JAMES A. HENNENHOEFER
STATE BAR #47992

Petitioner

COPY

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA

IN AND FOR THE COUNTY OF SAN DIEGO

In re the marriage of Petitioner: DIANNE YORK GOLDMAN and Respondent: MITCHEL PAUL GOLDMAN	No. DN 149413 SUPPLEMENTAL DECLARATION OF JERE R. BATTEN, CPA, CFE

I JERE R. BATTEN, Declare:

1. I am a Certified Public Accountant and Certified Fraud Examiner with offices in the state of California. The areas in which I specialize are forensic accounting, fraud investigations and audits of small businesses;

3. As set forth in my initial declaration, Dianne York-Goldman ("DY-G") engaged my office to conduct an analysis of the books and records of several businesses, in order to ascertain whether her husband, Mitchel P. Goldman ('MG") had engaged in fraudulent activity relating to the following businesses:

A. Fay Avenue Properties LLC ("FAP");
B. Cosmetic and Vein Surgical Center of La Jolla, Inc. ("CVC");
C. Dermatology/Cosmetic Laser Medical Associates of La Jolla, Inc.("DCLMA");

D. La Jolla Spa, MD, Inc. ("LJSMD); and

E. York-Goldman Enterprises, Inc.("Y-GE");

4. I have also been requested to comment upon the accuracy of the financial data that DY-G has been requested to produce by the Court and Special Master, Richard Annis.

5. Although I have not completed my analysis, I have concluded based upon a partial review and comparison of the QuickBooks files and partial tax return documentation, the books and records of the community businesses, the following.

6. D Y-G requested that I prepare balance sheets and income statements for the two month period ended February 29, 2008 for the entities of LJSMD and FAP on March 22, 2008.

7. To that end, DY-G provided me with the QuickBooks files for both companies. I determined that both Quickbooks files contained opening balance entries dated 12/31/05. However, they had no transaction detail prior to 12/31/05. The opening balance entries contained material balances for receivables and payables to related entities that I was unable to verify as to their accuracy.

8. Therefore, I determined that in order to prepare accurate financial statements, I need detailed information for both entities from inception through 12/31/05.

9. Ernest Howard, the CPA who has historically prepared the federal and state income tax returns for the entities provided me a copy of the original QuickBooks file that contained all the transactions for all community entities from inception through a portion of 2005.

10. However, I was not provided with complete transactions for the year ended December 31, 2005. In order to complete my analysis of the opening balance entries to prepare accurate financial statements I need the QuickBooks file containing the transactions of Fay and LJSMD through the year ended December 31, 2005.

11. My analysis of the QuickBooks file provided by Mr. Howard determined that the accounting for transactions for affiliate companies was not properly performed. An example of the improper accounting is as follows:

a. In 2002, from my calculations, FAP should have shown a receivable of approximately $350,000 from affiliate companies including LJSMD along with CVSM and DCLM, instead it showed a reduction entry to DYG's capital account in FAP.

12. Significant additional work is needed to determine the correct receivable and payable balances for the affiliate entities as it has a direct impact on the financial

statements of FAP and LJSMD.

13. Additionally, there are significant differences between the current QuickBooks files of Fay and LJSMD for 2006 and the 2006 tax returns for those entities. It appears that any adjustments that were proposed by Ernest Howard were not properly recorded into the QuickBooks files. Thus, the opening balance adjustments may have been inaccurate.

14. The primary inaccuracies include adjustments for depreciation and the "plug" entries that were made by Ernest Howard to the balance sheet on the tax returns. Those entries significantly affect the balance sheet of FAP and LJSMD. Those inaccuracies must be resolved, prior to the preparation of accurate financial statements.

15. There are also issues that are specific to FAP that must be resolved, prior to the preparation of accurate financial statements. They include the following:

a. MG entered into a sales lease-back agreement with US Bancorp on October 9, 2007 in which he sold approximately $136,000 of assets paid for by FAP and recorded as assets in Fay's QuickBooks. These assets were not properly removed from Fay's QuickBooks and additional documentation is necessary to determine the correct accounting for accurate financial statements;

b. There are numerous notes payable to Regents Bank recorded in QuickBooks of FAP. The use of the proceeds of the loans needs to be identified to determine the correct allocation of interest expense between the various affiliated companies. Currently Fay is showing the total interest obligation which appears to be distorting the expenses.

16. Additionally, there are also issues that are specific to LJSMD that must be resolved, prior to the preparation of accurate financial statements. They include the following:

a. A physical inventory was taken in March 2008 which resulted in a net inventory decrease of $150,584, however it is unclear how much of the inventory adjustment should be recorded prior to 2008 as a complete physical inventory was not performed at year end. Additional information pertaining to purchases and sales from affiliated entities is needed to be able to properly record the inventory adjustment in the correct period;

b. Deferred Revenue from Gift Cards has not been accounted for properly. As gift cards are sold or offered as bonus or trade they are recorded into a liability account called Deferred Gift Card Revenue. The use of the gift cards and the resulting adjustment from the liability account to the income accounts have not been made resulting in an understatement of income. Significant additional work is needed to determine the extent of the deferred revenue that needs to be recorded into each appropriate year;

17. Overall the accounting for Fay and LJSMD performed by the controller prior to 2008 appears to have been inaccurate. Correcting entries were not recorded in the QuickBooks files of FAP and LJSMD. We are in the process of determining the correct accounting to be able to provide accurate financial statements for the entities. However, we are in need of additional records from the inception of the entities and the affiliate companies to be able to provide accurate financial statements.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 26 day of June, 2008 in San Diego, California.

Joe A. Batta