

Robb Evans & Associates LLC
Temporary Receiver of
Denise Mowbray Tree Company, Inc.
Arrowhead Tree Service, Inc.
M. J. Equipment, LLC, et al.

Third Report of the Temporary Receiver's Activities

This is the third report of the Temporary Receiver. The purpose of this report is to update the Court on the activities of the Temporary Receiver¹ since the last report. This report does not constitute an audit of the financial condition of the receivership. It is intended only for information of the Court and should not be relied upon for other purposes.

Equipment Auction

The Temporary Receiver previously reported that on January 19, 2006, RL Spear & Company (Spear) conducted an auction of equipment and vehicles owned by Denise Mowbray Tree Company, Arrowhead Tree Company, and related entities. While the majority of the vehicles were unencumbered, many, including several large and valuable pieces were subject to existing loans or leases.

The condition of vehicle titles and registration certificates was in complete disarray when the Temporary Receiver took over operations of the companies. Very few certificates of title were located and the registration of many of the vehicles was significantly delinquent. The Temporary Receiver has resolved most of the title and registration problems and the remaining issues will be completed.

The auction of the 228 items that were listed in the February 2, 2006 report resulted in gross sales in the sum of \$2,373,940. After \$489,377 paid to one leasing company, and \$239,658 to another leasing company, and after deducting auction expenses and miscellaneous adjustments for a few items that were removed from the auction, the net proceeds received by the Temporary Receiver from the auction totaled \$1,559,196. Attached under Tab 1 is a complete reconciliation of the equipment inventory, the gross auction proceeds and the net amount to the Receivership Estate.

¹ Reference to the Temporary Receiver in this report means the Temporary Receiver, the Temporary Receiver's deputies, his staff, and his counsel.

Real Properties

The Temporary Receiver reviewed the status of the real property owned by defendants, Richard and Denise Mowbray. The Mowbrays own two adjacent parcels in Norco, CA. The first parcel, 3079 Temescal, is the family residence. There are no liens on the property. However, a lis pendens has been filed against the property pursuant to a lawsuit filed by former employee, James Williams. The second parcel, 3141 Temescal, served as the yard where the companies' vehicles were stored and maintained. The property is vested in the name of the Mowbray Family Trust. There is a \$500,000 loan owing to Wells Fargo secured by a deed of trust against the property. The loan is past due and a notice of default has been filed. The Temporary Receiver notified the foreclosure trustee of the Stay imposed pursuant to the Orders issued by this Court to prevent any foreclosure from being completed.

Pursuant to an agreement with the parties, and confirmed by this Court, the Receiver has been directed to value the properties, and thereafter to sell the properties. The valuation will include appraisals completed by two qualified appraisers, with values as individual parcels and as a combined parcel. Opinions of Value obtained from qualified real estate brokers using the same marketing scenarios will supplement the appraisals. The Receiver will study the valuation results and will list the properties for sale, and seek this Court's approval for any proposed sale. The Receiver will hold all net proceeds from any real property sale pending further Orders from this Court.

Outstanding Accounts Receivable

There are currently outstanding accounts receivable from various entities, including Pacific Gas and Electric (PG&E), Asplundh Tree Expert Company (Asplundh), and Phillips & Jordan Inc. (Phillips). Asplundh and Phillips assert offset claims to the amounts owed. The Temporary Receiver met with officials of PG&E to resolve disputes about the amount owing. PG&E and The Temporary Receiver have agreed on the amount due and settled the dispute. The Temporary Receiver is requesting that officials of Asplundh and Phillips meet with the Temporary Receiver to resolve the ongoing disputes.

Insurance Litigation

Attorneys for the Temporary Receiver have responded to several pending matters that are stayed by current Orders. With the approval of parties and this Court, litigation against the Receivership Defendants are proceeding only when claims and potential judgments are limited to available insurance proceeds.

Financial Report

Under Tab 2 is a statement of collections and administrative expenses from the beginning of the Receivership on September 28, 2005 through June 30, 2006. The statement includes detail for the current sixmonth reporting period, including time sheets for the Temporary Receiver and redacted fee and cost statements for the Receiver's attorney, and the summary of collections and expenses previously reported.

Request for Approval

The Temporary Receiver respectfully requests:

The Receiver's actions and activities be approved; and

The Receiver's administrative expenses and legal expenses reported on the attached schedule at Tab 2 be approved and allow payment of the Receiver's administrative expenses, including the payment of the Receiver's fees and expenses and those of its legal counsel.

Respectfully submitted,



Robb Evans & Associates LLC
Temporary Receiver