247,377 gross receivables from the factoring client. Sun Capital restructured the original \$4,500,000 loan from the Partnership to a 60-month, \$5,247,377 note at 18% expiring during January 2009, along with a commercial guarantee. As collateral for the note, Sun Capital's three principals pledged their personal stock ownership in an unrelated healthcare company that owns and operates long-term acute care centers. At December 31, 2006, the note receivable had a balance due of \$1,875,000.

On January 11, 2005, the Partnership executed a promissory note with Sun Capital Healthcare, Inc. for \$5,800,000. The funds were used by Sun Capital Healthcare, Inc. to purchase loans from an affiliate of Sun Capital Healthcare, Inc. This note is a five-year loan earning 14½% per annum with monthly principal payments of \$25,000, and monthly interest payments in the amount of all interest accrued during the prior month, with the remaining outstanding principal payable January 11, 2010. The maturity date may be extended by agreement of the parties involved. The principals of the affiliate of Sun Capital Healthcare, Inc. have pledged their interest in that entity to the Partnership as collateral for the outstanding balance. At December 31, 2006, the note receivable had a balance due of \$5,225,000.

On June 28, 2006, the Partnership executed a secured promissory note with HLP Properties of Port Arthur, LLC, a subsidiary of Promise Healthcare, Inc., for \$5,000,000. The funds were used by HLP Properties of Port Arthur, LLC to acquire a hospital in Nederland, Texas, that was then leased on a triple net basis to and operated by Promise Specialty Hospital of Southeast Texas, which is 100% owned by Promise Healthcare, Inc. The three owners of Sun Capital Healthcare, Inc. are also the three owners of Promise Healthcare, Inc. This note bears interest at 16% per annum with interest payable monthly

## Founding Partners Stable-Value Fund, L.P.

### Notes to Financial Statements (continued)

#### 2. Significant Accounting Policies (continued)

and the entire principal amount due on June 28, 2007. Collateral includes the hospital building and property, and an assignment of rents and leases. Additional support comes from a pledge of Promise Healthcare, Inc. stock by its owners. Repayment of the loan is expected to come through a longer-term refinancing. The maturity date may be extended by agreement with the General Partner.

The General Partner believes that the carrying value of the notes receivables approximates fair value.

#### Investment Transactions and Valuation

The Partnership records investment transactions on a trade-date basis and are reflected in the accompanying statement of financial condition at fair value. The resulting change in unrealized appreciation and depreciation is reflected in the statement of operations. The cost of investment securities held in the portfolio of the Partnership and the net realized gains or losses thereon are determined for financial accounting purposes on the specific identification method.

The Partnership's portfolio includes one equity investment in a privately held company in which the General Partner is also invested. After an analysis of the current financial information and recent transactions, the General Partner determined that the fair value was \$434,700, which represents 0.15% of the Partnership's capital.

#### Investments in Limited Partnerships and Limited Liability Companies

The Partnership's portfolio includes investments in four unaffiliated limited partnerships and limited liability companies. Investments are recorded based on the Partnership's proportionate share of the net assets of the underlying investment vehicles, as reported, which the General Partner believes approximates fair value. The appreciation or depreciation of investments in limited partnerships and limited liability companies is recorded based on the Partnership's proportionate share of the aggregate amount of earnings (losses) recorded by each underlying investment, which was approximately \$920,000 for the year ended December 31, 2006. It includes the Partnership's share of interest and dividend income, and realized and unrealized gains and losses on securities held by the underlying investment vehicles, net of operating expenses and fees. The Partnership's risk of loss for each investment in a limited partnership or limited liability company is limited to its initial investment.

Founding Partners Stable-Value Fund, L.P.

Notes to Financial Statements (continued)

**2. Significant Accounting Policies (continued)**

**Fair Value of Financial Instruments**

The fair value of the Partnership's assets and liabilities that qualify as financial instruments under Statement of Financial Accounting Standards No. 107, *Disclosures about Fair Value of Financial Instruments* (FAS 107), approximates the carrying amounts presented in the statement of financial condition.

**Recent Accounting Pronouncements**

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157). This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. As of December 31, 2006, the Partnership does not believe the adoption of FAS 157 will impact the amounts reported in the financial statements; however, additional disclosures will be required about the inputs used to develop the measurements of fair value and the effect of certain of the measurements reported in the statement of operations for a fiscal period.

On July 13, 2006, the FASB released FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Partnership's tax returns to determine whether the tax positions are "more likely than not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more likely than not threshold would be recorded as a tax benefit or expense in the current year. Adoption of FIN 48 is required for fiscal years beginning after December 15, 2006, and is to be applied to all open tax years as of the effective date. At this time, management is evaluating the implications of FIN 48 and its impact in the financial statements has not yet been determined.

Founding Partners Stable-Value Fund, L.P.

Notes to Financial Statements (continued)

**2. Significant Accounting Policies (continued)**

**Interest and Dividends**

Interest income is recorded as earned on the accrual basis, and dividends are recorded on the ex-dividend date.

**Income Taxes**

Partnerships are not taxable entities. Federal and state income tax statutes require that the income or loss of a partnership be included in the tax returns of the individual partners.

**3. Indemnification**

The Partnership enters into contracts that contain a variety of indemnifications. The Partnership's maximum exposure under these arrangements is unknown. However, the Partnership has not had prior claims or losses pursuant to these contracts, and the General Partner expects the risk of loss to be remote.

