



## Summary

On December 16, 2010, a grand jury in Atlanta federal court indicted Thomas Repke and James Jeffery on twenty-two counts. This is a criminal indictment which means that Jeffery and Repke each face a maximum sentence of 20 years in prison and a \$250,000 fine. More detailed information about the indictment is outlined below and available on the portion of the Receiver's website dedicated to this case.

Since the filing of the Receiver's Eighth Interim Report, the Receiver's team has collected \$49,108 in cash from a high-recovery investor, additional Coakley bag sales, and return of Coadum's retainer fee from Gersten Savage. Additionally, the Receiver has negotiated the return of the following substantial funds:

On December 21, 2010, the Receiver and his counsel participated in a successful mediation with the law firm of Gersten Savage. As is customary in these types of settlements, the Receiver expects that the settlement amount will remain confidential.

On December 28, 2010, this Court approved settlement between the Receiver, Puritan Securities, and Nathan Lapkin. This recovery of \$35,000 represents a fruitful settlement to this case, which would have presented substantial additional litigation costs for the Receiver's team to pursue.

The Receiver continues to pursue the \$4.4 million in investor funds frozen in Switzerland, and he continues to cooperate with the Department of Justice as necessary to achieve repatriation of those funds should the person in control of the funds remain intransigent. With the indictment of Jeffery and Repke, specifically the portion of the indictment entitled “Asset Forfeiture,” which directly addresses the Credit Suisse funds; the Receiver expects full cooperation from Jeffery and Repke in repatriating these funds.

In addition, the Receiver continues direct action in Malta to retrieve funds in Maltese Banks and third party litigation in the U.S. aimed at recovering additional funds. The Receiver and his team also continue their pursuit of multiple domestic and Canadian default judgments in this case, pursuing only those that will benefit the receivership.

The Receiver anticipates making a second distribution to approved claimants by mid-2011.

### **Procedural and Factual Background**

1. On January 3, 2008, the U.S. Securities and Exchange Commission (“SEC”) filed an application for a temporary restraining order and other equitable relief, alleging that Thomas E. Repke (“Repke”) and James A. Jeffery (“Jeffery”), through Coadum Advisors, Inc. (“Coadum”) and Mansell Capital Partners III, LLC

(“MCP3”), fraudulently raised approximately \$30 million<sup>1</sup> from investors who purchased interests in Coadum Capital Fund 1, LLC (“Coadum 1”), Coadum Capital Fund II, LP (“Coadum 2”), Coadum Capital Fund III, LP (“Coadum 3”), and Mansell Acquisition Company, LP (“MAC”).

2. On the same day, this Court granted that application and entered an Order freezing assets, prohibiting the destruction of documents, and granting other relief (the “*Order*”).

3. In the *Order*, the Court appointed Pat Huddleston II, of The Huddleston Law Firm, as Receiver.

4. Rather than repeat the details of the extensive record of settlements that brought additional funds to the receivership, the Receiver refers the Court to his previous Interim Reports, which investors can view on the Receiver’s website (“the website”). <http://www.huddlestonfirm.com/cases/coadum.htm>

5. In total, since the last interim report, the Receiver has added \$49,108 in cash to the receivership account, with substantial additional recoveries negotiated, including settlement with Puritan for \$35,000 and settlement with Gersten Savage for a confidential amount.

6. The Receiver has waited until now, when he has significant results to report,

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<sup>1</sup> The claims process verified investments of more than \$38 million.

to file another interim report in order to avoid the costs associated with the preparation of that report.

### **THIRD PARTY LITIGATION**

#### **Receiver v. Salesmen**

7. The Receiver has recovered a total of \$157,829 from settlements with Coadum salesmen.
8. In addition to settlements with salesmen, the Receiver has obtained default judgments totaling \$1,897,001 against nine salesmen and sales offices.
9. The Receiver continues to pursue those default judgments.
10. As the Receiver has settled with those salesmen who were willing to settle and obtained default judgments against those who were not, this case was closed on April 15, 2010.

#### **Receiver v. High Recovery Investors**

11. The Receiver has recovered a total of \$901,273 from settlements with high recovery investors.
12. In addition to settlements, the Receiver has obtained default judgments totaling \$1,286,150 against 11 high recovery investors.
13. The Receiver is pursuing collection of those judgments.
14. As the Receiver has settled with those investors who were willing to settle

and obtained default judgments against those who were not, this case was closed on May 17, 2010.

