

**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 an enforcement 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's Enforcement Division, my responsibilities include among other things, the analysis of financial records of corporations, partnerships, and individuals. This process commonly 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 with the investigation of W Financial Group, LLC ("WFG") on or about August 2, 2007. In connection with this investigation, I was asked to analyze two bank accounts used by the defendants related to their sale of securities, which were characterized as Secured Debt Obligations ("SDOs"). Purportedly, the SDO's were secured by automobile financing notes and were "reinsured" by two major insurance companies. The notes were to pay interest varying 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 to this declaration.

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 and all deposits and credits to the accounts (the "sources"), and all withdrawals and debits to the accounts and their ending balances (the "uses"). 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, entries made to the defendant's books and records, 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. Attached to Exhibit A

are: Schedule A, the Disgorgement Calculation; Schedule B, Transfers From/To Unknown Accounts; and, Schedule C, Land Purchases.

6. Documentary evidence supporting this declaration include: (a) bank statements and supporting detail for 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; (b) additional supporting detail for the above bank accounts exported from QuickBooks data files for W Financial Group LLC and W Custom Builders; (c) Wells Fargo cashier's check number 680301994, in the amount of \$1,701,250, dated January 29, 2007; (d) Business Account Application for Wells Fargo Bank, N.A., account number 1150229506 in the name of CA Houston Investment Center, LLC; (e) W Financial Group, LLC Client List and Client Application and Servicing Agreements.

#### **CONCLUSIONS AS TO FUNDS RAISED AND USE OF PROCEEDS**

7. My conclusions regarding the amount of funds obtained from investors and the use of those funds is as 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 B 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 (see Schedule C 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 (see Schedule B to Exhibit A) and made a \$250 thousand business loan for which only \$22 thousand was ever 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 combined balance for both of these accounts at December 31, 2007 was \$1.7 million. Additionally, based on the above analysis, I have determined that WFG did not have sufficient cash flows from other than investor deposits to fund completely the \$3.6 million paid out to investors during the period.

#### **DISGORGEMENT AMOUNT AND PREJUDGMENT INTEREST**

8. My calculation of the disgorgement amount for W Financial Group, LLC is shown on the Disgorgement Calculation, which is Schedule A to Exhibit A. The disgorgement amount is \$13,797,966 and is based on the total investor deposits less total payments to investors, which are found on Exhibit A, the Source and Use of Funds, and referenced to Schedule A.

9. My calculation of prejudgment interest on the disgorgement amount is shown on the Prejudgment Interest Report, which is attached as Exhibit B to this declaration. The prejudgment interest is \$1,846,574; the prejudgment total is \$15,644,540. The calculation

utilizes a methodology, standardized throughout the Enforcement Division, which generally computes and compounds the interest quarterly, based on the quarterly IRS rates of interest charged on the underpayment of federal income taxes.

Executed this 13th day of January, 2009.

  
William Rex Rector

# **EXHIBIT A**

**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
	NOTE	SCHEDULE	
<b>SOURCES OF FUNDS:</b>			
BEGINNING BALANCE	-	-	-
INVESTOR DEPOSITS	17,434,582	(A)	17,434,582
CA HOUSTON INVESTMENT CENTER, LLC		3,000	3,000
MATCHED TRANSFERS IN (FROM W FINANCIAL GROUP)	(1)	937,382	
UNMATCHED TRANSFERS IN	1,009,511	(B)	1,009,511
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
<b>TOTAL SOURCES OF FUNDS (NET SOURCES 18,901,412)</b>	<b>39,649,077</b>	<b>954,691</b>	<b>39,666,386</b>
<b>USES OF FUNDS:</b>			
INVESTOR REFUNDS	3,080,139	(A)	3,080,139
INVESTOR INTEREST PAYMENTS	556,478	(A)	556,478
MATCHED TRANSFERS OUT	(1)		
UNMATCHED TRANSFERS OUT	582,000	(B)	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
<b>TOTAL RELATED TO NPC (NET EXPENDED 3,430,490)</b>	<b>21,138,690</b>		<b>21,138,690</b>
CA HOUSTON INVESTMENT CENTER, LLC	(2)		
AUTO ACE ENTERPRISES, INC DBA TEXAS AUTO PROS (NET OUT 1,403,805)	(3)		
ALTERNATIVE INV. MKT. GROUP, LLC (LIFE SETTLEMENT)			
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	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
<b>ENDING BALANCE</b>	<b>(4) 1,685,431</b>	<b>31,684</b>	<b>1,717,115</b>
<b>TOTAL USES OF FUNDS (NET USES 18,901,412)</b>	<b>39,649,077</b>	<b>954,691</b>	<b>39,666,386</b>

**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 301,054 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.

**SCHEDULES:**

- (A) DISGORGEMENT CALCULATION  
(B) TRANSFERS FROM/TO UNKNOWN ACCOUNTS  
(C) LAND PURCHASES

**DISGORGEMENT CALCULATION**

INVESTOR DEPOSITS	17,434,582
LESS:	
INVESTOR REFUNDS	(3,080,139)
INVESTOR INTEREST PAYMENTS	<u>(556,478)</u>
TOTAL DISGORGEMENT	<u><u>13,797,966</u></u>



W FINANCIAL GROUP LLC  
WELLS FARGO BANK, N.A.  
TRANSFERS FROM/TO UNKNOWN ACCOUNTS

ID	SDATE	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			
1635	11/30/07	D	TRI	011B	11/01/07	995,260.33	ONLINE TRANSFER	FROM SAVINGS			
1501	09/30/07	W	TRO	011B	09/21/07	(370,000.00)	ONLINE TRANSFER	#IBETXJF8HX TO BUSINESS CHECKING	EXCEEDS QB CUTOFF	XXXXXX7126	
1417	09/30/07	D	TRI	011B	09/21/07	370,000.00	ONLINE TRANSFER	#IBETBTMCF FROM BUSINESS CHECKING	ERROR OF TRANSFER	XXXXXX0170	OFFSETS ID=1417
290	12/31/06	D	TRI	011B	12/22/06	10,000.00	ONLINE TRANSFER	#IBESXRVN3 FROM BUSINESS CKG PMT		XXXXXX7073	OFFSET BY ID=1501
						1,009,511.31					
TRANSFERS TO UNKNOWN ACCOUNTS:											
1432	09/30/07	W	TRO	111B	09/04/07	(50,000.00)	ONLINE TRANSFER	#IBEMJP2NTW TO BUSINESS CHECKING	EXCEEDS QB CUTOFF	XXXXXX7016	
1479	09/30/07	W	TRO	111B	09/10/07	(65,000.00)	ONLINE TRANSFER	#IBEMJPH4MJ TO BUSINESS CHECKING	EXCEEDS QB CUTOFF	XXXXXX7016	
1745	11/30/07	W	TRO	111B	11/13/07	(467,000.00)	ONLINE TRANSFER	TO BUSINESS CHECKING	EXCEEDS QB CUTOFF	XXXXXX7016	
						(582,000.00)					

ACCTNO	SDATE	C2	NO	PDATE	AMOUNT	DESCRIPTION1	DESCRIPTION2	MEMO
3725317113	09/30/07	CK	5190	09/17/07	(190.00)	COUNTY CLERK	RECORDING DEEDS	
3725317113	12/31/06	CC	672801249	12/26/06	(380,000.00)	MAGEDA ABDULWAHAB		LAND
3725317113	11/30/06	CC	672803170	11/29/06	(75,631.61)	CHARTER TITLE		
3725317113	11/30/06	CC	672803169	11/29/06	(80,990.13)	CHARTER TITLE		
3725317113	11/30/06	CC	672803168	11/29/06	(84,384.81)	CHARTER TITLE		
3725317113	11/30/06	CC	681922801-3	11/10/06	(1,500.00)	CHARTER TITLE		
3725317113	11/30/06	DR		11/10/06	(1,400,739.70)	AMERICAN TITLE COMPANY	WITHDRAWAL MADE IN A BRANCH/STORE	3 \$500 CC'S PAYABLE TO: CHARTER TITLE
3725317113	11/30/06	TRO		11/08/06	(600,000.00)	ONLINE TRANSFER	#IBEQF3CYX6 TO BUSINESS CKG BRIDGE LOAN	7 LOTS - LGI LAND LLC - BENDERS LANDING
3725317113	10/31/06	CC	672801245	10/31/06	(160,000.00)	AMERICAN TITLE		LAND PER QB
3725317550	03/31/07	CK	1001	03/06/07	(4,905.39)	BENDERS LANDING ESTATES POA, INC.		7 LOTS
3725317550	04/30/07	CK	1028	04/19/07	(1,424.62)	BENDERS LANDING ESTATES POA, INC.		4207 STARLING STREAM; 4202 BALSAM FIR
					(2,789,766.26)			