**4. Capital Contributions and Withdrawals**

Capital contributions may be made on the first day of each month and withdrawals may be made, with prior notice to the General Partner as specified in the Agreement, on the last business day of each calendar quarter. Pursuant to the terms of the Agreement, a limited partner may not withdraw any portion of its capital during the first year of its investment.

**5. Allocation of Partnership Income**

Partnership profits and losses are allocated in proportion to the individual partner's capital account as of the beginning of each accounting period as defined in the Agreement.

## Founding Partners Stable-Value Fund, L.P.

### Notes to Financial Statements (continued)

#### 6. Related Party Transactions

As provided in the Agreement, the General Partner provides investment management services to the Partnership and pays substantially all of the Partnership's expenses. In consideration for these services, the General Partner receives a management fee based on an annual rate of 1.75% of each respective partner's capital account at the first day of each month. Pursuant to the Agreement, management fees have been waived for certain related parties. Founding Partners Global Fund Class B, a related party, pays a management fee of 1.75% plus an additional administrative fee of 0.25%. Management fee expense was \$4,677,961 for the year ended December 31, 2006.

The Partnership pays a royalty fee to Founding Partners Capital (Bermuda) Limited, formerly Stewards & Partners Limited, (the "Company"), a related party and privately held company in Bermuda, for developing the investment product of funding receivables. The royalty fee is charged each month at an annualized rate of 0.75% of capital invested in the receivables investment strategy. Royalty fees totaled \$1,622,223 for the year ended December 31, 2006. William L. Gunlicks, the President and CEO of the Partnership's General Partner, serves, without compensation, as Chairman of the Company. The General Partner is also a 42.2% shareholder in the Company.

Founding Partners Equity Fund, L.P., a related party with the same General Partner, Founding Partners Capital Management Company, invests in the Partnership. At December 31, 2006, Founding Partners Equity Fund, L.P. had an investment of \$732,176 in the Partnership, or 0.26% of the Partnership's net assets. Founding Partners Global Fund, Class A and Founding Partners Global Fund, Class B (the "Global Funds"), related parties whose investment manager is the Partnership's General Partner, also invest in the Partnership. At December 31, 2006, the Global Funds had investments of \$619,742 and \$109,269,488, or 0.22% and 38.48% of the Partnership's capital, respectively.

The Partnership paid a monthly advisory fee to SSR Capital Partners, L.P. ("SSR") for assisting the General Partner in its due diligence responsibilities of the Partnership in other investments. Founding Partners Equity Fund, L.P. has a one-third ownership interest in SSR. Advisory fee expense was \$122,080, of which \$14,610 was paid to SSR, for the year ended December 31, 2006.



## Founding Partners Stable-Value Fund, L.P.

### Notes to Financial Statements (continued)

#### 7. Financial Highlights

Financial highlights for the year ended December 31, 2006, are as follows:

Total return <sup>1</sup>	13.40%
Ratios to average limited partners' capital <sup>2</sup> :	
Expenses	(2.58)%
Net investment income	12.08%

<sup>1</sup> Calculated for a limited partner's account taken as a whole. Individual partner's returns could be different depending on the timing of capital transactions made during the period and fees charged to a typical partner as compared to fees charged to employees and affiliates of the General Partner.

<sup>2</sup> Average limited partners' capital has been computed based on monthly valuations. The computation of the ratios is based on the timing of capital transactions and the amount of fees and expenses assessed on an individual partner's account.

#### 8. Settlement with SEC

On December 16, 2003, the Partnership's general partner, Founding Partners Capital Management Company, received a letter from the Staff of the Securities and Exchange Commission ("SEC"), stating that they intended to recommend that the SEC take legal action against William L. Gunlicks ("Gunlicks") and against the General Partner for alleged violations of federal securities laws. This letter, which is commonly referred to as a "Wells Notice," summarizes a number of allegations. The letter does not necessarily mean that the SEC will take legal action, or that any violations have actually occurred. The General Partner is cooperating with the SEC Staff ("Staff") to resolve this issue.

The General Partner and the Staff have discussed a number of issues, but conversations with the Staff have focused on certain investments made in Sovereign Assurance Company, Limited ("Sovereign Assurance") and the relationships involving the Company. Founding Partners Equity Fund, L.P. ("Equity Fund") and Class A Shares of Founding Partners Global Fund ("Global Fund") invested in Sovereign Assurance in July 1999, which at the time was not affiliated with the General Partner, the Equity Fund, or the Global Fund. The investment consisted of promissory notes with stock equity participation, and was made so that Sovereign Assurance could complete the development of a new investment program. When it became clear that Sovereign Assurance could not repay certain amounts due under the promissory notes, the Company, a new entity majority-owned by the Equity Fund and Global Fund, agreed to

## Founding Partners Stable-Value Fund, L.P.

### Notes to Financial Statements (continued)

#### 8. Settlement with SEC (continued)

assume Sovereign Assurance's obligations to repay under the promissory note. The Company was also partially owned (19%) by the General Partner. After a substantial amount of time, the Company completed the development of Sovereign Assurance's investment program and licensed it to the Partnership in exchange for an annualized royalty fee of 1% of its assets. As of December 1, 2004, the royalty fee was reduced from 1% to 0.75%. The Partnership has been paying the royalty fee to the Company since early 2001.

The General Partner and Gunlicks, through counsel, have had extensive settlement discussions with the Staff. The General Partner's and Gunlicks' tentative agreement with the Staff provides that the Staff will recommend that the SEC seek: (1) a cease-and-desist order against the General Partner from future violations of the federal securities laws; (2) a cease-and-desist order against Gunlicks from causing future violations of the federal securities laws; (3) a \$50,000 monetary penalty against the General Partner; and (4) a \$50,000 monetary penalty against Gunlicks. Lastly, the Staff has agreed to recommend that the SEC not seek to bring any follow-on proceeding against the General Partner and/or Gunlicks.

