

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

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SECURITIES AND EXCHANGE COMMISSION,	:	
	:	
Plaintiff,	:	
	:	
v.	:	
	:	CIVIL ACTION FILE
COADUM ADVISORS, INC.,	:	NO.
MANSELL CAPITAL PARTNERS III, LLC,	:	
JAMES A. JEFFERY,	:	1:08-CV-00011-ODE
THOMAS E. REPKE,	:	
COADUM CAPITAL FUND 1, LLC,	:	
COADUM CAPITAL FUND II, LP,	:	
COADUM CAPITAL FUND III, LP, and	:	
MANSELL ACQUISITION COMPANY, LP,	:	
	:	
Defendants.	:	
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RECEIVER’S SEVENTH INTERIM REPORT

Pat Huddleston II, the Receiver appointed by this Court by Orders dated January 3, 2008, and August 15, 2008 (the “*Order*”), files this Seventh Interim Report to describe his investigation thus far and to detail his progress toward completing the tasks assigned by the Court.

Summary

Since the filing of the Receiver's Sixth Interim Report, the Receiver's team has collected \$160,541 in cash, obtained approval of yet-to-be-consummated settlements totaling \$102,691, and obtained default judgments against salesmen and high recovery investors totaling \$11,537,288. The Receiver has been able to conclude the litigation against the salesmen and high recovery investors, thus allowing the receivership to avoid the substantial costs of trial.

The Receiver has filed several third-party lawsuits, always mindful of the likely recovery in those actions as compared to the cost of pursuing them. The Receiver continues to pursue the \$4.4 million in investor funds frozen in Switzerland. He will cooperate with the Department of Justice as necessary to achieve repatriation of those funds should the person in control of the funds remain intransigent. In addition, the Receiver is pursuing direct action in Malta against parties who received investor funds there.

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 million¹ 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. On January 23, 2008, the defendants consented to the entry of a permanent injunction, leaving the issues of disgorgement and civil penalties for later determination. On January 25, 2008, this Court entered judgment against the defendants, and allowed Defendants Repke and Jeffery to access \$4,000 per month from their frozen assets.

5. On February 29, 2008, the Receiver filed his First Interim Report.

¹ The claims process verified investments of more than \$38 million.

6. On April 25, 2008, the Receiver filed his Second Interim Report.
7. On June 4, 2008, this Court granted the Receiver's Motion to Approve Claim Form and Establish a Bar Date for Filing Claims, and set July 11, 2008 as the Bar Date for claims.
8. On July 7, 2008, the Court granted the Receiver's Motion for Permission to Pursue Assets Located Overseas.
9. On July 10, 2008, the Receiver filed a motion to require Wells Fargo Bank to surrender \$750,000, which Wells Fargo transferred away from an MCP3 account after receiving notice of the asset freeze.
10. On March 31, 2009, after a two-day evidentiary hearing at which the Receiver and members of his staff testified, the Court granted the Receiver's motion and ordered Wells Fargo to surrender the \$750,000. Wells Fargo elected not to appeal, and has released these funds to the Receiver.
11. On July 22, 2008, the Receiver filed a motion asking the Court to order Jeffery to comply with the cooperation provisions of the *Order*.
12. The Court granted that motion on September 10, 2008.
13. On August 14, 2008, the Receiver filed his Third Interim Report.
14. On December 8, 2008, the Receiver filed his Fourth Interim Report.

15. On July 1, 2009, the Receiver filed his Fifth Interim Report.
16. On June 11, 2009, the Receiver filed a Motion to Approve a Settlement with a Coadum investor for the return of \$113,743 to the receivership.
17. On June 22, 2009, the Receiver filed three Motions Seeking Approval of Settlements with high recovery Coadum investors for an aggregate amount of \$568,294.
18. On June 29, 2009, the Receiver filed a Motion to Approve a Settlement with another Coadum investor for the return of \$4,000.
19. On July 16, 2009, the Receiver filed a Motion to Approve a Settlement with another Coadum investor for the return of \$37,000.
20. On September 16, 2009, the Receiver filed a Motion to Approve a Settlement with another Coadum investor for the return of \$45,000.
21. On October 5, 2009, the Receiver filed a Motion to Approve a Settlement with another Coadum investor for the return of \$8,736.
22. This Court approved the Receiver's motions to approve the above-mentioned settlements by Orders dated July 9, 2009, July 14, 2009, July 23, 2009, August 10, 2009, October 8, 2009, and November 2, 2009, respectively.
23. On November 10, 2009, the Receiver filed his Sixth Interim Report.