# **EXHIBIT B**



# U.S. Securities and Exchange Commission

## Division of Enforcement

### Prejudgment Interest Report

#### W Financial Group, LLC (Exhibit B)

Quarter Range	Annual Rate	Period Rate	Quarter Interest	Principal+Interest
Violation Amount				\$13,797,966.00
03/01/2007-03/31/2007	8%	0.67%	\$91,986.44	\$13,889,952.44
04/01/2007-06/30/2007	8%	2%	\$277,799.05	\$14,167,751.49
07/01/2007-09/30/2007	8%	2%	\$283,355.03	\$14,451,106.52
10/01/2007-12/31/2007	8%	2%	\$289,022.13	\$14,740,128.65
01/01/2008-03/31/2008	7%	1.75%	\$257,952.25	\$14,998,080.90
04/01/2008-06/30/2008	6%	1.5%	\$224,971.21	\$15,223,052.11
07/01/2008-09/30/2008	5%	1.25%	\$190,288.15	\$15,413,340.26
10/01/2008-12/31/2008	6%	1.5%	\$231,200.10	\$15,644,540.36
Prejudgment Violation Range			Quarter Interest Total	Prejudgment Total
03/01/2007-12/31/2008			\$1,846,574.36	\$15,644,540.36

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

---

**SECURITIES AND EXCHANGE COMMISSION:**

**Plaintiff,**

**vs.**

**Civil Action No.**

**W FINANCIAL GROUP, LLC**

**MICHAEL K. WALLENS, SR.**

**MICHAEL K. WALLENS, JR.**

**ADLEY ABDULWAHAB**

**a/k/a ADLEY WAHAB**

**Defendants,**

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**DECLARATION OF JOHN M. OSES**

I, John M. Oses, declare under penalty of perjury (28 U.S.C. § 1746) that the following is true and correct and I am competent to testify to the matters stated below.

1. I am an attorney in the Fort Worth District Office of the Securities and Exchange Commission. I have been employed with the Commission since 1999. I am the attorney responsible for conducting the investigation into defendants W Financial Group, LLC ("WFG"), Michael K. Wallens, Sr. ("Wallens, Sr."), Michael K. Wallens, Jr. ("Wallens, Jr.") and Adley Abdulwahab, a/k/a Adley Wahab ("Wahab").

2. During the Commission's investigation of the defendants, I reviewed documents obtained during the investigation, including documents produced under subpoena by WFG and its sales agents, bank account records, documents produced by WFG investors, Commission records, public records and information from state agencies.

3. The Commission staff also mailed questionnaires regarding the WFG

SDO investment to all known investors. The staff received over 100 responses from the WFG investors. I reviewed the questionnaires and interviewed many of the investors.

4. I also interviewed and took testimony from several WFG sales agents.

5. In lieu of providing subpoenaed testimony, Wallens, Sr., Wallens, Jr., and Wahab asserted their Fifth Amendment right against self incrimination through the signing of declarations. True and correct copies of their declarations are attached as **Exhibit 1.**

I hereby declare under penalty of perjury that the foregoing is true and correct.

Dated: 1/14/2009

  
John M. Osés

# **EXHIBIT 1**

**DECLARATION OF ADLEY WAHAB**

I, Adley Wahab, do hereby declare under penalty of perjury, in accordance with 28 U.S.C. § 1746, that the following is true and correct, and further that this declaration is made on my personal knowledge and that I am competent to testify as to the matters stated herein:

1. My name is Adley Wahab. On or about December 5, 2007, I was served with a subpoena issued by the staff of the United States Securities and Exchange Commission, Fort Worth Regional Office ("FWRO") in the matter of W Financial Group, LLC ("W Financial") (FW-03166). A copy of this subpoena is attached as Exhibit "A". The subpoena required my appearance at the FWRO for testimony on December 12, 2007.

2. I hereby assert my privilege against self-incrimination under the Fifth Amendment to the United States Constitution and decline to answer any question that will be posed to me during the testimony pursuant to the FWRO subpoena attached as Exhibit "A", other than to identify myself as Adley Wahab.

I, Adley Wahab, do hereby declare under penalty of perjury, in accordance with 28 U.S.C. § 1746, that the foregoing is true and correct.

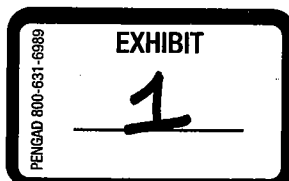
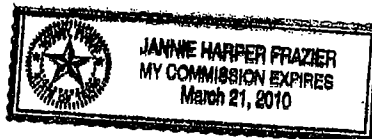
Executed on 1-11, 2008.

Adley Wahab  
Adley Wahab

SUBSCRIBED AND SWORN TO BEFORE ME this 11<sup>th</sup> day of January, 2008, to certify which witness my hand and official seal.

Janine Harper Frazier  
Notary Public

My commission expires: March 21, 2010





**DECLARATION OF MICHAEL WALLENS, Sr.**

**I, Michael Wallens, Sr., do hereby declare under penalty of perjury, in accordance with 28 U.S.C. § 1746, that the following is true and correct, and further that this declaration is made on my personal knowledge and that I am competent to testify as to the matters stated herein:**

1. My name is Michael Wallens, Sr. On or about December 5, 2007, I was served with a subpoena issued by the staff of the United States Securities and Exchange Commission, Fort Worth Regional Office ("FWRO") in the matter of W Financial Group, LLC ("W Financial") (FW-03166). A copy of this subpoena is attached as Exhibit "A". The subpoena required my appearance at the FWRO for testimony on December 13, 2007.

2. I hereby assert my privilege against self-incrimination under the Fifth Amendment to the United States Constitution and decline to answer any question that will be posed to me during the testimony pursuant to the FWRO subpoena attached as Exhibit "A", other than to identify myself as Michael Wallens, Sr.

**I, Michael Wallens, Sr., do hereby declare under penalty of perjury, in accordance with 28 U.S.C. § 1746, that the foregoing is true and correct.**

Executed on 1/11, 2008.

Michael Wallens Sr.  
Michael Wallens, Sr.

SUBSCRIBED AND SWORN TO BEFORE ME this 11<sup>th</sup> day of January, 2008, to certify which witness my hand and official seal.

Jannie Harper Frazier  
Notary Public

My commission expires: March 21, 2010



**DECLARATION OF MICHAEL WALLENS, Jr.**

I, Michael Wallens, Jr., do hereby declare under penalty of perjury, in accordance with 28 U.S.C. § 1746, that the following is true and correct, and further that this declaration is made on my personal knowledge and that I am competent to testify as to the matters stated herein:

1. My name is Michael Wallens, Jr. On or about December 5, 2007, I was served with a subpoena issued by the staff of the United States Securities and Exchange Commission, Fort Worth Regional Office ("FWRO") in the matter of W Financial Group, LLC ("W Financial") (FW-03166). A copy of this subpoena is attached as Exhibit "A". The subpoena required my appearance at the FWRO for testimony on December 14, 2007.

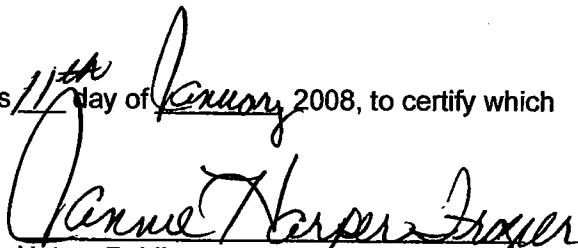
2. I hereby assert my privilege against self-incrimination under the Fifth Amendment to the United States Constitution and decline to answer any question that will be posed to me during the testimony pursuant to the FWRO subpoena attached as Exhibit "A", other than to identify myself as Michael Wallens, Jr.

I, Michael Wallens, Jr., do hereby declare under penalty of perjury, in accordance with 28 U.S.C. § 1746, that the foregoing is true and correct.

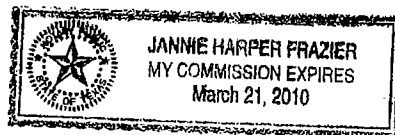
Executed on Jan 11, 2008.

  
Michael Wallens, Jr.

SUBSCRIBED AND SWORN TO BEFORE ME this 11<sup>th</sup> day of January, 2008, to certify which witness my hand and official seal.

  
Notary Public

My commission expires: March 21, 2010



**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 ANGELIA L. STEWART  
IN SUPPORT MOTION FOR SUMMARY JUDGMENT**

I, Angelia L. Stewart, 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 U.S. Securities and Exchange Commission ("SEC") as a Paralegal Specialist and have been employed in this capacity since September of 1999. Prior to this time, I was employed as a Paralegal for the law firm of Dudley, Dudley, Windle and Stevens, LLP for a period of thirteen years.

2. I am the paralegal assigned to SEC Trial Counsel Jeffrey B. Norris, the attorney-in-charge in the matter of *SEC v. W Financial Group, LLC, et al.*, Cause No. 3:08-CV-0499-N. As a part of my duties in connection with this matter, I am responsible for serving discovery requests, as directed by Mr. Norris. I also monitor incoming documents, including discovery responses, for those cases assigned to Mr. Norris.

3. On December 9, 2008, I served on Stephen Komie and John Teakell, defendants' counsel of record, the following documents, copies of which are attached to this Declaration as Exhibits 1, 2 and 3:

- a. Exhibit 1: Plaintiff's First Requests for Admissions to Defendant Adley H. Abdul Wahab a/k/a Adley Wahab;
- b. Exhibit 2: Plaintiff's First Requests for Admissions to Defendant Michael E. Wallens, Sr.;
- c. Exhibit 3: Plaintiff's First Requests for Admissions to Defendant Michael E. Wallens, Jr.