**Receiver v. Haugen**

15. On December 31, 2009, the Receiver filed suit in this Court against Ross Haugen.

16. On February 16, 2010, the U.S. Securities and Exchange Commission (“SEC”) obtained a final judgment against Defendant Haugen for disgorgement and interest in the amount of \$1,368,059.

17. At a preliminary hearing in the Northeast Judicial District Court in Walsh County, North Dakota, on September 8, 2010, Haugen was charged with numerous violations of securities laws.

18. The Receiver proactively assisted the Walsh County State’s Attorney Office in their prosecution of Mr. Haugen.

19. Haugen remains free on bail pending trial, currently set for February 7, 2011.

**Receiver v. Thomas Repke, James Jeffery, Deanna Hadley, Millstream Business Advisers, Inc., Insarch Group, Ltd., Insarch Group USA, LLC, and Mercedis Canada, Ltd.**

20. On December 31, 2009, the Receiver filed suit in this Court against Defendants Repke and Jeffery, Repke’s wife Deanna Hadley, Millstream Business

Advisers, Inc., Insarch Group, Ltd., Insarch Group USA, LLC, and Mercedes Canada, Ltd. for return of Coadum money they received.

21. On January 27, 2010, the SEC obtained a final judgment against Defendant Repke for disgorgement and interest in the amount of \$2,986,283.

22. On January 27, 2010, the SEC obtained a final judgment against Defendant Jeffery for disgorgement and interest in the amount of \$1,339,251.

23. In the same Order the Court imposed civil penalties on Repke of \$2,739,862 and on Jeffery of \$1,288,739.

24. Given that the SEC's judgment requires Repke to pay the entire \$5,726,146 to the receivership and Jeffery to pay the entire \$2,627,990 to the receivership, the Receiver dismissed them from the third-party lawsuit.

25. This case, now only involving the remaining defendants, Millstream and Hadley, is still in discovery, currently set to close on January 31, 2011.

26. On December 16, 2010, a grand jury in Atlanta federal court indicted Repke and Jeffery on one count of conspiracy, five counts of mail fraud, and 16 counts of wire fraud. The indictment is available for review on the portion of the Receiver's website dedicated to this case.

27. On December 27, 2010, Thomas Repke was arraigned and posted bail. On January 18, 2011, James Jeffery surrendered to authorities and made an appearance

in court to answer the criminal charges brought against him. He remains free on bond at this time.

28. Jeffery and Repke each face a maximum sentence of 20 years in prison and a \$250,000 fine.

**Receiver v. Puritan Securities and Nathan Lapkin**

29. On October 2, 2009, the Receiver filed suit in this Court against Puritan Securities, Inc. and Nathan Lapkin, seeking repayment of the investor funds that Puritan received.

30. On December 28, 2010, this Court approved settlement of the Receiver's claims against Puritan Securities and Nathan Lapkin in the amount of \$35,000, allowing the receivership to avoid the costs of litigation in a case with an uncertain outcome.

31. The defendants' first payment installment is due on January 27, 2011.

**Receiver v. Grafton Midway Enterprises, Grafton Enterprises, LLC,  
and Ben Howard**

32. In May 2007, MCP3 contracted with Ben Howard ("Howard") of Grafton Enterprises, LLC to act as a "straw buyer" to negotiate and acquire a parcel of land in Utah on MCP3's behalf.

33. Of the \$282,500 originally reported as having been paid to Grafton for services as the straw buyer in the failed purchase of the land, \$50,000 was earnest

money paid to the seller of the land. Only \$25,000 of the \$232,500 balance paid to Grafton appears to have been justified by MCP3's written contract with Grafton.

34. The Receiver has recovered \$15,803 from a Grafton bank account.

35. On October 9, 2009, the Receiver filed suit against Grafton and Ben Howard seeking return of at least \$191,696 in investor funds.

36. Defendants filed a Motion to Dismiss the Receiver's claims for improper venue on December 4, 2009. The Receiver filed his response opposing defendants' Motion to Dismiss on December 18, 2009.

37. On January 19, 2010, this Court issued an Order denying defendants' Motion to Dismiss. The defendants filed an answer to the Receiver's complaint on February 1, 2010.

