

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

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SECURITIES AND EXCHANGE COMMISSION, :

Plaintiff, :

v. :

COADUM ADVISORS, INC. :  
MANSELL CAPITAL PARTNERS III, LLC :  
JAMES A. JEFFERY :  
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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CIVIL ACTION FILE  
NO.

1:08-CV-00011-ODE

RECEIVER'S THIRD INTERIM REPORT

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

## **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 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 the *Order* freezing assets, prohibiting the destruction of documents, and granting other relief.
3. 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.
4. In the January 3, 2008, *Order*, the Court appointed Pat Huddleston, II, of The Huddleston Law Firm, as Receiver.

5. On February 29, 2008, the Receiver filed his First Interim Report.
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 to surrender \$750,000 being held in the name of MCP3.
10. On July 22, 2008, the Receiver filed a motion asking the Court to order Mr. Jeffery to comply with the cooperation provisions of the *Order*.

#### **Progress Since the Second Interim Report**

11. The Receiver and his team continue to identify, marshal, and preserve the assets of the Receivership Estate.
12. Those assets include money transferred to investments in Malta and Switzerland, and to third parties in Canada and the Cayman Islands, as well as several assets located in the United States.

13. 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.

14. The defendants transferred at least \$21.8 million in investor funds to overseas companies Soleil Group Holdings, Inc. (“Soleil”), Exodus Platinum Ltd., and Exodus Platinum Genesis, LLC (collectively “Exodus”), in reliance upon representations made by the principals of Soleil and Exodus, including a man named Keith Roberts-Sampson Bristol (“KRSB”).

15. Of the \$21.8 million in investor funds transferred overseas, Coadum wired \$13 million to Credit Suisse in Geneva into accounts in the name of Soleil, Exodus, and/or KRSB. The remaining \$8.8 million was wired to accounts in those names at Bank of Valletta in Valletta, Malta.

16. While the Receiver has attempted to secure the cooperation of Soleil and Exodus in returning investor funds, these companies have refused to return investor funds, while pledging their intention to do so, and have refused to produce the bank statements requested by the Receiver.

## **Switzerland**

17. Within hours of the commencement of this case, the SEC's Office of International Affairs put Swiss authorities on notice that the funds held in the Credit Suisse accounts were the proceeds of fraud.
18. The Swiss authorities responded by placing a freeze on the Credit Suisse accounts.
19. Swiss authorities appointed an investigating magistrate to advise on the proper disposition of the frozen funds.
20. The Receiver spoke to the Swiss magistrate regularly and responded to her requests for information, while continuing to ask that she expedite the return of the Coadum funds in the Credit Suisse accounts.
21. In the early days of the Receivership, KR SB - on behalf of Exodus and Soleil - had agreed to return \$3 million in investor funds immediately, pending further investigation.
22. The Swiss freeze, though, prevented the immediate return of those funds.
23. Soleil delivered documents to the Receiver purporting to be evidence of payment obligations ("debentures") of Soleil, in an effort to secure the Receiver's consent to the removal of the Swiss freeze. The Receiver never gave such consent.

24. As expected, these so-called “debentures” have proven worthless. Giving those “debentures,” for the moment, a credibility which they never deserved, they required payment to the Receiver of \$15,885,861 less fees and expenses no later than August 4, 2008. Of course, Soleil has not made that payment or any other.

25. On July 11, 2008, after discussions with the Receiver and the SEC’s Office of International Affairs, the Swiss magistrate ordered Credit Suisse to wire \$3 million from the Credit Suisse accounts to the receivership account in reliance on KRSB’s directive.

26. Credit Suisse did not comply with that order, though, citing a recent objection filed by KRSB, who had revoked his instructions to return the \$3 million to the Receiver.

27. Approximately \$4.5 million remains frozen at Credit Suisse pursuant to the initial Swiss freeze. To better secure those funds for future repatriation, though, the Receiver is seeking to put in place a separate freeze pursuant to a Mutual Legal Assistance Treaty (“MLAT”) between the United States and Switzerland.

### **Andorra**

28. Before the *Order*, asset freeze, and the above actions, Soleil, Exodus, and/or KRSB had already wired \$5.6 million of the investor funds held at Credit Suisse to a bank in Andorra.

29. The Receiver has put the Andorran bank on notice that the \$5.6 million represents the proceeds of fraud.

### **Malta**

30. The Receiver has documented \$8,820,000 in Coadum money wired to the Bank of Valletta (“BOV”) in Malta.

31. The Receiver is continuing his investigation of individuals and entities who received disbursements from the BOV accounts into which Coadum investor funds had been deposited.