4. Based on Rule 36 of the Federal Rules of Civil Procedure, the defendants were obligated to serve responses to these requests for admissions (RFAs") within 30 days. Adding an additional three days for service by mail, I calculated that the responses were due no later than January 12, 2009. Each of the defendants failed to provide responses to the RFAs on or before January 12, 2009.


5. After the deadline for providing responses to the RFAs had passed, the Commission received documents from John Teakell, purporting to comprise the defendants' responses to Exhibits 1, 2 and 3. True and correct copies of the documents are attached to this Declaration as Exhibits 4, 5 and 6.

6. One of the objections raised by Mr. Teakell is that the "requests for admissions are duplications of the ones previously sent by the Plaintiff." The Commission served RFAs upon defendants on October 10, 2008, many of which are also contained in the documents served on December 9, 2008. Mr. Teakell's objection, however, fails to note that the defendants also failed and refused to provide any substantive responses to the first set of RFAs.

Attached as Exhibit 7, 8 and 9 to this Declaration are the defendants' purported responses to the Commission's RFAs served on October 10, 2008.

I declare under penalty of perjury, in accordance with 28 U.S.C. § 1746, that the foregoing is true and correct.

Executed this 13<sup>th</sup> day of January, 2009.

  
ANGELIA L. STEWART

# **EXHIBIT 1**

**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**

**PLAINTIFF'S FIRST REQUESTS FOR ADMISSIONS TO  
DEFENDANT ADLEY H. ABDULWAHAB a/k/a ADLEY WAHAB**

Plaintiff Securities and Exchange Commission ("Commission") requests, pursuant to F.R.C.P. Rule 36 and the Court's order permitting expedited discovery, that Defendant Adley H. Abdulwahab a/k/a Adley Wahab within thirty (30) days from service, make the following admissions.

**DEFINITIONS AND INSTRUCTIONS**

1. The terms "Wahab" or "you" means Defendant Adley H. Abdulwahab a/k/a Adley Wahab, or any person acting on behalf of Defendant Adley H. Abdulwahab a/k/a Adley Wahab.
2. "Defendants" means W Financial Group, LLC, ("WFG"), Wahab, Michael K. Wallens, Sr., ("Wallens Sr.") and Michael K. Wallens, Jr. ("Wallens Jr.") and their servants, employees and attorneys and those persons in active concert or participation with Defendants.



3. "SDOs" refers to the Secured Debt Obligations issued by WFG.

4. "Commission Lawsuit" means the above-captioned civil injunctive action, Civil Action No. 3:08-CV-0499-N (ND Tex.).

5. Unless otherwise specified, the term "investor" or "investors" refer to any person or entity that provided funds in connection with the WFG investment program described in the Complaint filed in the Commission Lawsuit.

6. The words "document" or "documents" include the original and all non-identical copies of all written communications, including but not limited to all letters, correspondence, memoranda, notes, telegrams, pamphlets, reports, ledgers, records, studies, books, working papers, diaries, calendars, charts, papers, drawings, sketches, graphs, data sheets, data processing cards, tapes, sound recordings, and every manner of written, typewritten, printed, or recorded graphic or photographic matter, sound reproduction, magnetic impulse or computer entry, however any of the above may be produced, reproduced, reduced, recorded, punched, stored, taped, transcribed or received and which are now or were formerly in defendants' possession or custody or subject to their control, or within the possession, custody or control of defendants' agents, representatives, employees or attorneys, or their agents, employees, or representatives.

7. The word "person" means the plural form, as well as the singular of any natural person, firm, unincorporated association, partnership, joint venture, corporation or other form of legal entity or group, including any officers, directors, agents, partners, trustees, representatives or employees of any such person or persons.

8. Unless otherwise specified, the time period covered by these Requests for Admissions is from January 1, 2006 through the present.



### **REQUESTS FOR ADMISSIONS**

1. WFG was organized under Texas law in September 2006
2. WFG was organized for the sole purpose of operating the investment program involving the offer and sale of SDOs.
3. You have been a member of WFG from its inception in September 2006 through the present.
4. From January 18, 2007 to the present, you have been the managing member of WFG.
5. You participated in the formation of WFG in September 2006.
6. At all times during the offer and sale of WFG SDOs, you were aware that WFG was formed in 2006.
7. You participated in the decision of WFG to offer and sell the SDOs.
8. WFG did not file a registration statement with the Securities and Exchange Commission in connection with its offer and sale of SDOs.
9. WFG's offer and sale of SDOs did not fall under any exemption to the registration requirement contained in Section 5 of the Securities Act of 1933.
10. Investors purchased at least \$17.4 million of WFG SDOs.
11. WFG returned \$3.6 to investors who purchased SDOs in the form of purported interest payments and refunds of principal.
12. You participated in the decision to use WFG investor funds to purchase a controlling interest in National Power Company ("NPC") and operate NPC, a licensed retail energy service provider.
13. At the time WFG purchased a controlling interest in NPC, you had knowledge that the funds used to make the purchase were derived from WFG investors.
14. At the time WFG was operating NPC, you had knowledge that funds used to operate NPC were derived from WFG investors.
15. WFG used \$1.7 million of funds collected from investors to purchase the controlling interest in NPC.
16. WFG used at least \$3.4 million of WFG investor funds to operate NPC.

17. There was no insurance or guarantee that insulated the NPC from market risks.
18. You had knowledge that there was no insurance or guarantee that insulated the NPC from market risks.
19. While WFG was offering and selling the SDOs, WFG did not disclose to investors that their funds would be used to purchase a retail energy service provider.
20. You did not personally take any steps to disclose to WFG investors that their funds would be used to purchase a retail energy service provider.
21. You participated in the decision to use WFG investor funds to build and sell custom houses.
22. WFG's home-building business was conducted under the name W Custom Builders.
23. You had knowledge that the business activities of W Custom Builders were financed primarily with WFG investor funds.
24. WFG used at least \$3.8 million of WFG investor funds to operate W Custom Builders.
25. While WFG was offering and selling the SDOs, WFG did not disclose to investors that their funds would be used to operate a home building business.
26. You did not personally take any steps to disclose to WFG investors that their funds would be used to operate a home-building business.
27. There was no insurance or guarantee that insulated the W Custom Builders from market risks.
28. You had knowledge that there was no insurance or guarantee that insulated the W Custom Builders from market risks.
29. WFG used investor funds to operate a used automobile business under the name Auto Ace Enterprises, Inc. dba Texas Auto Pros ("Auto Pros").
30. You participated in the decision to use WFG investor funds to operate Auto Pros.
31. You had knowledge that, during the offer and sale of the SDOs, the business activities of Auto Pros were financed primarily with WFG investor funds.
32. WFG used at least \$1.8 million of WFG investor funds to operate Auto Pros.
33. While WFG was offering and selling the SDOs, WFG did not disclose to investors that their funds would be used to operate a used car business.

34. You did not personally take any steps to disclose to WFG investors that their funds would be used to operate a used car business.
35. There was no insurance or guarantee that insulated Auto Pros from market risks.
36. You had knowledge that there was no insurance or guarantee that insulated the Auto Pros from market risks.
37. WFG used \$350,000 of investor funds to purchase a "life settlement" contract from A&O Life Funds LP.
38. You participated in the decision to use WFG investor funds to purchase the "life settlement" contract from A&O Life Funds LP.
39. You had knowledge that, during the offer and sale of the SDOs, WFG used investor funds to purchase the "life settlement" contract from A&O Life Funds LP.
40. While WFG was offering and selling the SDOs, WFG did not disclose to investors that their funds would be used to purchase a "life settlement" contract.
41. You did not personally take any steps to disclose to WFG investors that their funds would be used to purchase a "life settlement" contract.
42. WFG used \$2 million of WFG investor funds to make a loan to a company affiliated with Wahab.
43. You participated in the decision to use WFG investor funds to make a loan to a company affiliated with Wahab.
44. You had knowledge that, during the offer and sale of the SDOs, WFG used investor funds to make a loan to a company affiliated with Wahab.
45. WFG used \$300,000 of WFG investor funds to make a loan to Wahab.
46. You participated in the decision to use WFG investor funds to make a loan to Wahab.
47. You had knowledge that, during the offer and sale of the SDOs, WFG used investor funds to make a loan to Wahab.
48. While WFG was offering and selling the SDOs, WFG did not disclose to investors that their funds would be used to make a loan for the benefit of any principal of WFG.
49. You did not personally take any steps to disclose to WFG investors that their funds would be used to make a loan for the benefit of any principal of WFG.