The Staff is not seeking to bring any charges against the Partnership. To date, the SEC has not alleged that the Partnership engaged in any conduct that may have violated the federal securities laws. Nor has the Staff indicated that they intend to recommend enforcement action against the Partnership. Based on the foregoing, the General Partner believes that, at this advanced stage of settlement negotiations with the Staff, the SEC does not intend to proceed against the Partnership.

#### 9. Subsequent Events

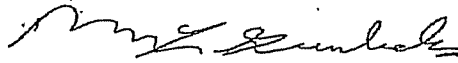
The Partnership recorded limited partner contributions of \$15,828,701 from January 1, 2007 to May 1, 2007. The Partnership paid out distributions of \$7,272,016 from January 1, 2007 through May 1, 2007.

Founding Partners Stable-Value Fund, L.P.

5100 N. Tamiami Trail, Suite 119  
Newgate Center  
Naples, Florida 34103

**Affirmation of the Commodity Pool Operator**

To the best of the knowledge and belief of the undersigned, the information contained in the audited financial statement of Founding Partners Stable-Value Fund, L.P. for the year ended December 31, 2006, is accurate and complete.



William L. Gunlicks  
President and CEO  
Founding Partners Capital Management  
Company, General Partner to Founding  
Partners Stable-Value Fund, L.P.

## Tab 5

FINANCIAL STATEMENTS

Founding Partners Stable-Value Fund, L.P.  
Year Ended December 31, 2007  
with Report of Independent Auditors

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The general partner of the Partnership is registered with the U.S. Securities and Exchange Commission as an investment advisor.

Founding Partners Stable-Value Fund, L.P.

Financial Statements

Year Ended December 31, 2007

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Founding Partners Stable-Value Fund, L.P.

Statement of Financial Condition

December 31, 2007

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<b>Assets</b>	
Cash	\$15,306,835
Investments – at fair value (cost \$365,892,726)	360,487,515
Redemptions due from partnership investments	355,956
Interest receivable	4,735,278
Other assets	424,009
Total assets	<u>\$381,309,593</u>

<b>Liabilities and partners' capital</b>	
Redemptions payable	\$10,194,126
Subscriptions received in advance	3,425,000
Royalties payable	390,446
Accrued expenses	94,148
Accrued management fees	66,425
Total liabilities	<u>14,170,145</u>

General partner	637,179
Limited partners	366,502,269
Partners' capital	<u>367,139,448</u>
Total liabilities and partners' capital	<u>\$381,309,593</u>

*See accompanying notes.*

# Founding Partners Stable-Value Fund, L.P.

## Condensed Schedule of Investments

December 31, 2007

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	Percent of Partners' Capital	Fair Value
Investments – United States		
Common stock (cost \$379,500)	0.12%	\$ 434,700
Limited partnerships and limited liability companies (cost \$6,000,000)	0.15	869,589
Financing agreements:		
Sun Capital, Inc.	5.04	18,509,647
Sun Capital Healthcare, Inc.	89.91	330,103,579
Total financing agreements (cost \$348,613,226)	94.95	348,613,226
Notes receivable:		
Sun Capital, Inc.	0.27	975,000
Sun Capital Healthcare, Inc.	1.34	4,925,000
HLP Properties of Port Arthur, LLC (Sun Capital Group affiliate)	1.36	5,000,000
Total notes receivable (cost \$10,900,000)	2.97	10,900,000
Total Investments – United States (cost \$365,892,726)	98.19%	\$360,487,515

See accompanying notes.



Founding Partners Stable-Value Fund, L.P.

Statement of Operations

Year Ended December 31, 2007

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Realized and unrealized gain from investment transactions	
Net realized gain from investment transactions	\$ 521,688
Net change in unrealized appreciation on investments	<u>\$ (6,883,821)</u>
Net gain from investments	\$ (6,362,133)
Investment income and expenses	
Interest income	49,107,937
Investment expenses:	
Management fees	5,736,405
Royalty fees	2,054,458
Professional fees	221,711
Advisory fees	113,037
Other	<u>8,799</u>
Total investment expenses	<u>8,134,410</u>
Net investment income	<u>40,973,527</u>
Net income	<u>\$ 34,611,394</u>

*See accompanying notes.*

Founding Partners Stable-Value Fund, L.P.

Statement of Changes in Partners' Capital

Year Ended December 31, 2007

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	General Partner	Limited Partners	Total
Balance at January 1, 2007	\$ 354,064	\$283,600,205	\$283,954,269
Capital contributions (including \$3,656,922 of non-cash transfers)	500,000	70,967,383	71,467,383
Capital redemptions (including \$3,656,922 of non-cash transfers)	(250,000)	(22,643,598)	(22,893,598)
Net income	33,113	34,578,281	34,611,394
Balance at December 31, 2007	<u>\$ 637,177</u>	<u>\$366,502,271</u>	<u>\$367,139,448</u>

*See accompanying notes.*

Founding Partners Stable-Value Fund, L.P.