### **Canada**

#### **(Jeffery, Insarch, Mercedis, and Jack’s Cash)**

32. Mr. Jeffery has promised investors that he will “make them whole.” Investors should consider that promise in light of his conduct during this receivership. The Receiver is not aware of a single investor who has received return of funds from Mr. Jeffery.

33. Mr. Jeffery has acknowledged this Court’s jurisdiction over him. (“James A. Jeffery....admit[s] the jurisdiction of this Court over [him] and over the subject matter of this action.” “The Defendants agree...that this Court shall retain jurisdiction over them for the purpose of enforcing the terms of the Order of Permanent Injunction.”). Docket Entry 15 – *Stipulation and Consent to Order of Permanent Injunction and Other Relief*.

34. This Court has ordered Mr. Jeffery to cooperate with the Receiver (*Order* ¶14).

35. Nevertheless, Mr. Jeffery has ignored requests for documents, refused to instruct his Canadian banks to produce records of Coadum-related accounts, and has actively obstructed the Receiver’s efforts to preserve receivership assets.

36. On July 22, 2008, the Receiver filed a motion bringing Mr. Jeffery’s behavior to the attention of the Court.

37. The Receiver’s examination of Coadum accounts shows that Mr. Jeffery’s personal services companies – Insarch Group, Ltd. and Insarch Group USA, LLC (collectively “Insarch”) – received a total of \$549,033 in investor funds.

38. Another company that Mr. Jeffery controls – Mercedis Canada, Ltd. (“Mercedis”) – received \$599,798.

39. Jack's Cash – a payday loan company based in Canada – received \$793,000.

**Cayman Islands  
(TRAC Indemnity)**

40. The defendants funded the formation and expenses of a Cayman Islands insurance captive segregated portfolio company (“SPC”), in collaboration with California-based TRAC Personnel Systems.

41. As part of the investment in this asset, MCP3 deposited \$120,000 into an account in the Cayman Islands, as an initial regulatory capital requirement for the new entity.

42. The Receiver has put the Cayman Islands bank on notice of the receivership's claim, and has received documentation from the bank, detailing the movement of funds to and from this account. The Receiver has requested that TRAC (and the signers on the account) instruct the Cayman Islands bank to disburse these funds to the Receiver.

43. The Receiver may also investigate what value the SPC – which was formed in 2006 – may have to the Receivership Estate in a sale to a third party.

44. The Receiver has received documentation from TRAC and the management company who formed the SPC on TRAC's behalf.

### **Domestic Investments**

45. On the domestic front, the Receiver has made progress toward liquidating Receivership claims and bringing that money into the Receivership account. The Receiver will address each of the domestic investments.

### **To Lift a Nation**

46. The Receiver has requested and received an opinion from tax counsel on the advisability of carrying through with Coadum's original plan of obtaining a tax benefit from the donation of the monument and passing that along to the investors, as opposed to seeking a sale of the monument to a third party.

47. Based primarily on these discussions, the Receiver has concluded that the Receivership is more likely to maximize its recovery by completing a sale of this impressive monument to a third party.

48. The Receiver has rejected early, deeply-discounted offers and is moving forward in conversations with seriously interested parties.

49. While the Receiver has had conversations with potential buyers of the monument, none of these discussions has yet progressed to the stage at which the Receiver would be comfortable in projecting the anticipated time frame or value of such a sale.

### **Associated Bottling**

50. As of the last Interim Report, the Receiver had verified more than \$250,000 in additional funds invested in this business, bringing the total to \$860,375.

51. John Regas, CEO of Associated Bottling, has provided some documentation of the funds received from the defendants, as well as an abbreviated accounting of the use of those funds.

52. The Receiver has requested a more complete accounting of the funds from Mr. Regas, who is also named as a buyer of one of the Pittsburgh condominiums (see below).

### **Wells Fargo**

53. The Court appointed the Receiver on January 3, 2008. At 9:00 a.m. on January 4, 2008 the Receiver was at the Salt Lake City headquarters of Coadum. Later that day, the Receiver took a copy of the *Order* to the local branches of Zion's Bank and Wells Fargo Bank, where Coadum did business.

54. At each bank, the Receiver delivered a copy of the *Order* to the branch manager on duty, described the asset freeze contained in the *Order*, and told the branch manager that the bank was bound by the *Order*.

