

## SUMMARIZING LETTER

To: Cash Flow Financial, LLC Investors

Re: *Commodity Futures Trading Commission v Alan J. Watson, et al.*  
United States District Court, Eastern District of Michigan, Southern Division  
Case No. 11-10949

### TO INVESTORS IN THE CASH FLOW FINANCIAL, LLC RECEIVERSHIP CONCERNING THE “PROPOSED INVESTOR CLAIMS PROCEDURE” FOR DISTRIBUTIONS FROM THE RECEIVERSHIP ESTATE

***You are encouraged to carefully study this summary and accompanying documents for details concerning the Proposed Investor Claims Procedure and your right to object to the Proposed Investor Claims Procedure, and to consult with your own attorney or other advisors concerning your rights and obligations thereunder.***

On April 5, 2013, Court-appointed Receiver, Phillip S. Stenger (the “Receiver”) filed his *Revised Motion and Memorandum Requesting Approval of the Investor Claims Procedure (“Claims Procedure Motion”)* requesting approval of the *Proposed Investor Claims Procedure*, along with his *Motion to Establish Procedure for Notice and Opportunity to Object to Proposed Investor Claims Procedure (“Objection Procedure Motion”)* with the United States District Court of the Eastern District of Michigan, Southern Division (the “Court”). On June 12, 2013, the Court entered an *Order Approving Objection Procedure (“Objection Procedure Order”)* which set an Objection Bar Date of **July 26, 2013**.

The purpose of this summary is to notify investors and interested parties of their right to express their views, including objections, to the Proposed Investor Claims Procedure recommended for adoption. **To be considered by the Court, any objections must be sent in writing to the Clerk of the United States District Court for the Eastern District of Michigan, Southern Division (“Court Clerk”), 231 West Lafayette Blvd, Room 564, Detroit, Michigan 48226, with a copy to the Receiver, c/o Stenger & Stenger, P.C. 2618 East Paris Ave, SE, Grand Rapids, Michigan 48546 or by e-mail at [cffreceiver@stengerlaw.com](mailto:cffreceiver@stengerlaw.com). All objections must be received by both the Court Clerk and the Receiver on or before the Objection Bar Date of July 26, 2013. Objections which are not properly and timely made are waived.**

The following is a summary of the provisions of the Proposed Investor Claims Procedure. The Proposed Investor Claims Procedure, Claims Procedure Motion, and the accompanying exhibits are also available from the Court Clerk, Eastern District of Michigan, 231 West Lafayette Blvd, Room 564, Detroit, Michigan 48226 or by accessing the Receiver’s website at [www.cffreceiver.com](http://www.cffreceiver.com). Again, you are encouraged to carefully study the Proposed Investor Claims Procedure and to consult with your own advisors regarding your rights and obligations under the Proposed Investor Claims Procedure.

#### **SUMMARY OF PROPOSED INVESTOR CLAIMS PROCEDURE**

- (1) **Mailing to Known Investors.** Within thirty (30) days following the Court’s entry of the Claims Procedure Adoption Order, the Receiver shall mail or cause to be

mailed the Claims Packet to all Investors known to the Receiver by United States First Class Mail. The Claims Packet includes: (i) a Statement of Claim Form which sets forth each Investor's Adjusted Net Investment Claim ("ANIC"); (ii) the Investor Claims Procedure; and (iii) a copy of this Summarizing Letter. Any purported Claimant who does not receive a Claims Packet may request one by contacting the Receiver, Phillip S. Stenger, at Stenger & Stenger, PC, 2618 East Paris Ave SE, Grand Rapids, MI 49546, (877) 512-2483, (800) 429-5805 (fax), [cffreceiver@stengerlaw.com](mailto:cffreceiver@stengerlaw.com) (email).

(2) **Publication and Posting on Website.** Within ten (10) days following the entry of the Claims Procedure Adoption Order, the Receiver shall post a copy of the Investor Claims Procedure and the Claims Procedure Adoption Order, including all Exhibits, on the Receiver's website, [www.cffreceiver.com](http://www.cffreceiver.com), and shall publish a copy of the Claims Procedure Notice once in the national edition of *USA Today* or *The Wall Street Journal*. The Receiver shall also promptly provide a Claims Packet to any requesting Investor.

(3) **Agreeing Investors.** Investors who agree with the Receiver's calculation of their ANIC, as set forth in the Statement of Claim Form, must sign, complete and return their Statement of Claim Form on or before the Claims Bar Date, to be determined by the Court, indicating therein that they agree with the ANIC as determined by the Receiver in order to preserve their claim. All Investors must also provide the Receiver with updated contact or address information, if necessary, with their Statement of Claim Form. Unless waived by the Receiver in his sole discretion for good cause shown, any agreeing Investor that does not file a properly completed and signed Statement of Claim Form with the Receiver on or before the Claims Bar Date shall be forever barred from participating in the Receivership. Investors shall bear the burden of ensuring that their Statement of Claim Form and accompanying documentation have been properly and timely received by the Receiver as evidenced by a letter of confirmation from the Receiver.

(4) **Disagreeing Investors.** On or before the Claims Bar Date, to be determined by the Court, any Investor who disagrees with the ANIC as set forth in the Statement of Claim Form must file with the Receiver a properly completed Statement of Claim Form reflecting such Investor's disagreement with the ANIC together with the Investor's claimed ANIC amount and all supporting documentation in order to preserve their claim. Unless waived by the Receiver in his sole discretion for good cause shown, any disagreeing Investor or purported Investor that does not file a properly completed and documented Statement of Claim Form with the Receiver on or before the Claims Bar Date shall be forever barred from disputing the ANIC shown on the Statement of Claim Form. Investors shall bear the burden of ensuring that their Statement of Claim Form and accompanying documentation have been properly and timely received by the Receiver as evidenced by a letter of confirmation from the Receiver.