Statement of Cash Flows

Year Ended December 31, 2007

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**Operating activities**

Net income	\$ 34,611,394
Adjustments to reconcile net income to net cash used in operating activities:	
Changes in operating assets and liabilities:	
Purchase of investments	(93,089,993)
Proceeds from disposition of investments	3,165,718
Net realized gain from sale of investments	(521,688)
Net change in unrealized appreciation (depreciation) on investments	6,883,821
Decrease in redemptions due from partnership investments	833,669
Increase in interest receivable	(1,290,409)
Increase in other assets	(56,913)
Increase in royalties payable	241,783
Increase in accrued expenses	4,483
Increase in accrued management fees	31,064
Net cash used in operating activities	(49,187,071)

**Financing activities**

Capital contributions	67,810,461
Decrease in contributions received in advance	(1,015,000)
Capital redemptions	(19,236,676)
Increase in distributions payable	7,021,124
Net cash provided by financing activities	54,579,909

Net increase in cash	5,392,838
Cash at beginning of year	9,913,997
Cash at end of year	<u>\$ 15,306,835</u>

**Supplemental disclosure of non-cash activities**

Transfers between Partnership accounts	<u>\$ 3,656,922</u>
--	---------------------

*See accompanying notes.*

## Founding Partners Stable-Value Fund, L.P.

### Notes to Financial Statements

December 31, 2007

#### 1. Organization

Founding Partners Stable-Value Fund, L.P. (the "Partnership") was organized as a limited partnership on March 1, 1996, pursuant to the provisions of the Delaware Revised Uniform Limited Partnership Act, and commenced operations on September 1, 1996. Founding Partners Capital Management Company (the "General Partner"), a Florida corporation, serves as the General Partner of the Partnership and its advisor. William L. Gunlicks serves as President and Chief Executive Officer ("CEO") of the General Partner and is the sole shareholder of the General Partner, whose investment at December 31, 2007, totaled \$697,177, or 0.17% of total partners' capital. In addition, at December 31, 2007, Mr. Gunlicks had \$691,820 invested in the Partnership as a limited partner, which represented 0.16% of total partners' capital.

The Partnership was organized for the purpose of achieving an above-average return, while preserving capital. The investment strategy utilizes a healthcare and commercial receivable investment product. The Partnership's investment program is designed to accomplish the investment objectives through the implementation of a stable value investment strategy that has low to no correlation to the equity and bond markets.

The Partnership operates under the terms of the Limited Partnership Agreement dated March 1, 1996 (the "Agreement"). The term of the Partnership shall continue until December 31, 2030, or upon its earlier termination as provided in the Agreement.

#### 2. Significant Accounting Policies

##### Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## Founding Partners Stable-Value Fund, L.P.

### Notes to Financial Statements (continued)

#### 2. Significant Accounting Policies (continued)

##### Financing Agreements

Effective June 6, 2000 and January 24, 2002, the Partnership entered into Credit and Security Agreements ("Agreements") with Sun Capital Healthcare, Inc. and Sun Capital, Inc. ("Sun Capital"), respectively (collectively the "Borrowers"), under which Borrowers have the right to request the Partnership to make loan advances under the Agreements. Pursuant to the Credit and Security Agreement with Sun Capital Healthcare, Inc., the borrower will use the proceeds of the loan advances to purchase healthcare receivables payable by third-party payors such as insurance companies, Blue Cross/Blue Shield plans, and government programs such as Medicare and Medicaid from various healthcare providers. Pursuant to the Credit and Security Agreement with Sun Capital, Inc., the borrower will use the proceeds of the loan advances to purchase commercial trade receivables payable by third-party payors such as large retailers and government entities. The individual underlying healthcare and commercial trade receivables; and additional Borrowers' assets, will serve as collateral for the loans to the Borrowers. Approximately \$218 million of the collateral is healthcare receivables that Sun Capital purchased from a group of 12 hospitals which are controlled by the owners of Sun Capital. The estimated net collectible amount of the healthcare receivables is generally at least equal to the loans outstanding. Interest accrues on the loans outstanding at 1.16% to 1.333% per month (the "Applicable Rate"). Any underlying non-workers compensation healthcare receivables that age beyond 150 days are either replaced by new receivables or are reduced from the allowable collateral of the healthcare providers. Due to the longer collection period for workers compensation healthcare receivables, which is a function of the administrative legal process under state workers compensation laws, any underlying workers compensation healthcare receivables that age beyond 180 days are either paid back by the Borrower, replaced by new receivables or are reduced from allowable collateral of the healthcare providers. Upon the occurrence and during the continuance of default, as defined in the Agreements, interest accrues at an annual rate of 2.0% plus the Applicable Rate. Interest is payable to the Partnership on the first day of each month and any remaining unpaid interest is due upon maturity of the loans.

The Agreements with Sun Capital Healthcare, Inc. and Sun Capital, Inc. were to expire February 1, 2011. In June 2008, the Agreements were extended to February 1, 2013. Both parties must mutually agree to the timing and amount of future funding under the Agreements. The Agreements permit the Borrowers from time to time to prepay all or any portion of the loans without premium or penalty. In the event of default, the Agreements also permit the Partnership to declare, in writing to the Borrowers, all or any part of the unpaid loan balances then outstanding to be immediately due and payable. In the event of default, the Partnership may terminate any of the Agreements by furnishing notice of such termination in writing to the respective borrower.

## Founding Partners Stable-Value Fund, L.P.

### Notes to Financial Statements (continued)

#### 2. Significant Accounting Policies (continued)

The General Partner believes that the carrying value of the loan advances made under the Agreements approximates fair value.