38. The Receiver has engaged in unsuccessful settlement negotiations with defendants, and the Receiver awaits rulings from the Court regarding his Motion for Summary Judgment and Motion to Dismiss the defendants' counterclaim.

#### **Receiver v. Gersten Savage**

39. Prior to the Receiver's appointment, Coadum retained the New York-based law firm Gersten Savage LLP ("GS") to assist in the preparation of offering documents and to counsel Coadum on the advisability of doing business with Stephan Lovett and Ross Haugen.

40. On October 14, 2009, the Receiver filed suit in this Court against GS, two of the firm's partners, the private investigative service GS used, International Strategic Application ("I-SAFE"), and I-SAFE's owner, President, and sole stakeholder, Tarine K. Fairman.

41. On December 21, 2009, GS and the individual defendants moved to dismiss the Receiver's complaint or to transfer the case to New York.

42. The Receiver successfully opposed that motion. The Court denied it on January 4, 2010.

43. On December 3, 2009, the Receiver filed a Motion for Default Judgment against the private investigation service, I-SAFE, and Tarine Fairman that this Court granted on February 2, 2010.

44. The Receiver engaged in successful settlement negotiations with I-SAFE.

45. On March 10, 2010, the Receiver filed a Motion to Approve a Settlement with I-SAFE for a return of the amount Coadum paid it to conduct the investigation, \$1,250.

46. This Court approved the Receiver's settlement by Order dated March 31, 2010.

47. On December 21, 2010, the Receiver and his team participated in a successful mediation with Gersten Savage.

48. As is customary in these types of settlements, the Receiver expects that the settlement amount will remain confidential.

### **Receiver v. Lovett and Mayer**

49. The Receiver's investigation has uncovered a number of investors who were each told that his or her investment would stay in an escrow account and never be removed from that account without the investor's permission.

50. Indeed, sales materials identified by investors made that promise.

51. Melanie Mayer ("Mayer"), an attorney practicing in Alpharetta, Georgia, acted as "escrow agent" for the defendant entities, agreeing to hold investor money in a bank account she controlled.

52. Lovett facilitated the efforts of Keith Roberts Sampson Bristol ("KRSB") to have Repke and Jeffery raise money from Coadum investors for KRSB's offerings.

53. The Receiver has uncovered evidence that Lovett made misrepresentations to Jeffery and Repke regarding KRSB's offerings, which Jeffery and Repke then passed along to investors.

54. The Receiver's evidence shows that Mayer breached her duty as escrow agent, wiring investor funds out of the escrow account when she knew that investors believed the money would remain in the account.

55. Counsel for the Receiver filed suit to recover investor losses from Mayer,

Lovett, and their companies.

56. Counsel for the Receiver has taken the depositions of Mayer and Lovett.

Mayer asserted her Fifth Amendment right not to incriminate herself.

57. The discovery period in this case is now over, with the Receiver's counsel filing his Motion for Partial Summary Judgment on November 1, 2010.

58. The Court granted the defendants extra time, until January 15, 2011, to respond to this Motion.

### **ADDITIONAL DOMESTIC ASSETS**

#### **To Lift a Nation**

59. This 40-foot statue, inspired by the iconic photograph of firefighters raising the American flag atop the rubble of the World Trade Center, remains on the grounds of the National Fallen Firefighters Foundation ("NFFF") in Emmitsburg, Maryland.

60. Given the unusual nature of the asset, and the uncertain economic environment, the Receiver's efforts to convert that asset to cash have not yet yielded results.

61. The Receiver's efforts to market the monument have produced news stories by the Associated Press (re-printed in the *Washington Post*, among other papers), the *Atlanta Business Chronicle*, *CBS Radio*, and other news outlets.

62. On May 12, 2010, the Receiver listed the statue for sale through the Large Sales Department of eBay.

63. The auction for that statue began on May 12, 2010 and concluded on May 22, 2010, but was unsuccessful in securing a buyer.

64. The Receiver participated in negotiations to sell the statue to a private buyer for in October 2010, but the deal did not come to fruition.

65. The Receiver continues to explore additional avenues of recovery regarding the statue.

### **Bank Accounts**

66. The Receiver keeps liquid receivership assets at the Bank of North Georgia, SunTrust, and Wells Fargo. The money is no longer kept in a shared money market program because the Bank of North Georgia no longer offers this option. Cash available as of December 31, 2010, is \$609,949.