24. On December 11, 2009, the Receiver filed two Motions to Approve Settlements with another three Coadum investors for the return of \$91,000.
25. On April 27, 2010, the Receiver filed a Motion to Approve a Settlement with a Coadum investor for the return of \$33,000 (in six monthly installments).
26. This Court approved the Receiver's motions to approve the settlements referenced in paragraphs 24 and 25 by Orders dated January 20, 2010, and April 28, 2010, respectively.
27. On July 6, 2009, the Receiver filed a Motion to Approve a Settlement with a salesman and his company for \$48,000.
28. On January 20, 2010, the Receiver filed a Motion to Approve a Settlement with a salesman for the return of \$6,000.
29. On January 29, 2010, the Receiver filed a Motion to Approve a Settlement with a salesman for the return of \$15,000.
30. On February 16, 2010, the Receiver filed a Motion to Approve a Settlement with a salesman and his privately owned company for the return of \$4,500.
31. On March 12, 2010, the Receiver filed a Motion to Approve a Settlement with a salesman for the return of \$3,500.
32. The Court approved the Receiver's motions to approve the settlements

referenced in paragraphs 27 through 31 by Orders dated July 31, 2009, February 12, 2010, February 24, 2010, March 17, 2010, and April 8, 2010, respectively.

33. In total, since the last interim report the Receiver has added \$160,541 in cash to the receivership account.

34. The Receiver has waited until now, when he has significant results to report, to file another interim report in order to avoid the costs associated with the preparation of that report.

THIRD PARTY LITIGATION

Receiver v. Salesmen

35. The Receiver has thus far recovered \$155,829 in cash from settlements with Coadum salesmen, \$34,497 of that amount since the last interim report.

36. In addition to settlements with salesmen, the Receiver has obtained default judgments totaling \$1,897,001 against nine salesmen and sales offices.

37. The Receiver is pursuing collection of those default judgments.

38. 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

39. The Receiver has thus far recovered \$868,273 in cash from settlements with high recovery investors, \$99,736 of that amount since the last interim report.

40. In addition to settlements, the Receiver has obtained default judgments totaling \$1,286,150 against 11 high recovery investors.

41. The Receiver is pursuing collection of those judgments.

42. 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. Repke, Jeffery, Deanna Hadley, Millstream Business Advisers, Inc., Insarch Group Ltd., Insarch Group USA, LLC, and Mercedis Canada, Ltd.

43. 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 Mercedis Canada, Ltd. for return of Coadum money they received.

44. On January 27, 2010, the U.S. Securities and Exchange Commission ("SEC") obtained a final judgment against Defendant Repke for disgorgement and interest in the amount of \$2,986,283.

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

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

47. 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, leaving only Millstream, Hadley, the Insarch companies, and Mercedis as defendants. After getting an extension to answer, Millstream and Hadley filed their answer on March 31, 2010.

48. That case is currently in discovery.

Receiver v. Puritan Securities

49. 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.

50. Puritan Securities filed an answer to the Receiver's complaint on January 30, 2010, and this case is now in discovery.

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

51. 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.

52. 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.

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

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

55. 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.

56. 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.

57. The Receiver has engaged in unsuccessful settlement negotiations with defendants and this case is now in discovery.

Receiver v. Associated Bottling and John Regas

58. As described in earlier interim reports, Coadum transferred a total of \$860,375 to a California bottling business called Associated Bottling, Inc.

59. On October 23, 2009, the Receiver filed suit against Associated Bottling and John P. Regas to recover the \$860,375.

60. Defendants failed to file an answer to the Receiver's complaint.

61. The Receiver secured a default judgment for liquidated damages against defendants on April 27, 2010 totaling \$860,375, plus \$356 in service costs.

62. The Receiver will seek to enforce this judgment by pursuing collections against the defendants up to the amount of liquidated damages awarded.

Receiver v. Gersten Savage

63. 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.

64. 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.

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

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

67. The Receiver is currently engaged in discovery in that case and will soon be taking depositions.

68. 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.

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

70. 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.

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

Receiver v. Lovett and Mayer

72. 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.

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

74. 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.

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

76. 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.

77. 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.

78. Counsel for the Receiver filed suit to recover investor losses from Mayer, Lovett, and their companies.

79. Receiver's counsel has taken the depositions of Mayer and Lovett. Mayer asserted her Fifth Amendment right not to incriminate herself.

80. The case is approaching the end of discovery.

Receiver v. Emerald Title

81. Emerald Title Insurance Agency, Inc. ("Emerald Title") also entered into misleading escrow agreements with Coadum investors.

82. The Receiver filed suit against Emerald Title, Rodger Rowley, and Karen Katus on December 31, 2009.

83. Defendants Katus and Rowley both filed Chapter 7 bankruptcy notices, representing to the Court and the Receiver they had no recoverable assets.

84. The Receiver conducted a thorough investigation and found no identifiable assets that warranted the continuation of the case.

85. In order to preserve receivership assets, the Receiver requested that the Court dismiss these defendants and close this case.