##### Notes Receivable

During March 2003, Sun Capital had \$5,247,377 in gross receivables from an unrelated commercial receivable factor client for which Sun Capital determined that the factor client sold invoices through a fraudulent scheme, which included fictitious contracts and documentation. Sun Capital had drawn approximately \$4,500,000 from the Partnership to fund the factor client. Due to the fraud, Sun Capital acquired a third-party lender's position in the factor client, as well as all four of its affiliated companies, and subsequently took control over the stock of the factor client and all of its affiliate companies. Sun Capital retained an outside consulting firm to help implement a plan to successfully manage the day-to-day operations of these companies. The Partnership had UCC-1 filings on the \$5,247,377 gross receivables from the factoring client. Sun Capital restructured the original \$4,500,000 loan from the Partnership to a 60-month, \$5,247,377 note at 18% expiring in January 2009, along with a commercial guarantee. As collateral for the note, Sun Capital's three principals pledged their personal stock ownership in an unrelated healthcare company that owns and operates long-term acute care centers. At December 31, 2007, the note receivable had a balance due of \$975,000.

On January 11, 2005, the Partnership executed a promissory note with Sun Capital Healthcare, Inc. for \$5,800,000. The funds were used by Sun Capital Healthcare, Inc. to purchase loans from an affiliate of Sun Capital Healthcare, Inc. This note is a five-year loan earning 14½% per annum with monthly principal payments of \$25,000, and monthly interest payments in the amount of all interest accrued during the prior month, with the remaining outstanding principal payable January 11, 2010. The maturity date may be extended by agreement of the parties involved. The principals of the affiliate of Sun Capital Healthcare, Inc. have pledged their interest in that entity to the Partnership as collateral for the outstanding balance. At December 31, 2007, the note receivable had a balance due of \$4,925,000.

On June 28, 2006, the Partnership executed a secured promissory note with HLP Properties of Port Arthur, LLC, a subsidiary of Promise Healthcare, Inc., for \$5,000,000. The funds were used by HLP Properties of Port Arthur, LLC to acquire a hospital in Nederland, Texas, that was then leased on a triple net basis to and operated by Promise Specialty Hospital of Southeast Texas, which is 100% owned by Promise Healthcare, Inc. The three owners of Sun Capital Healthcare, Inc. are also the three owners of Promise Healthcare, Inc. This note bears interest at 16% per annum with interest payable monthly and the entire principal amount due on June 28, 2008.

## Founding Partners Stable-Value Fund, L.P.

### Notes to Financial Statements (continued)

#### 2. Significant Accounting Policies (continued)

As of June 28, 2008, the note was extended for six months at an interest rate of 17% per annum and principal payments due monthly of \$4,000. Collateral includes the hospital building and property, and an assignment of rents and leases. Additional support comes from a pledge of Promise Healthcare, Inc. stock by its owners related to the notes receivable. Repayment of the loan is expected to come through a longer-term refinancing. The maturity date may be extended by agreement with the General Partner.

The General Partner believes that the carrying value of the notes receivables approximates fair value.

#### Investment Transactions and Valuation

The Partnership records investment transactions on a trade-date basis and such transactions are reflected in the accompanying statement of financial condition at fair value. The resulting change in unrealized appreciation and depreciation is reflected in the statement of operations. The cost of investment securities held in the portfolio of the Partnership and the net realized gains or losses thereon are determined for financial accounting purposes on the specific identification method.

The Partnership's portfolio includes one equity investment in a privately held company in which the General Partner is also invested. After an analysis of the current financial information and recent transactions, the General Partner determined that the fair value was \$434,700, which represents 0.12% of the Partnership's capital.

#### Investments in Limited Partnerships and Limited Liability Companies

The Partnership's portfolio includes investments in two unaffiliated limited partnerships and limited liability companies. Investments are recorded based on the Partnership's proportionate share of the net assets of the underlying investment vehicles, as reported (except for the fund write down discussed below), which the General Partner believes approximates fair value. The appreciation or depreciation of investments in limited partnerships and limited liability companies is recorded based on the Partnership's proportionate share of the aggregate amount of earnings (losses) recorded by each underlying investment, which was approximately \$(6,633,561) for the year ended December 31, 2007. This amount includes the Partnership's share of interest and dividend income, and realized and unrealized gains and losses on securities held by the underlying investment vehicles, net of operating expenses and fees. The

## Founding Partners Stable-Value Fund, L.P.

### Notes to Financial Statements (continued)

#### 2. Significant Accounting Policies (continued)

Partnership's risk of loss for each investment in a limited partnership or limited liability company is limited to its initial investment.

In March 2005, the Partnership invested \$5,000,000 into an unaffiliated limited partnership fund that primarily provided financing to what was understood to have been an independent inventory brokering finance company that used the proceeds to purchase, at a discount, consumer electronics merchandise, such as television sets, that would then be resold to large discount retailers. In October 2008, the Partnership learned that the brokering finance company's CEO and several of its employees had been arrested and charged with fraud, among other things. Related news stories, as well as certain law enforcement documents, allege that a significant portion of the brokering finance company's purchases and sales of merchandise were fictitious. It is not clear what part, if any, of the original collateral value remains available to those lenders to the brokering finance company. In addition, the fund filed for bankruptcy protection in October 2008. In compliance with Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies*, as it is probable that the investment was impaired as of the date of these financial statements, and that the Partnership has reasonably estimated that the amount of the loss may likely be its total investment in the unaffiliated partnership, the fair value of the investment has been fully written down, of approximately \$6.9 million effective December 31, 2007. Any collateral recovered and distributed will be included in the earnings to the partners in the Partnership at the time received.

