

RODNEY E. MOTON
Attorney & Counselor at Law
1776 Yorktown Street, Suite #325
Houston, Texas 77056
(713) 592-9220 Telephone
(713) 583-9225 Facsimile

/s/ Rodney E. Moton

Rodney E. Moton
State Bar 24001432
Attorney for the Plaintiffs

DECLARATION OF REX
RECTOR

**IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

vs.

**W FINANCIAL GROUP, LLC,
ADLEY H. ABDULWAHAB a/k/a Adley Wahab,
MICHAEL K. WALLENS, SR., and
MICHAEL K. WALLENS, JR.**

Defendants,

Civil Action No.
3:08-CV-0499-N

DECLARATION OF WILLIAM REX RECTOR

I, William Rex Rector do hereby declare under penalty of perjury, in accordance with 28 U.S.C. §1746, that the following is true and correct and that I am competent to testify as to the matters stated herein:

1. I am over 21 years of age. I am employed by the United States Securities and Exchange Commission ("Commission") as a Staff Accountant and have been so employed since August 2000. Prior to joining the Commission, from June 1990 to August 2000, I was employed by the United States Attorney's Office in the Northern District of Texas as an Investigative Auditor. I am licensed as a Certified Public Accountant in the State of Texas, Certificate No. 018350.

2. As a Staff Accountant with the Commission, my responsibilities include, among other things, the analysis of financial records of corporations, partnerships, and individuals. This process involves the tracing of financial transactions to determine their origin and disposition, the summarization of such information on various schedules and testifying about such at hearings, trials or other legal proceedings.

3. I became involved in the Commission investigation of W Financial Group, LLC ("WFG"), on or about August 2, 2007. I was asked to analyze two bank accounts used by the defendants in connection with their sale of securities, which were characterized as Secured Debt Obligations ("SDOs"). The SDO's purportedly were secured by automobile financing notes, "reinsured" by two major insurance companies and paid interest from 7% to 9% APR for 2 to 4 year terms; investors could elect to receive or reinvest the monthly interest payments.

4. The two accounts analyzed were: Wells Fargo Bank, N.A., account number 3725317113, in the name of W Financial Group, LLC, for the period September 2006 through December 2007 and Wells Fargo Bank, N.A., account number 3725317550 in the name of W Financial Group, LLC dba W Custom Builders, for the period of February through December 2007. My summary of the bank accounts analyzed is attached as Exhibit A.

5. Exhibit A is a "source and use of funds" statement. It summarizes, for the two bank accounts and for the time periods noted above, the initial balances in the accounts, all deposits and credits to the accounts (the "sources"), all withdrawals and debits to the accounts (the "uses) and the ending balances in the accounts. In summarizing this data, I classified the transactions into categories I believe are meaningful in relation to the nature of the defendant's activities. These classifications are based on the nature of the payer or payee, additional information recorded in the bank account detail, such as the memo section of the checks, and general knowledge obtained by me from participating in this investigation. This summary measures cash flows only; it makes no determination as to total revenues realized (other than interest income), expenses incurred, net profit earned or net loss sustained by WFG during the period analyzed.

CONCLUSIONS AS TO FUNDS RAISED AND USE OF PROCEEDS

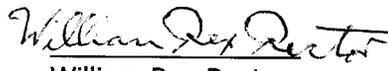
6. My conclusions regarding the amount of funds obtained from investors and the use of those funds follows. These amounts are approximate and are more exactly stated in Exhibit A.

The WFG accounts had net sources and net uses of funds totaling approximately \$18.9 million. The largest source of funds was \$17.4 million in investor deposits. The only other significant sources of funds were transfers from related accounts and entities; however, most of these transfers were offset by greater transfers back to the same accounts. Approximately \$1 million was transferred from at least two unidentified related accounts (see Schedule A to Exhibit A) and \$281 thousand (net) was transferred from A&O Life Funds, LP. Additionally, \$144 thousand of interest income was earned in the accounts.

WFG's uses of funds included \$3.6 million in investor refunds and interest payments, \$3.4 million to operate NPC and buy power, \$2.8 million in land purchases (Schedule B to Exhibit A) and \$1.4 million (net) to fund Auto Ace Enterprises. \$1.7 million was used to purchase a cashier's check made out to "Lubna, Misba, Shahed and Zahed Lateef"; however, the check was instead diverted to the CA Houston Investment Center, LLC account, which is controlled by Adley Abdulwahab. WFG transferred \$937 thousand to W Custom Builders to operate that business, \$582 thousand to several unidentified related accounts (Schedule A to Exhibit A) and made a business loan for which \$228 thousand was never repaid. WFG paid \$923 thousand to sales agents, \$150 thousand each to Michael Wallens, Jr., Michael Wallens, Sr. and Adley Abdulwahab and \$350 thousand to purchase a life settlement contract. WFG spent another \$801 thousand for purposes which have not been identified. The total balance for both of these accounts at December 31, 2007 was \$1.7 million.