86. The Court granted the dismissal and closed the case on April 9, 2010.

Receiver v. Ross Haugen

87. With the approval of GS, Coadum continued to use Ross Haugen as its primary salesman.

88. Haugen received \$1,421,977 of investor funds as commission for sales of the Coadum offerings.

89. On December 31, 2009, the Receiver filed suit against Haugen.

90. On February 25, 2010, the SEC obtained a judgment requiring Haugen to pay \$1,368,059 in disgorgement fees to the receivership and \$1,242,742 as a civil penalty to the receivership.

91. To avoid unnecessary expense, the Receiver promptly dismissed his separate case against Haugen.

92. The Receiver is pursuing collection of the judgment against Haugen.

ADDITIONAL DOMESTIC ASSETS

Idaho Land

93. Shortly before the SEC commenced its emergency case against Coadum, Coadum paid \$90,000 in earnest money for the purchase of land in Driggs, Idaho.

94. The Receiver promptly demanded return of that money. Unsure of his obligations, the real estate agent in possession of the escrowed funds filed an

interpleader action in Idaho.

95. Counsel for the Receiver responded to that action and subsequently negotiated a proposed settlement with the prospective sellers of that property which would return \$67,691 to the receivership.

96. The Receiver recommended acceptance of the settlement to avoid the costs of litigation in a case with an uncertain outcome.

97. The Court approved that settlement on May 3, 2010.

98. The Receiver expects to receive those funds before June 1, 2010.

To Lift a Nation

99. 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.

100. 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.

101. 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.

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

103. The auction for that statue began on May 12, 2010 and will conclude on May 22, 2010.

104. The Receiver hopes to convey details about the sale of this monument in his next interim report.

Bank Accounts

105. The Receiver keeps liquid receivership assets at the Bank of North Georgia in Marietta, Georgia. Cash on hand totals \$872,997.

106. The Receiver continues to hold the receivership cash in an FDIC-approved “shared money market program.” Under that program, the balance in any one bank does not exceed the maximum \$250,000 in FDIC protection. All of the receivership cash is, therefore, FDIC insured.

107. Aside from the cash in bank accounts, the Receiver is still pursuing return of assets that the defendants invested in various domestic ventures.

Coakley

108. MCP3 loaned a total of \$381,000 to Coakley Business Class, LLC (“Coakley”), whose CEO is Repke’s sister, Mary Repke. Coakley makes high-end handbags.

109. 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.

110. 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.

111. The Receiver has sold 226 of those bags so far for a total recovery of \$9,373.

112. 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.

113. 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, 165th Judicial Circuit).

114. 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.

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

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

117. The defendants have filed a notice of appeal, indicating their intention to appeal the judgment.

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

OVERSEAS ASSETS

119. Coadum wired a total of \$21.8 million of the \$38 million raised overseas, to entities in Malta and Switzerland.

120. Specifically, Coadum wired \$13 million to Switzerland and \$9.1 million to Malta.²

121. 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.

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

123. Because the money transferred overseas represents more than half of the total raised from Coadum investors, the Receiver has made pursuit of those assets a priority.

Switzerland

124. 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.

² 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.

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

126. 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.

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

128. 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.

Malta

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

130. 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.

131. Maltese counsel has commenced action in Malta on behalf of the Receiver. The Receiver will post a copy of the Maltese complaint on the portion of his website devoted to this case <http://www.huddlestonfirm.com/cases/coadum.htm> ("the website").

132. The Receiver will report on the progress of the Maltese litigation in his next interim report and will post news of all significant events on the website.

133. 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 €3929, and Exodus Capital Ltd, which holds €2583. The Receiver is also pursuing other avenues to recover the investor funds transferred to Malta.

Andorra

134. 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.

135. 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.

136. 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.

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

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

139. 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.

140. The Receiver is also exploring other avenues for recovering the Sofibio funds.

Canada

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

142. 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.

143. 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.

144. 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.

145. 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

146. Although there is a minimum of another year's work remaining, the Receiver has made substantial progress and achieved recoveries for investors that have far exceeded the cost of the receivership.

147. 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.

148. The Receiver anticipates filing his next interim report in September, 2010.

Respectfully submitted this 18th day of May, 2010.

/s/ Pat Huddleston, II
Georgia Bar No. 373984
Receiver

THE HUDDLESTON LAW FIRM
1300 Ridenour Boulevard, Suite 200
Kennesaw, GA 30152
(770) 919-8003
(770) 874-0888 – facsimile
ph2@huddlestonfirm.com

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 18th day of May, 2010.

/s/ Pat Huddleston, II
Georgia Bar No. 373984
Receiver

THE HUDDLESTON LAW FIRM
1300 Ridenour Boulevard, Suite 200
Kennesaw, GA 30152
(770) 919-8003
(770) 874-0888 – facsimile
ph2@huddlestonfirm.com