In February 2006, the Partnership invested \$1,000,000 in a private limited liability company ("LLC") that makes mezzanine and bridge loans to real estate developers. In 2007, the Partnership recorded cash distributions received of \$110,000. As a result of the impact of the sub-prime and credit environment and the decrease in collateral values for the investment, the fair market value of the asset was decreased to \$539,588, as estimated by the LLC, which represents 0.15% of partner's capital as of December 31, 2007. The Partnership submitted a request for full redemption of its investment in the LLC for December 31, 2007, but has been advised by the LLC that there was a high probability the redemption would not occur before 2009 due to a lack of liquidity.

#### Fair Value of Financial Instruments

The fair value of the Partnership's assets and liabilities that qualify as financial instruments under Statement of Financial Accounting Standards No. 107, *Disclosures about Fair Value of Financial Instruments* (FAS 107), approximates the carrying amounts presented in the statement of financial condition.



Founding Partners Stable-Value Fund, L.P.

Notes to Financial Statements (continued)

**2. Significant Accounting Policies (continued)**

**Recent Accounting Pronouncements**

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157). This standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Partnership does not believe the adoption of FAS 157 effective January 1, 2008, will impact the amounts reported in the financial statements; however, additional disclosures will be required about the inputs used to develop the measurements of fair value and the effect of certain of the measurements reported in the statement of operations for a fiscal period.

On July 13, 2006, the FASB released FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Partnership's tax returns to determine whether the tax positions are "more likely than not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the more likely than not threshold would be recorded as a tax benefit or expense in the current year. Adoption of FIN 48 as amended is required for fiscal years beginning after December 15, 2007 for pass-through entities such as partnerships and is to be applied to all open tax years as of the effective date. In October 2008, the FASB proposed a deferral for one year for pass-through entities such as the Partnership. This proposal is currently under pending review by the FASB. At this time, management is evaluating the implications of FIN 48 and its impact in the financial statements has not yet been determined.

## Founding Partners Stable-Value Fund, L.P.

### Notes to Financial Statements (continued)

#### 2. Significant Accounting Policies (continued)

##### Interest and Dividends

Interest income is recorded as earned on the accrual basis, and dividends are recorded on the ex-dividend date.

##### Income Taxes

Partnerships are not taxable entities. Federal and state income tax statutes require that the income or loss of a partnership be included in the tax returns of the individual partners.

#### 3. Indemnification

The Partnership enters into contracts that contain a variety of indemnifications. The Partnership's maximum exposure under these arrangements is unknown. However, the Partnership has not had prior claims or losses pursuant to these contracts, and the General Partner expects the risk of loss to be remote.

#### 4. Capital Contributions and Redemptions

Capital contributions may be made on the first day of each month and withdrawals may be made, with 60 days' prior written notice to the General Partner as specified in the Agreement, on the last business day of each calendar quarter. Pursuant to the terms of the Agreement, a limited partner may not withdraw any portion of its capital during the first year of its investment. In addition, the Agreement permits the General Partner to suspend payment of redemption requests under certain circumstances, including but not limited to, insufficient liquidity.

#### 5. Allocation of Partnership Profit and Losses

Partnership profits and losses are allocated in proportion to the individual partner's capital account as of the beginning of each monthly accounting period as defined in the Agreement.

#### 6. Related Party Transactions

As provided in the Agreement, the General Partner provides investment management services to the Partnership and pays substantially all of the Partnership's expenses. In consideration for these services, the General Partner receives a management fee based on an annual rate of 1.75% of each respective partner's capital account at the first day of each month. Pursuant to the Agreement, management fees have been waived for certain related parties.

## Founding Partners Stable-Value Fund, L.P.

### Notes to Financial Statements (continued)

#### 6. Related Party Transactions (continued)

Founding Partners Global Fund Class B, a related party, pays a management fee of 1.75% plus an additional administrative fee of 0.25%. Total management fee expense was \$5,736,405 for the year ended December 31, 2007.

The Partnership pays a royalty fee to Founding Partners Capital (Bermuda) Limited, formerly Stewards & Partners Limited (the "Company"), a related party and privately held company in Bermuda, for developing the investment product of funding receivables. The royalty fee was charged each month at an annualized rate of 0.75% of capital invested in the receivables investment strategy during 2007, and at an annualized rate of 0.50% of capital investment in the receivables investment strategy effective January 1, 2008. Royalty fees totaled \$ 2,054,458 for the year ended December 31, 2007. William L. Gunlicks, the President and CEO of the Partnership's General Partner, serves, without compensation, as Chairman of the Company. The General Partner is also a 42.2% shareholder in the Company.

Founding Partners Hybrid-Value Fund, L.P. ("Hybrid-Value Fund") and Founding Partners Stable-Value Fund II, L.P., related parties with the same General Partner, Founding Partners Capital Management Company, invest in the Partnership. At December 31, 2007, Founding Partners Hybrid-Value Fund had an investment of \$3,123,647 in the Partnership, or 0.85% of the Partnership's capital, and Founding Partners Stable-Value Fund II, L.P. had an investment of \$30,308,268, or 8.26% of the Partnership's capital. Founding Partners Global Fund, Class A and Founding Partners Global Fund, Class B, related parties whose investment manager is the Partnership's General Partner, also invest in the Partnership. At December 31, 2007, the Founding Partners Global Fund, Class A and Class B had investments of \$637,364 and \$137,758,390, or 0.17% and 37.52% of the Partnership's capital, respectively.