67. The Receiver continues to hold the receivership cash in FDIC-approved accounts, meaning that the balance in any one bank account does not exceed the maximum \$250,000 in FDIC protection. All of the receivership cash is, therefore, FDIC insured.

### **Coakley**

68. MCP3 loaned a total of \$381,000 to Coakley Business Class, LLC

(“Coakley”), who’s CEO is Repke’s sister, Mary Repke. Coakley makes high-end handbags.

69. The only document memorializing the Coakley investment is a memorandum of understanding dated June 21, 2007, which provides that MCP3 – in the event of default by Coakley – can choose to receive interest on the loan in warrants and/or inventory.

70. The Receiver determined that accepting company inventory would likely lead to a greater recovery, because Coakley has limited cash. The Receiver has, therefore, taken possession of 1,047 Coakley bags.

71. To date, the Receiver has sold 394 of those bags, for a total recovery of \$13,170.

72. The Receiver continues to offer the Coakley bags for sale through an auctioneer who includes several of the bags in each of his many auctions. While that approach has yielded good results at minimum expense, the Receiver continues to explore sale of a large lot of the bags at the best price possible.

**Coadum 1 v. LOBO International, A.G.**

73. When the Receiver was appointed, he found that Coadum was already pursuing litigation in Texas against parties associated with a prime bank scam in which Coadum had invested \$1 million. Coadum Capital Fund 1, LLC v. LOBO

International, A.G., case number 2006-76967 (District Court of Harris County, 165<sup>th</sup> Judicial Circuit).

74. Counsel for the Receiver tried the case and won a jury verdict totaling \$677,194 against a Houston attorney responsible for the prime bank scam.

75. Counsel for the Receiver also secured a \$417,207 default judgment against other defendants in that action.

76. The defendants' filed motions for judgment notwithstanding the verdict and for a new trial. The Court denied those motions.

77. The defendants have filed a notice of appeal, indicating their intention to appeal the judgment, and the appeals court has again granted an extension for filing their brief.

78. Defendant Raymond Stauffacher appealed the case to the 14<sup>th</sup> Court of Appeals in Houston, Texas on October 17, 2010.

79. The Receiver filed his brief through local counsel on November 24, 2010, and oral argument is scheduled for February 17, 2011.

80. The Receiver will work to win the appellate case and will aggressively pursue collection against the defendants once the case is final.

### **OVERSEAS ASSETS**

81. Coadum wired a total of \$21.8 million of the \$38 million raised overseas, to

entities in Malta and Switzerland.

82. Specifically, Coadum wired \$13 million to Switzerland and \$9.1 million to Malta.<sup>2</sup>

83. Needing cash to pay supposed profits or withdrawals to investors, Coadum requested and received a return of \$3 million from the money held in Switzerland.

84. The net amount invested in Europe is, therefore, \$19.1 million; \$10 million in Switzerland and \$9.1 million in Malta.

85. Because the money transferred overseas represents more than half of the total raised from Coadum investors, the Receiver continues to make pursuit of those assets a priority.

### **Switzerland**

86. In the spring of 2009, after many months of KRSB ignoring the Receiver's communication attempts, an attorney for KRSB contacted the Receiver with a proposal for a settlement that would return the vast majority of the frozen funds to the receivership.

87. The Receiver engaged in extensive negotiations with that attorney, making it clear that the Receiver intended to pursue the additional \$14.4 million in investor

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<sup>2</sup> Additional investigation has led the Receiver to report a larger amount of money transferred to Malta than in previous reports, in which the Receiver reported that \$8.8 million was transferred to Malta.

money transferred to Europe, apart from the \$4.4 million already frozen in the Swiss bank accounts.

88. When it appeared that negotiations would conclude successfully, the attorney for KRSB demanded that the Receiver release his claims for recovery of the additional \$14.4 million transferred overseas as a condition of the voluntary return of the \$4.4 million frozen in Credit Suisse accounts.

89. The Receiver rejected that proposal, and has not heard from the attorney representing KRSB since that time.

90. The Receiver has confirmed that the U.S. Department of Justice has a redundant freeze on the Swiss funds and has taken steps to secure the return of that money without KRSB's cooperation. The Receiver is pursuing other actions against KRSB.