Based on the above analysis, it appears that WFG did not have sufficient cash flows from other than investor deposits to support the \$3.6 million paid out to investors during the period.

Executed this 4th day of June, 2008.


William Rex Rector

W FINANCIAL GROUP LLC
CONSOLIDATED SOURCE AND USE OF FUNDS
WELLS FARGO BANK ACCOUNTS 3725317113 AND 3725317550
SEP 2006 - DEC 2007

	W FINANCIAL GRP WELLS FARGO BANK ACCT. NO. 3725317113 SEP 06 - DEC 07	W CUSTOM BUILDERS WELLS FARGO BANK ACCT. NO. 3725317550 FEB 07 - DEC 07	CONSOLIDATED
SOURCES OF FUNDS:			
BEGINNING BALANCE	-	-	-
INVESTOR DEPOSITS	17,434,582		17,434,582
CA HOUSTON INVESTMENT CENTER, LLC		3,000	3,000
MATCHED TRANSFERS IN (FROM W FINANCIAL GROUP)	(1) 1,009,511	937,382	(A) 1,009,511
UNMATCHED TRANSFERS IN			
OTHER TRANSFERS IN:			
NATIONAL POWER CO.	17,708,200		17,708,200
ADLEY ABDULWAHAB LOAN REPAYMENT	301,296		301,296
AUTO ACE ENTERPRISES, INC DBA TEXAS AUTO PROS	485,249		485,249
A&O LIFE FUNDS LP (NET IN 281,096)	2,281,096		2,281,096
PAUL CLEMENTS BRIDGE LOAN REPAYMENTS (NET IN 17,721)	262,721		262,721
CB TAX FRANCHISE SYSTEM BRIDGE LOAN REPAYMENTS	22,229		22,229
BANK INTEREST INCOME	144,087		144,087
UNKNOWN/UNCLASSIFIED DEPOSITS	106	14,309	14,415
TOTAL SOURCES OF FUNDS (NET SOURCES 18,901,412)	39,649,077	954,691	39,666,386
USES OF FUNDS:			
INVESTOR REFUNDS	3,080,139		3,080,139
INVESTOR INTEREST PAYMENTS	556,478		556,478
MATCHED TRANSFERS OUT	(1) 937,382		
UNMATCHED TRANSFERS OUT	582,000		(A) 582,000
NATIONAL POWER CO. OPERATIONS AND ENERGY PURCHASES:			
NATIONAL POWER CO. (NET OUT 176,040)	17,884,240		17,884,240
TEXAS UTILITY SOLUTIONS	1,026,720		1,026,720
CALPINE ENERGY SERVICES, LP	421,570		421,570
CORAL POWER, LLC	1,447,674		1,447,674
ERCOT	358,487		358,487
TOTAL RELATED TO NPC (NET EXPENDED 3,430,490)	21,138,690		21,138,690
CA HOUSTON INVESTMENT CENTER, LLC	(2) 1,701,250		1,701,250
AUTO ACE ENTERPRISES, INC DBA TEXAS AUTO PROS (NET OUT 1,403,805)	(3) 1,889,054		1,889,054
ALTERNATIVE INV. MKT. GROUP, LLC (LIFE SETTLEMENT)	350,000		350,000
A&O LIFE FUNDS LP	2,000,000		2,000,000
PAUL CLEMENTS BRIDGE LOAN	245,000		245,000
CB TAX FRANCHISE SYSTEM BRIDGE LOAN	250,000		250,000
MICHAEL WALLENS, SR.	150,000		150,000
MICHAEL WALLENS, JR.	150,000		150,000
ADLEY ABDULWAHAB (INCLUDES 300,000 LOAN)	450,000		450,000
COLONIAL FIRST FINANCIAL	857,500		857,500
MIDWEST INVESTMENT SERVICES LLC	48,660		48,660
OTHER COMMISSIONS	17,258		17,258
ORDINARY BUSINESS EXPENSES & VENDOR PAYMENTS	39,519	137	39,656
LEGAL FEES	41,709		41,709
LAND	2,783,436	6,330 (B)	2,789,766
BUILDING MATERIALS		261,311	261,311
BUILDING LABOR		109,432	109,432
BUILDING SUB CONTRACTORS		422,923	422,923
BUILDING - OTHER EXP		17,659	17,659
UNKNOWN/UNCLASSIFIED WITHDRAWALS	695,570	105,215	800,785
ENDING BALANCE	(4) 1,685,431	31,684	1,717,115
TOTAL USES OF FUNDS (NET USES 18,901,412)	39,649,077	954,691	39,666,386

NOTES:

- (1) TRANSFERS BETWEEN ACCOUNTS ELIMINATED IN CONSOLIDATION.
- (2) CASHIER'S CHECK MADE OUT TO LUBNA, MISBA, SHAHED & ZAHED LATEEF; HOWEVER, IT WAS DEPOSITED TO THE CA HOUSTON INVESTMENT CENTER ACCT.
- (3) INCLUDES 301,064 PAID TO MICHAEL WALLENS SR. ON 10/3/06 WHICH WAS FOR PURCHASE OF TEXAS AUTO PROS.
- (4) ENDING BALANCE WAS ADJUSTED BY 785,431 DUE TO SWEEP ACCOUNT EOM CUTOFF.