50. Exhibit 1 to these Requests for Admissions is a true and correct copy of a package of materials created by WFG to promote the sale of the SDOs. (WFG-000014-WFG 000033).
51. You participated in the creation of Exhibit 1.
52. You reviewed Exhibit 1 while the SDOs were being offered and sold and you were aware of the statements made in Exhibit 1.
53. You had knowledge that Exhibit 1 was disseminated to investors and potential investor during the offer and sale of the SDOs.
54. You had knowledge that Colonial First Financial supplied copies of Exhibit 1 to clients in connection with the offer and sale of the WFG SDOs.
55. You had knowledge that Colonial First Financial used newspaper advertisements similar to those in Exhibit 2 as a means of attracting customers.
56. You had knowledge that investors who purchased WFG SDOs were attracted to Colonial First Financial by newspaper advertisements similar to those in Exhibit 2
57. WFG never had an insurance policy that covered any part of the principal amount invested in WFG SDOs.
58. WFG never had an insurance policy that covered any part of the interest promised by WFG to purchasers of the SDOs.
59. You had knowledge that WFG never had an insurance policy that covered the principal amount of the SDOs purchased by investors.
60. You had knowledge that WFG never had an insurance policy that covered the interest promised by the SDOs purchased by investors.
61. While Exhibit 1 was being used in connection with the offer and sale of WFG SDOs, you had knowledge that the package contained a document purporting to be a certificate for an insurance policy from Lloyd's of London ("Lloyd's")(WF-00018-19).
62. While Exhibit 1 was being used in connection with the offer and sale of WFG SDOs, WFG's policy from Lloyd's had an annual aggregate maximum coverage of \$100,000.
63. While Exhibit 1 was being used in connection with the offer and sale of WFG SDOs, you had knowledge that WFG's policy from Lloyd's had an annual aggregate maximum coverage of \$100,000.

64. WFG redacted information about the policy limits from the Lloyd's certificate before disseminating it to investors as part of Exhibit 1.
65. You had knowledge that WFG redacted information about the policy limits from the Lloyd's certificate before disseminating it to investors as part of Exhibit 1.
66. While Exhibit 1 was being used in connection with the offer and sale of WFG SDOs, you had knowledge that the package contained a document purporting to be a certificate for an insurance policy from The Republic Group ("Republic") (WF-00020-23).
67. While Exhibit 1 was being used in connection with the offer and sale of WFG SDOs, WFG's policy from Republic had an annual aggregate maximum coverage of \$25,000.
68. While Exhibit 1 was being used in connection with the offer and sale of WFG SDOs, you had knowledge that WFG's policy from Republic had an annual aggregate maximum coverage of \$25,000.
69. WFG redacted information about the policy limits from the Republic certificate before disseminating it to investors as part of Exhibit 1.
70. You had knowledge that WFG redacted information about the policy limits from the Republic certificate before disseminating it to investors as part of Exhibit 1.
71. As stated in Exhibit 1 to these Requests for Admissions, WFG represented to investors that the SDOs would be protected by collateral (WFG-000016 and WFG-000025).
72. WFG never made an assignment of any collateral to either the investors or to the SDOs themselves.
73. WFG did not inform investors that WFG never made an assignment of any collateral to either the investors or to the SDOs themselves.
74. While WFG was offering and selling the SDOs, you had knowledge that WFG never made an assignment of any collateral to either the investors or to the SDOs themselves.
75. You took no steps to inform WFG investors that WFG never made an assignment of any collateral to either the investors or to the SDOs themselves.
76. In April, 2008, the Defendants solicited bids from potential purchasers of NPC.
77. When bidding closed on April 7, 2008, Defendants received no offers to purchase NPC.

78. Apart from an offer by David Barratt, during the months of April and May, Defendants received no offers to purchase NPC.
79. On May 1, 2008, the date that David Barratt purportedly purchased NPC, NPC had a negative value.
80. On or about April 11, 2008, Intelometry performed a mark-to-market analysis of NPC's retail sale portfolio that concluded that the NPC contract portfolio had a value of negative \$1.75 million.
81. NPC ceased to operate as an ongoing business on May 28, 2008, because it was no longer in compliance with Texas state regulatory requirements.
82. Wahab, Wallens Sr. and Wallens Jr. supplied the \$1 million used to purchase NPC on behalf of Barrett from their own personal funds.
83. After completion of Barratt's purchase of NPC, Wahab, Wallen Sr. and Wallen Jr. supplied Barratt and NPC with at least \$1 million in additional personal funds to operate NPC.
84. If NPC had purchased a "hedge" in April or May 2008, NPC would have remained insolvent.
85. Defendants never communicated with anyone who expressed a willingness to sell PC a "hedge".
86. During the period from January 1, 2008 through May 5, 2008, Wahab, Wallen Sr. and Wallens Jr., collectively, had sufficient personal funds and assets to purchase a "hedge" on behalf of NPC.
87. No employee of the Securities and Exchange Commission took any action to prevent the Defendants from purchasing a "hedge" for NPC with their own personal funds.
88. Neither the Special Master nor any agent of the Special Master took any action to prevent the Defendants from purchasing a "hedge" on behalf of NPC with their own personal funds.
89. As evidenced by Exhibit 3 attached to these Requests for Admissions, on November 14, 2003, you were indicted by a Grand Jury in Harris County, Texas for violating TX Penal Code 32.21(d), felony forgery.
90. As evidenced by Exhibit 3 attached to these Requests for Admissions, on April 22, 2008, you entered a guilty plea to the charge identified in Request No. 64.

91. As evidenced by Exhibit 3 attached to these Requests for Admissions, on April 23, 2004, you were placed on community supervision for the offense of felony forgery for a period of 5 years.
92. You were discharged from community supervision for the offense of felony forgery on June 4, 2007.
93. During the offer and sale of WFG SDOs, you took no action to ensure that WFG investors were aware that you were on community supervision for the offense of felony forgery.

Dated and signed on the 9<sup>th</sup> day of December, 2008.



JEFFREY B. NORRIS  
SENIOR TRIAL COUNSEL  
Washington, D.C. Bar No. 424258  
U.S. SECURITIES & EXCHANGE  
COMMISSION  
801 Cherry St., 19th Floor  
Fort Worth, Texas 76102  
Office: (817) 978-6452  
Fax: (817) 978-4927  
[Norrisj@sec.gov](mailto:Norrisj@sec.gov)

**CERTIFICATE OF SERVICE**

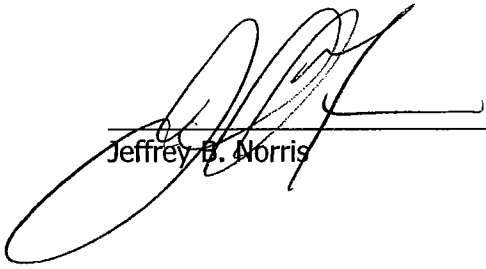
I hereby certify that on this 9<sup>th</sup> day of December, 2008, I caused the foregoing ***Plaintiff's First Request for Admissions to Defendant Adley H. Abdulwahab a/k/a Adley Wahab*** to be served upon those persons and/or parties listed below and by causing a true and correct copy thereof to be deposited in an authorized Federal Express depository at Fort Worth, Texas, with express charges (priority overnight) prepaid and addressed to:

Vernon Jones, Receiver  
Grant Thornton LLP  
333 Clay Street, Suite 3700  
Houston, Texas 77002

John Teakell  
Milner & Finn  
2828 N. Harwood Street, Ste 1950  
Dallas, Texas 75201  
Attorney for Defendants Adley Abdulwahab  
a/k/a Adley Wahab, Michael Wallens Sr.,  
and Michael Wallens, Jr.

Stephen M. Komie  
Komie and Associates  
One North LaSalle Street, Suite 4200  
Chicago, Illinois 60602  
Attorney for Defendants Adley Abdulwahab  
a/k/a Adley Wahab, Michael Wallens Sr.,  
and Michael Wallens, Jr.

John S. Brannon  
Thompson & Knight LLP  
1722 Routh Street, Suite 1500  
Dallas, TX 75201-2533  
Attorney for Receiver and W Financial Group,  
LLC.

  
\_\_\_\_\_  
Jeffrey B. Morris



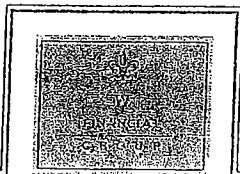


*Dear Investor,*

We greatly appreciate your interest in investing with W Financial Group. Your investment is guaranteed not only by W Financial Group but is also reinsured by two A rated insurance companies. First of all, we hold a single interest bond issued by Lloyds of London which insures all receivables. Lloyd's is the world's oldest, largest, and most well-known insurance exchange which provides specialist reinsurance services to businesses in over 200\* countries and territories. Lloyd's is rated "A-" (Excellent) by A.M. Best and carries a financial size rating of XV. Secondly, W Financial Group holds a Surety Bond through The Republic Group who insures company payables. The Republic Group was formed in Dallas, Texas in 1903 and has operated by the same guiding principles imbued by its founders. For over 100 years, integrity, honesty and fairness remain the cornerstones of their corporate values. They too have an investment grade A.M. Best rating of "A-" (Excellent).

Our President Mike Wallens Sr. has been involved in the automotive and finance industry for over 30 years. During this time he has maintained relationships with some of the highest rated auto, banking, insurance and lending companies in the world. Due to the security of our secured debt obligation account, we feel that it is a suitable investment vehicle for someone in a conservative financial position. Enclosed are the necessary documents to facilitate your Investment. If you have any questions or comments regarding the enclosed information, please contact our corporate office for further assistance.