The Hybrid-Value Fund has a one-third passive ownership interest in SSR Capital Partners, L.P., ("SSR"), who in turn has assets under management invested in the Partnership of \$39,040,754 as of December 31, 2007 or 10.63% of the Partnership's capital. SSR pays an annual dividend from its operating profits to the Hybrid-Value Fund, which could include income earned from their management of assets currently and in the future invested in the Partnership and other Partnership related parties. The dividends paid to the Hybrid-Value Fund from SSR in 2007 were \$250,000.

## Founding Partners Stable-Value Fund, L.P.

### Notes to Financial Statements (continued)

#### 7. Financial Highlights

Financial highlights for the year ended December 31, 2007, are as follows:

Total return <sup>1</sup>	11.44%
Ratios to average limited partners' capital <sup>2</sup> :	
Expenses	(2.63)%
Net investment income	13.23%

<sup>1</sup> Calculated for a limited partner's account taken as a whole. Individual partner's returns could be different depending on the timing of capital transactions made during the period and fees charged to a typical partner as compared to fees charged to employees and affiliates of the General Partner.

<sup>2</sup> Average limited partners' capital has been computed based on monthly valuations. The computation of the ratios is based on the timing of capital transactions and the amount of fees and expenses assessed on an individual partner's account.

#### 8. Settlement with the SEC

On December 16, 2003, the Partnership's general partner, Founding Partners Capital Management Company, received a letter from the Staff of the Securities and Exchange Commission (the "SEC"), stating that they intended to recommend that the SEC take legal action against William L. Gunkles ("Gunkles") and against the General Partner for alleged violations of federal securities laws. This letter, which is commonly referred to as a "Wells Notice," summarized a number of allegations.

The General Partner and the SEC Staff discussed a number of issues, but conversations with the Staff focused on certain investments made in Sovereign Assurance Company, Limited ("Sovereign Assurance") and the relationships involving the Company. The Hybrid-Value Fund and Class A Shares of Founding Partners Global Fund, Ltd. (the "Global Fund") invested in Sovereign Assurance in July 1999, which at the time was not affiliated with the General Partner, the Hybrid Fund, or the Global Fund. The investment consisted of promissory notes with stock equity participation, and was made so that Sovereign Assurance could complete the development of a new investment program. When it became clear that Sovereign Assurance could not repay certain amounts due under the promissory notes, the Company, a new entity majority-owned by the Hybrid Fund and Global Fund, agreed to assume Sovereign Assurance's obligations to repay under the promissory note. The Company was also partially owned (19%) by the General Partner.

Founding Partners Stable-Value Fund, L.P.

Notes to Financial Statements (continued)

**8. Settlement with the SEC (continued)**

After a substantial amount of time, the Company completed the development of Sovereign Assurance's investment program and licensed it to the Partnership in exchange for an annualized royalty fee of 1% of capital invested in the receivables strategy as discussed in Note 6. As of December 1, 2004, the royalty fee was reduced from 1% to 0.75%, and as of January 1, 2008 the royalty fee has been reduced to 0.50%. The Partnership has been paying the royalty fee to the Company since early 2001.

Founding Partners Capital Management Company ("Founding Partners") resolved the SEC investigation by entering into an administrative settlement with the SEC on December 3, 2007. The order found, among other things, that Founding Partners, in connection with its operation of two hedge funds, Founding Partners Hybrid-Value Fund, L.P. and Founding Partners Stable-Value Fund, L.P. (the "Funds") made investments for the hedge funds and engaged in transactions with entities under the common control of Founding Partners that were not consistent with the Funds' offering memoranda. The order also found that Founding Partners caused the Stable-Value Fund to pay an undisclosed fee from March 2001 through May 2002 to an off-shore entity and that Founding Partners has a pecuniary interest in the fee through its ownership interest in the off-shore entity. As a result of the conduct described above, the SEC found that Founding Partners willfully violated Section 17(a) (2) of the Securities Act of 1933 and that Gunlicks caused the Founding Partners violation. Pursuant to the administrative settlement, Founding Partners was censured, and Founding Partners and its President and Chief Executive Officer were ordered to cease-and-desist from future violations of Section 17(a) (2) of the Securities Act of 1933. In addition, Founding Partners paid \$182,244 in disgorgement and prejudgment interest and a civil penalty of \$100,000 on December 27, 2007. Founding Partners believes it has complied with the cease-and-desist order.

## Tab 6

FLinding Partners Stable-Value Fund, ( )

Balance Sheet - Internal

As of December 31, 2008

Cost Basis

AFTER AFE FOR  
12/31/08 GLOBAL FUNDS  
10-K/100-R/104 DISCLOSURE

Dec 31, 08

ASSETS

Current Assets

Checking/Savings

Harris Bank

Investments

1,926,359.20

1,306,178.10

Total Checking/Savings

3,232,537.30

Other Current Assets

Exchange Account

-1,000,000.00

Miscellaneous Receivables

18,400.00

Loan Receivable-Sun Cap Healthc

Principal Receivable - Sun Cap

514,969,670.57

Interest on Health Receivables

6,782,928.94

Total Loan Receivable-Sun Cap Healthc

521,752,599.51

Loan Receivable-Sun Cap Inc

Principal-Commercial Receivable

18,509,647.32

Promissory Note Principal

75,000.00

Interest Rec

248,459.68

Total Loan Receivable-Sun Cap Inc

18,833,107.00

Mortgage Rec. SCHC/Prom/LHA Acq

4,625,000.00

SCHC/Prom Principal re LHA Acq

57,096.23

SCHC/Promise/LHA Interest Rec

Total Mortgage Rec. SCHC/Prom/LHA ...