91. Recently, the Receiver's team was contacted by a third party on KRSB's behalf. The third party made complaints about the mention of KRSB's name on the Coadum portion of the Receiver's website. After responding to this third party, the Receiver and his team have heard nothing further from the third party.

92. As reported above, the Receiver is continuing to work with the U.S. Attorney's office to return the Swiss funds.

93. With the criminal indictment of Jeffery and Repke, specifically the portion

of the indictment entitled “Asset Forfeiture,” which directly addresses the Credit Suisse funds; the Receiver expects full cooperation from Jeffery and Repke in repatriating these funds.

### **Malta**

94. The Receiver has information about Maltese persons and entities who received some of the \$9.1 million of investor money transferred to Malta.

95. On September 24, 2009, this Court granted the Receiver’s request to retain counsel in Malta to pursue direct action against KRSB and the third parties who received money transferred to Malta.

96. Maltese counsel has commenced action in Malta on behalf of the Receiver. The Receiver has posted a copy of the Maltese complaint on the portion of his website devoted to this case.

97. Among other things, the Maltese action seeks recovery of the balances in three Bank of Valletta accounts for three companies controlled by KRSB. These companies are: Soleil Group Holdings Ltd, which holds (in Euros) €2,993, Exodus Equities Ltd, which holds €3,929, and Exodus Capital Ltd, which holds €2,583. The Receiver is also pursuing other avenues to recover the investor funds transferred to Malta.

98. The defendants have responded to the Receiver’s complaint and the case is

continuing to be pursued by the Receiver's Maltese counsel.

### **Andorra**

99. The Receiver's investigation revealed that KRSB wired \$5.6 million from the Credit Suisse accounts to the account of a French company, called Sofibio, at a bank in Andorra.

100. Through the SEC's Office of International Affairs, the Receiver has asked Andorran bank officials for information on the \$5.6 million transferred from the Credit Suisse accounts, but the Receiver has received no response.

101. In May 2009, the Committee on Fiscal Affairs of the Organization for Economic Co-operation and Development ("OECD") removed Andorra from its list of tax havens in light of the country's commitment to implement the OECD's standards of transparency and effective exchange of information.

102. Andorra has, nevertheless, been slow to respond.

103. Through the SEC's Office of International Affairs, the Receiver will continue to press for production of Sofibio's bank records.

104. Upon receipt of the Credit Suisse records, the Receiver will verify the details of the transfer to the Andorran bank and further explore an action against Sofibio for return of those funds.

105. The Receiver will continue to explore other avenues for recovering the

Sofibio funds.

### **Canada**

106. Since the Court ordered Jeffery to cooperate with the Receiver's investigation, the Receiver has been able to gather bank records that have provided leads to additional receivership assets in Canada.

107. As reported in previous interim reports, Jeffery's personal services company, Insarch Group, received a total of \$552,347 in investor assets, while another company he owns, Mercedis Canada Ltd, received \$599,798.

108. The Receiver's investigation has revealed that MCP3 paid \$130,000 for the purchase of Coadum's office building in Belleville, Canada, and paid \$246,806 for Jeffery's personal residence.

109. As reported above, the Receiver is pursuing collection of the judgment that the SEC obtained against Jeffery, which requires that Jeffery pay the amount of the judgment to the receivership.

110. The Receiver has engaged Canadian counsel to recoup the default judgments secured in the United States. against all of the high-recovery investors and salesmen in Canada

111. As with the pursuit of all assets, the Receiver will carefully consider the cost of pursuing Canadian assets and weigh it against the likelihood of recovery before

expending receivership assets on the effort.

### **Current Status**

112. Although substantial work remains, the Receiver has made progress and achieved recovery of assets that far exceed the cost of the receivership.

113. The Receiver continues to bring more assets into the receivership and expects to make additional distributions as the receivership accounts grow to a sum that will justify the cost of another distribution.

114. The Receiver anticipates filing making a second distribution to approved claimants by mid-2011. He will file his next interim report after making that distribution.

Respectfully submitted this 25<sup>th</sup> day of January, 2011.

**THE HUDDLESTON LAW FIRM**

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**CERTIFICATE OF SERVICE**

I certify that the foregoing was prepared with one of the font and point selections approved by the Court in LR 5.1B. I further certify that I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system which will send notice of electronic filing to counsel of record.

This 25<sup>th</sup> day of January, 2011.

**THE HUDDLESTON LAW FIRM**

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