W Financial Group



[www.wfinancialgroup.com](http://www.wfinancialgroup.com)

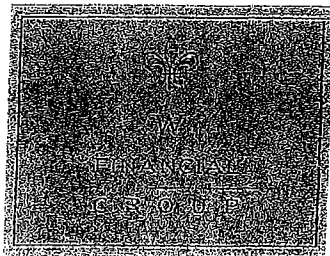
616 FM 1960 West Suite 528, Houston Texas 77090

1-866-520-9023 | 1-832-550-2021

# SECURED DEBT OBLIGATION ACCOUNT

(SDO Account)

- ✦ Collateral Secured Note reinsured by two highly rated insurance companies
- ✦ License issued by the State of Texas; Office of Consumer Credit Commissioner; License Number: 36139
- ✦ Reinsurers consist of Lloyds of London and The Republic Group which both enjoy A.M. Best A ratings
- ✦ The SDO Account offers a 2, 3 & 4 year term with a 1 year renewable option to the client
- ✦ Attractive rates as high as 9% APR
- ✦ Offers liquidity and income based on the term that is chosen
- ✦ Interest compounded on a monthly basis
- ✦ Low Initial Deposit: \$25,000 Minimum
- ✦ Qualified & Non-Qualified accounts accepted
- ✦ Parent company and management group have been conducting business for over 17 years without one customer complaint or late payment



## SECURED DEBT OBLIGATION TERMS & FEATURES

### 2 YEAR TERM

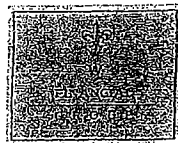
- \* Rate: 7%
- \* Minimum Deposit: \$25,000
- \* Monthly interest earned (*Option 1*)
- \* 25% Liquidity equal to no greater than \$25,000 (*Option 2*)

### 3 YEAR TERM

- \* Rate: 7.75%
- \* Minimum Deposit \$25,000
- \* Monthly interest earned (*Option 1*)
- \* 25% Liquidity equal to no greater than \$25,000 (*Option 2*)

### 4 YEAR TERM

- \* Rate: 9%
- \* Minimum Deposit \$25,000
- \* Monthly interest earned (*Option 1*)
- \* 25% Liquidity equal to no greater than \$25,000 (*Option 2*)





## LLOYD'S CERTIFICATE

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This Insurance is effected with certain Underwriters at Lloyd's, London (not incorporated).

This Certificate is issued in accordance with the limited authorisation granted to the Correspondent by certain Underwriters at Lloyd's, London whose names and the proportions underwritten by them can be ascertained from office of the Intermediary (such Underwriters being hereinafter called "Underwriters") and in consideration of the premium specified herein, Underwriters do hereby bind themselves each for his own part, and not one for another, their heirs, executors and administrators.

The Insured is requested to read this certificate, and if not correct, return it immediately to the Correspondent for appropriate alteration.

In the event of a claim under this certificate, please notify the Correspondent via the following Intermediary:

Attn:- Mr. Steve Travers  
Single Interest Inc.  
5049 Clinton Street Road.  
Batavia, New York 14020  
U.S.A.

Direct: (585) 345-1770  
Business: (585) 343-8621  
Fax: (585) 345-6053

## Risk Details

**Type:** COMPREHENSIVE LENDERS SINGLE INTEREST INSURANCE

**Form:** ECS1/2

**Assured:** W FINANCIAL GROUP LLC, AUTO ACE ENTERPRISES INC. DBA  
TEXAS AUTO PROS

**Address:**  
Corp: 616 FM 1960 West, Suite 528, Houston, Texas 77090, U.S.A.  
Lot: 301 S. First St., Garland, Texas 75040, U.S.A.

**Period:** From: 7<sup>th</sup> September 2006  
 To: 7<sup>th</sup> September 2007  
 Both days at 12.01am Local Standard Time

**Interest:** As per form

**Limit of indemnity:** USD any one Vehicle  
 USD in respect of Coverage D  
 USD in Annual Aggregate

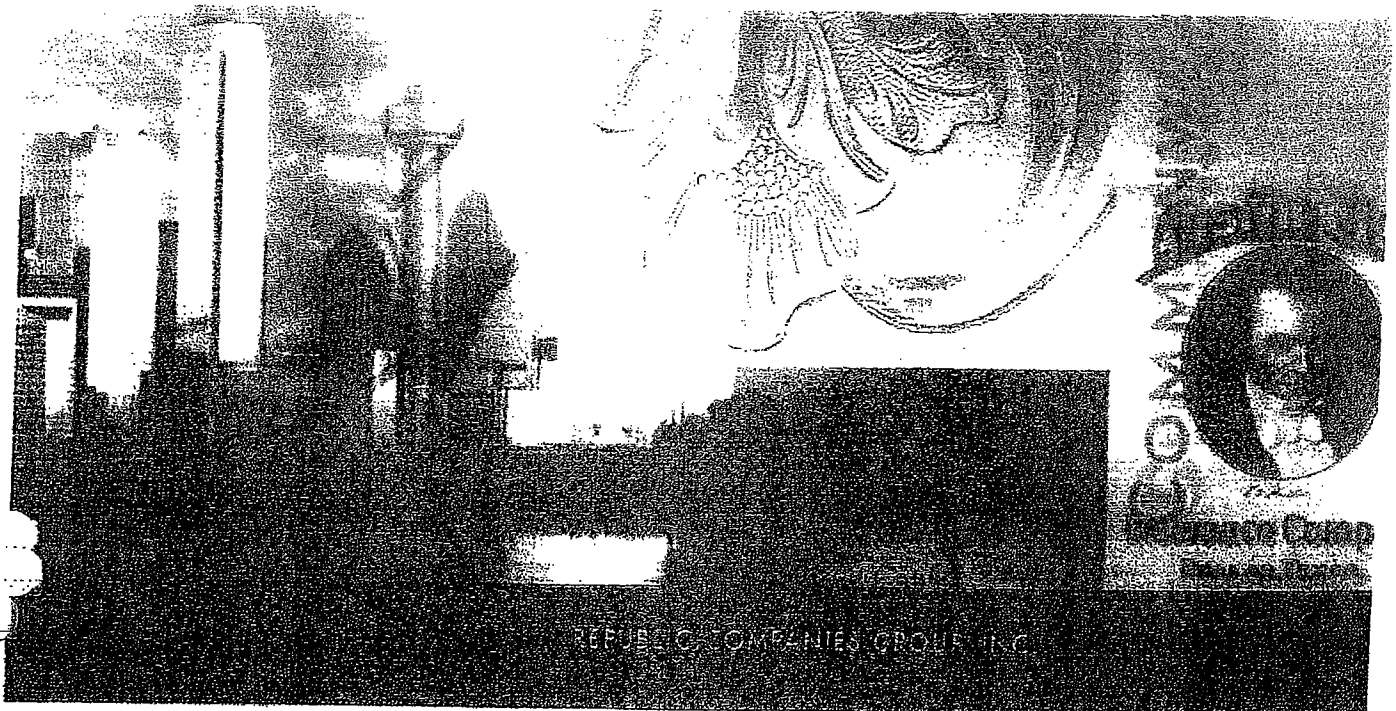
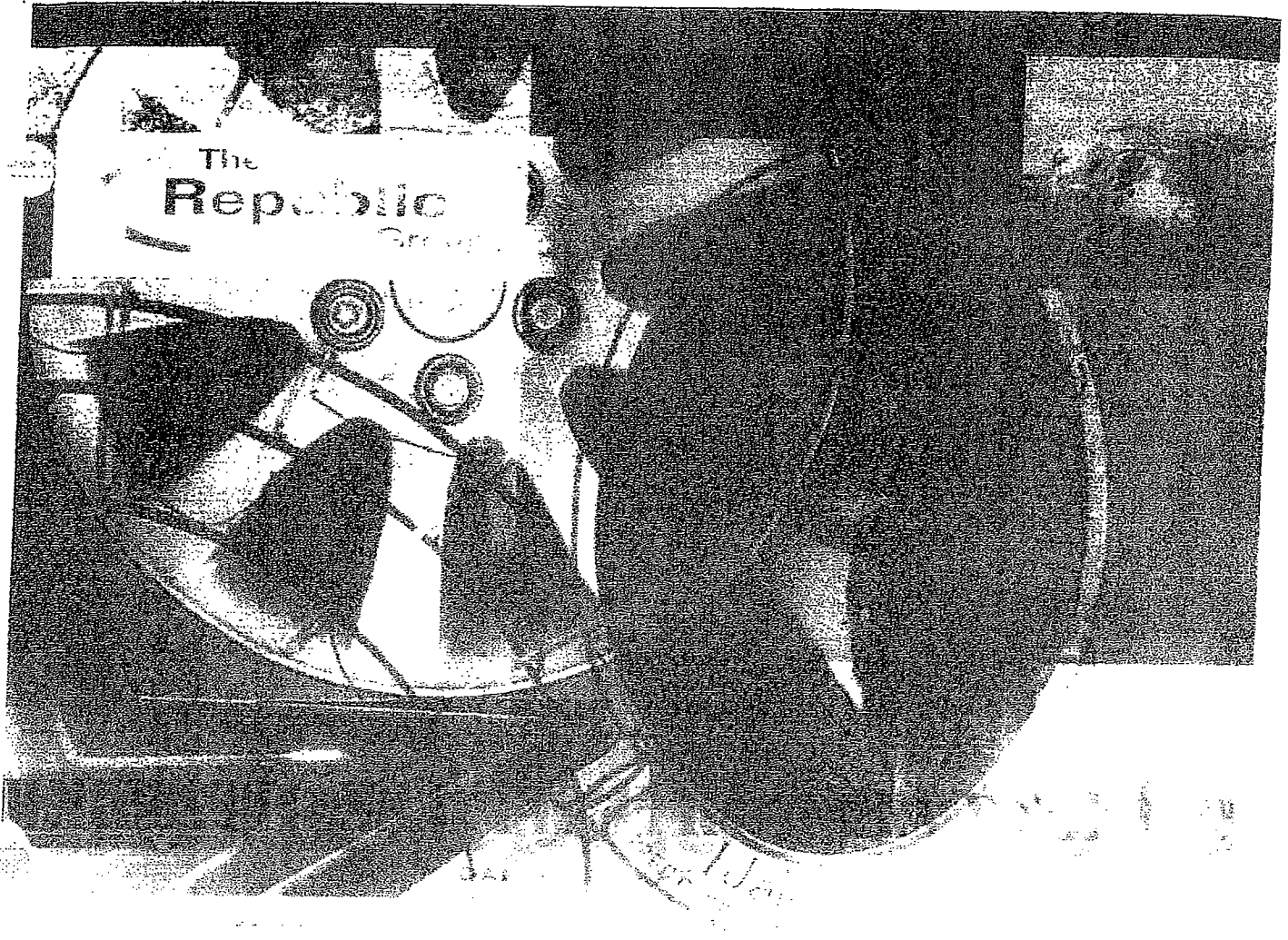
**Deductible:** USD 500 each and every Loss