4,682,096.23

Mortgage Rec/HLP Prop Bridge Ln

HLP Principal Loan

4,976,000.00

Interest Receivable - HLP Prop

72,843.11

Total Mortgage Rec/HLP Prop Bridge Ln

5,048,843.11

GF CI B Assignments

-189,767,042.71

GF CIA Assignments

-737,030.20

Total Other Current Assets

358,830,972.94

Total Current Assets

362,063,510.24

Other Assets

Organization Costs

Costs - Organization

55,657.50

Amortization

-55,657.50

Total Organization Costs

0.00

Total Other Assets

0.00

TOTAL ASSETS

362,063,510.24

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Other Current Liabilities

Accrued Expenses

422,276.64

Management Fees Payable

-34,446.23

Royalties Payable

1,075,623.58

Liability for Partner redemption

358,321.26

Advance Subscriptions

-135,713.00

Founding Partners Stable-Value Fund, L.P.

Balance Sheet - Internal

As of December 31, 2008

~~Consolidated~~

	Dec 31, 08
Total Other Current Liabilities	1,686,062.25
Total Current Liabilities	1,686,062.25
Long Term Liabilities	
Participations in Loans purchas	
Interest payable	148,869.87
Total Participations in Loans purchas	148,869.87
Total Long Term Liabilities	148,869.87
Total Liabilities	1,834,932.12
Equity	
Partners Contributions	173,204,275.37
Retained Earnings	131,724,202.54
Net Income	55,300,100.21
Total Equity	360,228,578.12
TOTAL LIABILITIES & EQUITY	362,063,510.24



Founding Partners Stable-Value Fund, L.P.  
Profit & Loss YTD Comparison - Internal Doc  
December 2008

Accrual Basis

	<u>Dec 08</u>	<u>Jan - Dec 08</u>
Income		
Gains on Investments	0.00	-7,299,708.89
Interest Income - Bank & Misc	2,346.37	269,073.37
Interest Income - Sun Capital	7,161,327.96	73,496,951.19
GF CIB Interest Inc collected	-151,232.88	-485,041.10
Service Fee Income	2,363.01	7,578.77
Total Income	<u>7,014,804.46</u>	<u>65,988,853.34</u>
Expense		
Accounting	105,162.00	588,381.00
Advisory Fees	673.14	54,445.40
Bank Service Charges	464.28	7,086.16
Compliance Professional Fees	0.00	87,448.83
Legal Fees	311,820.43	578,767.07
Management Fees Expense	542,685.92	7,061,868.48
Miscellaneous expenses	5,077.57	5,077.57
Royalties Expense	222,283.05	2,304,175.87
Taxes/Regulatory Expenses	0.00	1,502.75
Total Expense	<u>1,188,166.39</u>	<u>10,688,753.13</u>
Net Income	<u>5,826,638.07</u>	<u>55,300,100.21</u>

## Tab 7

01/23/09

Founding Partners Capital Management Company  
Income Statement - Accrual Basis  
January through December 2008

	<u>Jan - Dec 08</u>
Ordinary Income/Expense	
Income	
Management Fees	
HVF Mgmt Fees Income	245,211.53
SVF II Mgmt Fee Income	1,370,824.58
SVF Mgmt Fee Income	7,150,904.10
Total Management Fees	<u>8,766,940.21</u>
Total Income	8,766,940.21
Expense	
Advertising-Yellow Page Listing	528.00
Bank Service Charges	503.00
Charitable Donations	5,025.00
Continuing Education	1,216.62
Dues and Subscriptions	6,757.18
Insurance	394.21
Leased Equipment	7,012.30
Licenses and Registrations	1,843.75
Maintenance & Repairs	2,823.93
Office Supplies & Expenses	47,928.35
Payroll Expenses	
401K Contribution	29,607.76
Health Insurance	15,338.55
Payroll Expenses - Other	408,953.88
Total Payroll Expenses	<u>453,900.19</u>
Postage and Delivery	9,293.15
Printing and Reproduction	2,851.43
Professional Fees	
Accounting	131,796.74
Consulting services	219,605.95
Legal Fees	81,981.79
Total Professional Fees	<u>433,384.48</u>
Referral Fees	97,852.00
Rent - Office	123,841.62
Storage	1,479.76
Taxes - County Business	278.06
Travel & Ent	
Auto Fuel	73.63
Cabs & Limo Svcs	7,482.61
Parking	74.50
Hotels	25,055.71
Entertainment, Meals - w/travel	9,893.63
Meals Ent Local	6,986.69
Meetings, Seminars	8,363.00
Travel	61,419.05
Total Travel & Ent	<u>119,348.82</u>

01/23/09

Founding Partners Capital Management Company  
Income Statement - Accrual Basis  
January through December 2008

	<u>Jan - Dec 08</u>
Utilities	
Telephone	22,085.71
Cable & Satellite	27,708.30
Electric	2,610.03
Total Utilities	<u>52,404.04</u>
Website Hosting	1,935.00
Total Expense	<u>1,370,600.89</u>
Net Ordinary Income	7,396,339.32
Other Income/Expense	
Other Income	
Investment Income	
Investment Value Change - SVF	64,030.25
Investment Value Change SVF II	30,773.92
Investment Value Change -Eq.Fd	3,784.16
Total Investment Income	<u>98,588.33</u>
Total Other Income	<u>98,588.33</u>
Net Other Income	<u>98,588.33</u>
Net Income	<u><u>7,494,927.65</u></u>