W FINANCIAL GROUP LLC
 WELLS FARGO BANK, N.A.
 UNMATCHED TRANSFERS

ID DATE C1 C2 C3 PDATE AMOUNT DESCRIPTION1 DESCRIPTION2 MEMO CONTRA COMMENTS

ACCT. NO. 3725317113

TRANSFERS FROM UNKNOWN ACCOUNTS:

1795	12/31/07	D	TRI 011B	12/13/07	4,250.98	ONLINE TRANSFER FROM BUSINESS CHECKING			XXXXXXXX7126
1635	11/30/07	D	TRI 011B	11/01/07	995,260.33	ONLINE TRANSFER FROM SAVINGS			XXXXXXXX0170
1501	09/30/07	W	TRO 011B	09/21/07	(370,000.00)	ONLINE TRANSFER #IBETXJF8HX TO BUSINESS CHECKING		EXCEEDS QB CUTTOFF	XXXXXXXX7073 OFFSETS ID=1417
1417	09/30/07	D	TRI 011B	09/21/07	370,000.00	ONLINE TRANSFER #IBETBTMCF FROM BUSINESS CHECKING		ERROR OF TRANSFER	XXXXXXXX7073 OFFSET BY ID=1501
290	12/31/06	D	TRI 011B	12/22/06	10,000.00	ONLINE TRANSFER #IBESXRVN3 FROM BUSINESS CKG PMT			
					<u>1,009,511.31</u>				

TRANSFERS TO UNKNOWN ACCOUNTS:

1432	09/30/07	W	TRO 111B	09/04/07	(50,000.00)	ONLINE TRANSFER #BEMJP2NTW TO BUSINESS CHECKING		EXCEEDS QB CUTTOFF	XXXXXXXX7016
1479	09/30/07	W	TRO 111B	09/10/07	(65,000.00)	ONLINE TRANSFER #BEMJPH4MJ TO BUSINESS CHECKING		EXCEEDS QB CUTTOFF	XXXXXXXX7016
1745	11/30/07	W	TRO 111B	11/13/07	(467,000.00)	ONLINE TRANSFER TO BUSINESS CHECKING		EXCEEDS QB CUTTOFF	XXXXXXXX7016
					<u>(582,000.00)</u>				

W FINANCIAL GROUP LLC
 WELLS FARGO BANK, N.A.
 LAND

ACCT NO	DATE	CD	NO	DATE	AMOUNT	DESCRIPTION	MEMO	RATES	BATES
3725317113	09/30/07	CK	5190	09/17/07	(190.00)	COUNTY CLERK	RECORDING DEEDS	002472	002498
3725317113	12/31/06	CC	672801249	12/26/06	(380,000.00)	MAGEDA ABDULWAHAB		000593	001224.5, WFG_CD 000001
3725317113	11/30/06	CC	672803170	11/29/06	(75,631.61)	CHARTER TITLE	LAND	000588	001221.20
3725317113	11/30/06	CC	672803169	11/29/06	(80,980.13)	CHARTER TITLE		000588	001221.19
3725317113	11/30/06	CC	672803168	11/29/06	(84,384.81)	CHARTER TITLE		000588	001221.18
3725317113	11/30/06	CC	681922801-3	11/10/06	(1,500.00)	CHARTER TITLE		000587	001212-5
3725317113	11/30/06	DR		11/08/06	(1,400,739.70)	AMERICAN TITLE COMPANY	3 \$500 CC'S PAYABLE TO: CHARTER TITLE	000587	WFG_CD 000001
3725317113	11/30/06	TRO		11/08/06	(600,000.00)	ONLINE TRANSFER	7 LOTS - LGLAND LLC - BENDERS LANDING	000587	WFG_CD 000001
3725317550	03/31/07	CK	1001	03/06/07	(4,905.39)	AMERICAN TITLE	LAND PER QB	000583	001192.3
3725317550	04/30/07	CK	1028	04/19/07	(1,424.62)	BENDERS LANDING ESTATES POA, INC.	7 LOTS	000635	WFG-003036
					(2,789,766.26)	BENDERS LANDING ESTATES POA, INC.	4207 STARLING STREAM, 4202 BALSAM FIR	000638	WFG-003037