**Territorial Limits:** United States of America

**Conditions:** A. All Risks of Physical Damage Instalment Loan Insurance Covered  
 B. Unintentional Non-Filing Insurance Covered  
 C. Skip Insurance Covered  
 D. Repossession Insurance Covered

Waiver of Subrogation  
 War & Civil War Exclusion NMA 464  
 Radioactive Contamination Exclusion NMA 1191  
 Electronic Date Recognition Exclusion NMA 2802  
 War and Terrorism Exclusion NMA 2918  
 30 days Notice of Cancellation – as per form  
 Service of Suit Clause, LMA 5020 naming:  
 Kevin Salter, Esq.,  
 Bolan, Jahnsen, Salter & Sachs  
 One Liberty Plaza, 23<sup>rd</sup> Floor  
 New York, NY 10006

All Claims to be notified directly to:  
 Mr Steve Travers  
 Single Interest, Inc  
 5049 Clinton Street Road  
 Batavia, New York 14020  
 U.S.A.



Republic Group:

### *Member Companies*

Each member company of The Republic Group is separate and distinct from the other companies and is responsible for underwriting its own policies.

The member companies of The Republic Group are:

Republic Underwriters Insurance Company

Southern Insurance Company

Republic Fire and Casualty Insurance Company

Republic-Vanguard Insurance Company

Southern Underwriters Insurance Company

Southern County Mutual Insurance Company

Southern Vanguard Insurance Company

Republic Lloyds

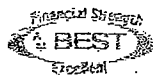
### *Our History*

In 1903, brothers Ike and George Jalonick took on the gargantuan task of organizing a new Texas-owned fire insurance company after others had tried and failed. The brothers formed new stock companies in Dallas, Texas that would later become the companies now known as The Republic Group.

Since inception, The Republic Group has operated by the same guiding principles imbued by its founders. For over 100 years, integrity, honesty and fairness remain the cornerstones of our corporate values.

### *Financial Strength*

Based on financial condition and operating performance, the A.M. Best Company has assigned our companies a Best's Rating of A- (Excellent),  
**VIII.**



The Excellent rating is assigned to companies which have, on balance, excellent financial strength, operating performance and market profile when compared to the standards established by the A.M. Best Company. In the opinion of the A.M. Best Company, these companies have a strong ability to meet their ongoing obligations to policyholders.

(A.M. Best is a leading, world-wide recognized independent rating agency which reports on the financial strength of insurance companies.)



# MOTOR VEHICLE DEALER'S SURETY BOND

Bond Number CD4315

KNOW ALL BY THESE PRESENTS, THAT

Auto Ace Enterprises INC

Name dba Texas Auto Pros

Address(es) 301 S. First Street

City, State, and Zip Garland, TX 75040

**COPY**

As Principal, whose place of business and any supplemental location(s) operated under the same general distinguishing number is/are located at the address(es) set forth above, and

**SOUTHERN INSURANCE COMPANY**

Administrative Office

1840 N. Greenville Avenue, Suite 178

Richardson, Texas 75081

as Surety, duly authorized and qualified to do business as a surety company in this State, we hold and firmly bound to such persons who shall conduct business with said Principal in its capacity as a motor vehicle dealer in the penal sum of for the payment of which sum, well and truly to be made, we hereby jointly and severally bind ourselves, our heirs, administrators, executors, successors and assigns.

WHEREAS, the above named Principal is applying for a license as a motor vehicle dealer,

AND WHEREAS, said Principal is required by Law (Tex. Transp. Code §503.033) to submit a properly executed surety bond, conditioned as set forth below, with said application for license.

AND WHEREAS, the bond shall run concurrently with the period of the license issued to the Principal.

THE CONDITION OF THIS OBLIGATION is such that if, during the effective period of this obligation the Principal shall pay all valid bank drafts, including checks, drawn by the Principal for the purchase of motor vehicles and transfer good title to each motor vehicle that the Principal purports to sell, then this obligation shall be void; otherwise to remain in full force and effect.

IT IS FURTHER UNDERSTOOD AND AGREED that the above obligation shall extend, without notification to the Surety, to any change of officers of the Principal if the Principal is a corporation, to any additional locations or changes of address of the Principal or to any substitution of business name of the Principal wherein ownership is not changed.

IT IS FURTHER UNDERSTOOD AND AGREED that this bond shall be opened to successive claims up to the face value of the bond. The Surety shall not be liable for successive claims in excess of the bond amount, regardless of the number of claims made against the bond. Recovery against the bond may be made by a person who obtains a judgment against a dealer assessing damages and attorney's fees for an act or omission on which the bond is conditioned if the act or omission occurred during the term for which the general distinguishing number will be valid. Payment of any judgment by the Surety shall be immediately reported to the Texas Department of Transportation, Motor Vehicle Division, P. O. Box 2293, Austin, Texas 78768.

IN WITNESS WHEREOF said Principal and Surety have executed this bond to be effective on the 1st day of January, 2006, and to expire on the 31st day of December, 2006.

DATED this 4th day of November, 2005

Auto Ace Enterprises INC  
dba Texas Auto Pros

Principal

By X

**COPY**

DATED this 4th day of November, 2005

**SOUTHERN INSURANCE COMPANY**  
Surety

By X

Attorney-In-Fact

In accordance with Tex. Transp. Code §503.033, this form is prescribed but not furnished by the Texas Department of Transportation as approved by the Attorney General of Texas on July 16, 1995.

UCD89701



# STATE OF TEXAS

Office of

Motor Vehicle Sales Finance License

Consumer

Licensed Location  
License Number: 4708-36139

Credit

Active

Commissioner

AUTO ACE ENTERPRISES INC  
TEXAS AUTO PROS  
301 S FIRST ST  
GARLAND, TX 75040

2601 N Lamar Blvd  
Austin TX 78706  
www.oacc.state.tx.us  
(512)936-7600  
Consumer Helpline:  
(800) 638-1679

*John A. H. [Signature]*  
JOHN A. H. [Signature]  
COMMISSIONER

Address Change 06/01/2004

## SERVICING AGREEMENT

This **SERVICING AGREEMENT** (the "Agreement") is entered into this       day of       , 20       , by and between W Financial Group, LLC.  
(W Financial Group), (Hereinafter referred to as "Agent"), a privately held Texas Corporation, and  
(Herein referred to as "Owner")

\*WHEREAS, Owner agrees to provide (W Financial Group) with money to make investments. The relationship between Owner and Agent shall be a relationship of trust in which Agent shall comply with all of the obligations of fiduciary. Agent's duties include, but are not limited to, the duty to keep Owner's property separate and apart from Agent's property. Except as specifically authorized by Owner, in all dealings with third parties, Agent shall clearly identify itself as an agent of owner.

\*WHEREAS, Agent guarantees the entire principal investment of the Owner and agrees to pay the Owner a return equal to       on the Owner's entire investment. Interest shall be paid if elected by Owner, in monthly installments by no later than the tenth of every month from the date of this agreement. Monthly payments shall be made payable to the Owner and sent directly to Owner at owner's principal location or any address of owner's choice or deposited to owner's account.