(5) **Review of Requests for Redetermination.** An Investor's return of a disagreeing Statement of Claim Form by the Claims Bar Date will be treated as a Request for Redetermination of the ANIC. The Receiver will review each Request for Redetermination and accompanying documentation to determine the validity of such Request. The Receiver will then mail by United States First Class Mail a Final Determination Notice to each Investor Claimant filing a Request for Redetermination setting forth the Receiver's conclusions concerning such Request for Redetermination.

The Receiver will also have the right to refer the Request for Redetermination of any Investor Claimant to the Court for final adjudication.

(6) **Right to Request Adjudication.** Any Investor Claimant dissatisfied with the Receiver's Final Determination Notice may request adjudication of their Request for Redetermination from the Court by filing a Request for Adjudication with the Receiver and the Court within the timeframe as set forth in the Investor Claims Procedure. A failure to timely request adjudication will waive the Investor Claimant's right to object to the Final Determination Notice.

(7) **Resolution by Magistrate Judge.** If an Investor Claimant files a Request for Adjudication or the Receiver requests that a claim be referred to the Court, the matter will be referred to a Magistrate Judge. The Magistrate Judge may make a final determination based upon the written submissions or may set the matter for hearing. The Investor Claimant shall have the burden of proof in any adjudication.

(8) **Validity.** No Investor or Investor Claimant who has failed to timely file an appropriate Request for Redetermination or Request for Adjudication shall be permitted to object to the barring or treatment of their Investor Claim on the basis that the Receiver failed to properly mail, or that the Investor failed to receive, a Claims Packet or Final Determination Notice, or that such documents were not properly recorded as received by the Receiver or the Court Clerk. The burden of notifying the Receiver of an Investor's current address and other contact information shall be upon the Investor.

(9) **Excluded Party(ies).** ECMs and Marketers who received in excess of \$5,000 in compensation for the sale of CFF investments are excluded from receiving any distribution and those who received less than \$5,000 in compensation for the sale of CFF investments will have their ANIC and distribution reduced by 50%.

### **Definitions**

- A. **"ANIC"** (Adjusted Net Investor Claim) is the total amount of investment made in CFF by an Investor, less all payments received, whether as principal, interest, commissions, loans, etc. from whatever source derived, including but not limited to, CFF, Watson, Potts, ECMs, other marketers, Trade, LLC, etc. Investors who have zero or negative ANICs will not be entitled to participate in a distribution. In calculating ANICs for Investors with multiple investments, the Receiver shall net positive and negative ANICs to arrive at one combined ANIC for each investor.
- B. **"CFTC Action"** shall mean *Commodity Futures Trading Commission v. Alan James Watson, Michael Potts, and Cash Flow Financial, LLC*, United States District Court, Eastern District of Michigan, Southern Division, Case No.: 11-cv-10949-LPZ-MKM.
- C. **"Claims Bar Date"** is the date by which an Investor must file a properly completed Statement of Claim Form with the Receiver in order to have a claim in the estate. Any claims filed after this date shall be barred, except for good cause shown at the discretion of the Receiver. The Claims Bar Date is ninety (90) days after entry of the Claims Procedure Adoption Order.

- D. ***“Claims Procedure Adoption Order”*** is the Court’s Order adopting the Investor Claims Procedure and providing for implementation thereof.
- E. ***“Court”*** is the United States District Court for the Eastern District of Michigan, Southern Division, 526 Water Street, Port Huron, MI 48060.
- F. ***“Court Clerk”*** is the United States District Court for the Eastern District of Michigan, Southern Division, 231 West Lafayette Blvd, Room 564, Detroit, MI 48226.
- G. ***“ECM”*** shall mean Executive Club Member or any other marketer of CFF who marketed or promoted CFF for reward, either individually, or through an entity in which the individual has or had a financial interest.
- H. ***“Excluded Party(ies)”*** shall mean Watson, Potts, ECMs, Marketers and the Jedburgh Group, but does not include an Insubstantial Marketer.
- I. ***“Final Determination Notice”*** is the notice sent by the Receiver stating the Receiver’s final determination concerning an Investor Claimant’s Request for Redetermination.
- J. ***“Insubstantial Marketers”*** shall mean an ECM or other Marketer who received less than \$5,000 in marketing compensation from CFF, Watson, Potts and/or another ECM or other Marketer. The Insubstantial Marketer’s ANIC, as finally determined, shall be reduced by 50% for purposes of calculating their share of the distribution from the estate.
- K. ***“Investor”*** is a natural person or entity that invested in Cash Flow Financial, LLC.
- L. ***“Investor Claimant”*** is an Investor or purported Investor that has timely filed an appropriate Statement of Claim Form as prescribed in the Investor Claims Procedure.
- M. ***“Investor Claims Procedure”*** is the procedure established by the Court through which Investors and purported Investors may file claims with the Receiver for distributions from the estate and secure a determination of same.
- N. ***“Marketer”*** is an individual who marketed or promoted CFF for reward or otherwise received compensation for the sale of CFF investments, either individually, or through an entity in which the individual has or had a financial interest.
- O. ***“Request for Adjudication”*** is an Investor Claimant’s request to the Court Clerk asking for an adjudication of the Receiver’s Final Determination.
- P. ***“Request for Redetermination”*** shall mean a disagreeing Investor’s return of the Statement of Claim Form together with any necessary supporting documentation, requesting that the Receiver re-determine the Investor’s ANIC.
- Q. ***“Statement of Claim Form”*** is the statement initially prepared by the Receiver calculating the Investor’s ANIC.