

ROBB EVANS
Receiver of
D.W. Heath & Associates, Inc.;
PCM Fixed Income Fund I, LLC;
Private Capital Management, Inc.;
Private Collateral Management, Inc., et al.

REPORT OF RECEIVER'S ACTIVITIES
AUGUST 1, 2007 THROUGH MARCH 31, 2008

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

Overview

During the period covered by this report, the Receiver has continued the following activities that were initiated in a prior reporting period:

Business Investments and Assets

As discussed in more detail in previous reports, the Receiver assembled information about investments made and assets held by Daniel Heath (Heath) and Larre Schlarman (Schlarman) through discovery, review of files and documents seized or turned over by accountants and others, interviews with accountants and former staff, and review and reconstruction of multiple bank accounts. The following paragraphs describe the remaining business assets and their expected recoverable value. As the detail states, recovery from the remaining assets will be limited.

Design Solutions, Inc. (Design Solutions) - \$1.06 million disbursed by PCM

As previously reported, Design Solutions filed and emerged from a Chapter 11 proceeding in bankruptcy. Pursuant to a confirmed plan of reorganization, the Receiver was scheduled to recover approximately \$20,000 on its unsecured claim in quarterly payments over the next five years. Pursuant to the confirmed plan, the estate received \$998 in December 2005 and \$998 in June 2006. The company continued to struggle post bankruptcy and defaulted in payments. The Receiver sold and transferred its 9% minority ownership interest in the company and future payments under the plan for \$4,500.

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

Coast Energy Management (Coast) - \$500,000 disbursed by PCM

On November 5, 2004, Coast filed for Chapter 11 bankruptcy protection. The case was converted to Chapter 7. The Receiver and the bankruptcy trustee had a dispute as to whether all or any portion of the debt was subject to a perfected security interest in Coast's assets. In June 2005, the bankruptcy trustee liquidated inventory which, after expenses, generated \$134,146.54 in net proceeds. After a lengthy period of negotiations, the Receiver and the bankruptcy trustee have recently agreed, subject to approval in both this Court and Bankruptcy Court, that the Receiver be paid 50% of the net sale proceeds, \$67,073.24.

Real Properties

Three Residential Lots in Big Bear Lake

As previously reported, all three properties were under contract for sale in December 2006 at a price above appraised value. The sales were subject to Court approval with escrows scheduled to close in the first quarter of 2007. Prior to closing, the City determined that correct easements for ingress and egress were not in place and that there was an insufficient water supply for the three lots. Additionally, the buyers would be required to construct 350 feet of road to bring utilities to the lots. Based on these developments, the buyers cancelled the contracts. Subsequently, new purchase offers were presented to the Receiver and those offers were accepted. The 918 Cameron Court property sale closed March 25, 2008. Net sales proceeds were \$19,677. The 924 and 934 Pine Knot Avenue properties sold as a package, closing March 17, 2008. Combined net proceeds were \$134,045.79.

Claims Adjudication

As previously reported, the Receiver completed efforts to resolve all remaining disputed non-investor claims. Those claims have all been resolved either by stipulation or by an order from this Court.

Completed and Projected Distributions

Total distributions to date have been \$25.5 million, or approximately 21.6% of approved claims. The Receiver anticipates seeking this Court's approval for a fourth and final distribution by June 30, 2008. The Receiver currently estimates the final distribution will be at least \$1 million.

Respectfully submitted,

/s/

Robb Evans
Receiver