\*WHEREAS, (W Financial Group) agrees to maintain at all times that any funds advanced by Owner shall be held either in cash in the Owner's separate account, government or corporate AAA bonds, qualified receivables owed to owner and held at a minimum of three percent (3%) discount from face value, or insured notes. For insured notes (W Financial Group) agrees to keep a fully covered single interest coverage policy on all uninsured receivables at all times by LLOYDS OF LONDON or any A or better rated company. Agent also agrees to allow Owner, at any reasonable time, to have an audit made of all account books and records pertaining to the management and servicing of the Owner's account.

*Client Initials*

\*WHEREAS, the term of this agreement shall be (       ) years from the effective date of the contract. The account will automatically renew for 1 year at the company current term rate if the owner does not give a 30 day written notice prior to the maturity date. All requests must be submitted to W Financial Group Corporate office at: 616 FM 1960 West, Suite 528 Houston, Texas 77090.

IN WITNESS WHEREOF, the parties hereunto set their hands and seals as of the date above first stated.

W Financial Group

By

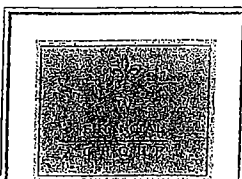
Date

Title

By

Date

Owner



## COLLATERAL SECURED DEBT OBLIGATION

For value received, the undersigned, W Financial Group, a Texas Corporation, ("Maker"), hereby promises to pay.

("Payee") on \_\_\_\_\_ the principal sum of \_\_\_\_\_ DOLLARS (\$ \_\_\_\_\_), or so much thereof as may be advanced and outstanding, together with interest on the unpaid principal balance from day to day remaining, which shall from day to day be at an annual rate equal to the sum percent ( \_\_\_\_\_ %) calculated on the basis of a 360 day year. Unpaid principal and interest after the maturity thereof shall bear interest at the maximum rate until paid.

Interest hereon shall be due and payable monthly as it accrues if elected by Payee, on or before the tenth day of each calendar month commencing and continuing on the tenth day of each successive calendar month thereafter until \_\_\_\_\_. At which time all accrued but unpaid interest hereon shall be due and payable. Each monthly payment shall be in the amount of \$ \_\_\_\_\_.

If any installment of principal or interest on this note shall become due on holiday or weekend, such payment shall be made on the next succeeding day; and such extension of time shall in such case be included in computing interest in connection with such payment.

Without in any way affecting the demand nature of this note, if default is made in the payment of any installment of principal or interest under this note or under any other note or evidence of indebtedness now or hereafter owing by Maker (or the successors or assignees of Maker) to the holder of this note, or upon the occurrence of any default under any instrument evidencing, securing or relating to this note, then in any such event the holder hereof may, at its option, declare the entire unpaid balance of principal and accrued interest on this note to be immediately due and payable without notice or demand, foreclose all liens and security interests securing the payment of thereof, or any part thereof, and offset against this note any sum or sums owed by the holder thereof to Maker, at the option of the holder of this note. Failure of the holder thereof to exercise any such option shall not constitute a waiver of the right of any holder hereof to exercise the same in the event of any subsequent default.

In the event the maturity of this note is executed as security here for or in connection herewith, or by voluntary prepayment by maker or otherwise, then earned interest may never include more than the maximum rate, computed from the dates of each advance

of the loan proceeds outstanding until payment. All sums paid or agreed to be paid to the holder of this note shall be amortized, prorated, allocated and spread throughout the full term of such indebtedness until payment in full so that the actual rate of interest on account of such indebtedness never exceeds the maximum rate at any time during the term thereof.

If from any circumstance any holder of the note shall ever receive interest or any other charges constituting interest or adjudicating as constituting interest which would exceed the maximum rate, the amount, if any, which would exceed the maximum rate shall be applied to the reduction of the principal amount owing on this note or on account of any other principal indebtedness of maker to the holder of this note, and not to the payment of interest; or if such excessive interest exceeds the unpaid balance of principal hereof and such other indebtedness shall be refunded to Maker.

This note shall be governed by and construed in accordance with the laws of the State of Texas and the applicable laws of the United States of America. The Maker of this note agrees to provide mutually agreeable collateral to secure this note within one month of the date of execution of this note as described in the attached servicing agreement.

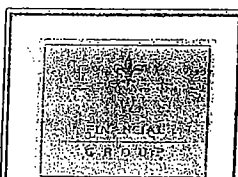
Except as provided herein, Maker and each surety, endorser and other party ever liable for payment of any sums of money payable on this note jointly and severally (i) at all times waive presentment, protest, notice of protest and non payment or dishonor, notice of acceleration, notice of intent to accelerate, notice of intent to demand, diligence and collecting, and grace and consent to all extensions without notice for any period or periods of time and partial payments before or after maturity, without prejudice to the holder, and (ii) subsequent to the last payment date referred to in this note if no demand is sooner made, waive demand and notice of demand. The holder shall similarly have the right to deal in any way, at anytime, with one or more of the foregoing parties without notice to any other part, and to grant any such party any extensions of time for payment of any of said indebtedness, or to grant any other indulgences or forbearances whatsoever, without notice to any other party and without in any way affecting the personal liability of any party hereunder. If any efforts are made to collect or enforce this note or any installments due hereunder, the undersigned agrees to pay all collection costs and fees, including reasonable attorneys' fees in any amount which shall be not less than 10% of the then unpaid balance of principal and interest due on this note.

Should this note be signed or enforced by more than one person and, or entity, all of the obligations herein contained shall be considered the joint and several obligations of each maker and endorser hereof.

WITNESS MY HAND AND SEAL, Maker has duly executed this note as of the day and year above first written.

W Financial Group

Michael K Wallens Sr. President



Date

## SECURED DEBT OBLIGATION DEPOSIT APPLICATION

DATE ACCOUNT OPENED

SOCIAL SECURITY/FEDERAL ID

ACCOUNT REGISTRATION/TITLE

ACCOUNT TYPE (circle one) Individual Joint Trust IRA Other

OWNER/TRUSTEE

OWNER/TRUSTEE

MAILING ADDRESS

Street Address/PO Box

City

State

Zip Code

TELEPHONE ( )

DOB

DOB

Estimated Net Worth (circle one) \$0 - 50,000 \$50,000 - 100,000 \$100,000 - 250,000 \$250,000 or Greater

\*\*I acknowledge that all the personal information herein was provided by me and is true and correct.

Client Signature

Date

Client Signature

Date

AMOUNT OF INITIAL DEPOSIT: \$

INT. RATE

% TERM

year(s)

(check one) \*\*\* ONLY ONE OPTION MAY BE CHOSEN \*\*\* (check one)

☐ Option 1: I elect to receive a monthly interest check

Mail to me monthly at address above

Bank Direct Deposit (must attach a voided check)

Special Instructions

☐ Option 2: Client elects to leave monthly interest earnings in account with the option to access 25% liquidity upon request equal to no greater than \$25,000

\*\*By my signature below, I authorize W Financial Group to deposit my monthly interest check into the account specified above.

Client Signature

Date

Client Signature

Date

### BENEFICIARIES / PAYABLE ON DEATH / TRANSFER ON DEATH

NAME

ADDRESS & TELEPHONE NUMBER

SOCIAL SECURITY NUMBER

OWNERSHIP %

\* for additional beneficiaries attach instructions

To be completed by Representative:

Rep. Code:

Introduced by

Managing Director

Date

## CLIENT SUITABILITY FORM

Owner name \_\_\_\_\_ Joint owner's name \_\_\_\_\_

Owner age \_\_\_\_\_ Product name \_\_\_\_\_ Premium amount \_\_\_\_\_

### FINANCIAL STATUS

#### Annual Income

☐ \$0 - \$49,999    ☐ \$50,000 - \$99,999    ☐ \$100,000 - \$299,999    ☐ \$300,000+

#### Net Worth

\*Net worth = total assets - total debts.

☐ \$0 - \$249,999    ☐ \$250,000 - \$499,999    ☐ \$500,000 - \$1,000,000    ☐ \$1,000,000+

### FEDERAL TAX STATUS

☐ 10%    ☐ 25%    ☐ 28%    ☐ 33%    ☐ 35%    ☐ Other

### FINANCIAL OBJECTIVES

**1** Your financial objective in purchasing this product (check all that apply)

☐ Income now    ☐ Flexibility    ☐ Tax Deferral    ☐ Growth followed by income  
☐ Growth, possible income    ☐ Pass on to beneficiaries    ☐ Guarantees provided    ☐ Other

**2** Do you have sufficient available cash, liquid assets, or other sources of income for monthly living expenses and emergencies other than the money you plan to use to purchase this contract?

☐ Yes    ☐ No

**3** Do you now own, or have you previously owned, the following financial products? (check all that apply)

☐ Certificates of Deposit    ☐ Fixed annuities    ☐ Variable Annuities    ☐ Stocks/Bonds/Mutual Funds

### ACCREDITED INVESTOR WAIVER

I have consulted with my financial advisor, CPA, and/or my attorney and have been informed that I am not an accredited investor but have chosen to go forward with this transaction.

Signature \_\_\_\_\_ Date \_\_\_\_\_

NOTE: IF THIS FORM IS NOT COMPLETED AND SIGNED, WE CANNOT CONSIDER YOUR APPLICATION.

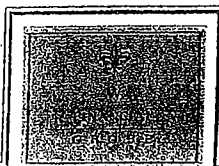
*Client refused to provide some or all of the information.*

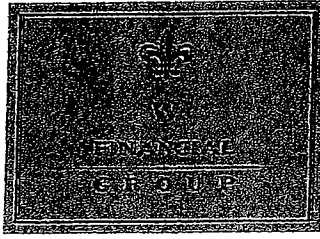
I acknowledge that I have read the Client Suitability form and to the best of my knowledge and belief, the information above is true and complete.

Agent Signature \_\_\_\_\_ Owner's Signature \_\_\_\_\_

Rep Code: \_\_\_\_\_ Joint Owner's Signature  
(if applicable)

Date \_\_\_\_\_





## ASSIGNMENT AND CONSENT TO ASSIGNMENT

This Assignment and Consent to Assignment is entered and effective as of the \_\_\_\_ day of June, 2007, by and between \_\_\_\_\_ (the AAssignor@); \_\_\_\_\_ (the AAssignee@) and W Financial Group, LLC ("W Financial Group")

Whereas Assignor desires to assign that certain Collateral Secured Debt Obligation Contract (the "Contract") dated November 14, 2006 between Assignor and W Financial Group to Assignee; and

Whereas W Financial Group has consented to the assignment of the Contract from Assignor to Assignee; and

Whereas the parties desire to memorialize their agreement by this Agreement.

Now, therefore, in consideration of the mutual promises contained herein and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties, intending to be legally bound hereby, do hereby agree as follows:

Assignor hereby and by these presents GRANTS, SELLS, ASSIGNS AND TRANSFERS to Assignee all of Assignor's right and interest in and to the Contract.

Assignee hereby accedes to and assumes and undertakes any and all obligations, terms, rights as set forth and established in the Contract. Assignee hereby represents and warrants to W Financial Group that Assignee consents and agrees to all the agreements, terms and obligations of Assignor in any way relating to the Contract.

W Financial Group expressly consents and agrees to the assignment of the Contract to Assignee.

Assignee and Assignor hereby agree to indemnify and hold W Financial Group harmless from any and all liability which may arise from this Assignment from any person or entity claiming by or through Assignee or Assignor.

Executed and effective as of the date first above written.

ASSIGNOR:

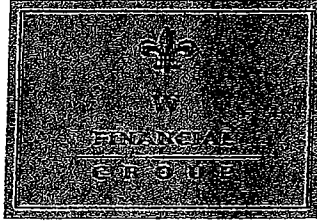
\_\_\_\_\_

ASSIGNEE:

\_\_\_\_\_

W FINANCIAL GROUP, LLC:

\_\_\_\_\_



**DISTRIBUTION REQUEST FORM**  
**W FINANCIAL GROUP (SDO)**

This form may be used to complete a 25% partial distribution of original premium not to exceed \$25,000 from a W Financial Group SDO option 2 account. Please send the completed distribution form to: W Financial Group, LLC, 616 FM 1960 West Suite 528 Houston, TX 77090.

**A) NAME AND ACCOUNT INFORMATION**

NAME OF ACCOUNT OWNER (FIRST, MIDDLE INITIAL, LAST)

ADDRESS

CITY

STATE

ZIP CODE

TELEPHONE NUMBER

SS#

DOB (MM/DD/YYYY)

E-MAIL ADDRESS

**B) REASON FOR DISTRIBUTION**

Please explain:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**C) LIQUIDATIONS (INDICATE ACCOUNT NUMBER(S) AND WITHDRAWAL AMOUNT**

\*25% Liquidity of investment premium equal to but not greater than \$25,000 (Option 2)

ACCOUNT NUMBER(S)

TERM & RATE

% OF WITHDRAWAL

Client Initials: \_\_\_\_\_



**D) PAYEE / BANK DETAILS**

1. \_\_\_\_\_ Wire funds to the bank indicated below. If you choose this method, the proceeds will usually be wired on the next business day. A fee of \$10.00 will be deducted from the disbursement.
2. Cashiers check

\_\_\_\_\_  
PAYEE OR BANK NAME

\_\_\_\_\_  
BANK ROUTING NUMBER

\_\_\_\_\_  
BANK ACCOUNT NUMBER

\_\_\_\_\_  
OR  
CHECKING SAVINGS (CHECK ONE)

\_\_\_\_\_  
NAME 1 ON BANK ACCOUNT

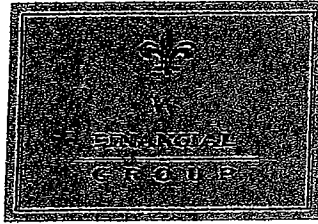
\_\_\_\_\_  
NAME 2 ON BANK ACCOUNT

\_\_\_\_\_  
PAYEE OR BANK ADDRESS

\_\_\_\_\_  
CITY

\_\_\_\_\_  
STATE ZIP CODE

Please note: A cancelled cheque or recent bank statement must accompany this application. Any changes to the banking details must be forwarded in writing to W Financial Group, together with proof. Payments will not be made to third-party accounts.



## **EARLY TERMINATION FORM**

### **W FINANCIAL GROUP (SDO)**

This form may be used to effect an early cancellation/termination of a W Financial Group SDO account.

Please send the completed surrender form to: W Financial Group, LLC, 616 FM 1960 West Suite 528  
Houston, TX 77090.

#### **A) NAME AND ACCOUNT INFORMATION**

NAME OF ACCOUNT OWNER (FIRST, MIDDLE INITIAL, LAST)

ADDRESS

CITY

STATE

ZIP CODE

TELEPHONE NUMBER

SS#

DOB (MM/DD/YYYY)

E-MAIL ADDRESS

#### **B) REASON FOR CANCELLATION/TERMINATION REQUEST**

Please explain:

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#### **C) CANCELLATION/TERMINATION DETAILS**

I/We hereby request a cancellation/termination, subject to the terms and conditions set out herein.

\*By canceling/terminating an account earlier than the set maturity date, the account owner(s) will incur a 15% surrender charge of the total amount invested.

ACCOUNT NUMBER

TERM & RATE

(\$) AMOUNT OF INVESTMENT

Initial: \_\_\_\_\_ Early Cancellation/Termination (Results in the cancellation/termination of the SDO account)

**D) PAYEE / BANK DETAILS**

1. \_\_\_\_\_ Wire funds to the bank indicated below: If you choose this method, the proceeds will usually be wired on the next business day. A fee of \$10.00 will be deducted from the disbursement.

2. \_\_\_\_\_ Cashiers check

PAYEE OR BANK NAME

BANK ROUTING NUMBER

BANK ACCOUNT NUMBER

OR

CHECKING

SAVINGS (CHECK ONE)

NAME 1 ON BANK ACCOUNT

NAME 2 ON BANK ACCOUNT

PAYEE OR BANK ADDRESS

CITY

STATE ZIP CODE

Please note: A cancelled cheque or recent bank statement must accompany this application. Any changes to the banking details must be forwarded in writing to W Financial Group, together with proof. Payments will not be made to third-party accounts.

**E) TERMS OF EARLY CANCELLATION/TERMINATION**

1. Account Owner understands and acknowledges that the W Financial Group SDO account precludes any option for early cancellation/termination. Account owner understands and acknowledges that W Financial Group, LLC has agreed to the early cancellation/termination strictly as a once time accommodation.

2. Account Owner understands and acknowledges that the early cancellation/termination of the account will result in a fifteen percent (15%) early cancellation/termination charge. Account Owner waives any objection to the early cancellation/termination charge.

3. Account Owner warrants that he/she/they is/are the legal owner of the account, that the Account Owner is solvent to the best of my knowledge and belief, and does hereby further warrant that the said account is still the bona fide property of the Account Owner.

4. Account Owner further warrants that Account Owner that I have fully reviewed this Agreement and the terms contained herein and that Account Owner understands the implications of the early cancellation/termination.

5. Account Owner further warrants that Account Owner has the full power and authority to enter into this Agreement.

6. This Agreement contains the entire agreement between the parties and supersedes all prior agreements, written or oral, in any way relating hereto.

7. This Agreement may be amended only by a written instrument signed by all the parties hereto.

8. The parties hereby waive any further claims that they may have against the other arising here from or relating in any agreement between the parties.

9. This Agreement shall be governed and construed in accordance with the laws of Texas applicable to agreements made and to be performed entirely within such state. Furthermore the parties agree that venue for any dispute arising here from shall vest in Harris County, Texas. In addition, any dispute arising hereunder or in any way related hereto shall be resolved via binding arbitration through the American Arbitration Association.

10. This Agreement is not assignable except by operation of law.

11. Effective as of the dates set forth below.

ACCOUNT OWNER:

\_\_\_\_\_  
SIGNATURE OF AUTHORIZED PERSON

\_\_\_\_\_  
DATE (MM/DD/YYYY)

\_\_\_\_\_  
(Printed Name and Title)

W FINANCIAL GROUP, LLC:

\_\_\_\_\_  
SIGNATURE OF AUTHORIZED PERSON

\_\_\_\_\_  
DATE (MM/DD/YYYY)

\_\_\_\_\_  
(Printed Name and Title)