55. Having actually received the *Order*, Wells Fargo was on notice of what the *Order* says.

56. Wells Fargo therefore knew on January 4, 2008, that Mr. Repke no longer had authority to bind the Coadum entities, including MCP3.

57. There is evidence to suggest that, in violation of the *Order*, Mr. Repke, who no longer had any authority to act for Coadum, nevertheless signed a document on January 8, 2008 - five days after the Court issued the *Order* - purporting to pledge \$750,000 as security for a commercial lease on a building to be occupied by Associated Bottling.

58. Wells Fargo knew that this Court had frozen the assets of the Coadum entities, including assets held at Wells Fargo.

59. When the Receiver asked Wells Fargo to forward the \$750,000, Wells Fargo refused, saying that it had hired counsel to fight the Receiver's efforts to recover that money for defrauded investors.

60. The Receiver has brought the matter to the Court's attention and asked the Court to order Wells Fargo to observe the terms of the original *Order* and forward the \$750,000, plus accrued interest, to the Receiver.

### **Coakley Business Class**

61. The Receiver has received confirmation from Coakley's counsel that the defendants paid Coakley \$381,000 as an investment in this business.

62. The Receiver has requested an accounting of these funds, as well as additional documentation concerning the agreement(s) between the parties relating to Coakley's receipt of that money and Mary Repke's receipt of an additional \$20,000.

63. The Receiver has reviewed the documentation produced by Coakley, through its counsel, indicating that most of the money paid to Coakley was used to purchase inventory. The Receiver has made a demand for the repayment of the funds paid to Coakley, as well as for the funds paid to Mary Repke personally, and has notified Coakley that the Receiver may seek to recapture the inventory purchased if repayment is not made promptly.

### **Utah Water Shares**

64. Investigation to date has revealed details of a series of prior events and a failed attempt to acquire a parcel of land in Utah, which resulted in MCP3 contracting to purchase these "Water Shares" from Via Saashi, LLC, owned by

Sandra Hadley, in an attempt to recover MCP3's "sunk costs" in the prior transactions involving Via Saashi.

65. In May 2007, MCP3 contracted with Ben 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.

66. MCP3 had earlier been approached by Sandra Hadley to finance a joint-venture development of a spa resort at this Utah site.

67. 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, the Receiver has identified \$50,000 as additional 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.

68. In pursuing the return of these funds, the Receiver has recovered \$15,803.30 from Grafton's bank account, and is seeking to recover the balance from Grafton. Mr. Howard has contested the amount claimed by the Receiver, and the Receiver has requested that Mr. Howard produce the documentation to substantiate his claim.

69. MCP3 paid \$166,730 in additional fees to Via Saashi and its attorney and/or related entities, including the \$50,000 down payment for the Water Shares mentioned in the Receiver's First Interim Report.

70. The Receiver has requested documentation from Via Saashi and its attorney related to these payments. Via Saashi, through its counsel, has contested the amount claimed by the Receiver.

### **Idaho Real Estate**

71. In September 2007, Acquisitions Capital International, a Coadum company, contracted to purchase two parcels of land in Driggs, Idaho.

72. The defendants used MCP3 funds to pay a total of \$148,000 in earnest money to the sellers. Acquisitions Capital did not contribute to the earnest money payments.

73. The Receiver has secured the return of \$58,000 in earnest money paid by the defendants for one of the pending Idaho real estate purchases.

74. Counsel for the Receiver has demanded the return of the remaining \$90,000 paid by the defendants for the other pending Idaho real estate purchase.

75. The seller is aware that the earnest money was procured fraudulently from innocent investors. The seller also knew - or should have known at the time of the

payment of the earnest money - that she was accepting payment from someone other than the party with whom she had contracted (Acquisitions Capital).

76. In preparation for filing suit against the seller for return of that earnest money, the Receiver has filed the necessary paperwork to expand the receivership to include this Idaho jurisdiction.

### **Westland Securities**

77. The Receiver has secured the proceeds remaining in the Westland Securities bank account, totaling \$16,916.01. The Receiver has identified a \$25,000 check, signed by Jeffery and paid to his attorney *after the freeze order*, and has sent a demand to the attorney for return of this amount.

### **Pittsburgh Condominiums**

78. The Receiver has verified expenditures of \$81,100 in investor funds for various items related to these condominium purchases, including deposits held by the escrow agent.

79. Of the \$81,100 total, \$10,000 was paid as deposits on two additional condominiums, and was never reimbursed after the buyers for those two units sent in their own funds.

80. The Receiver has requested the return of those deposits from the buyers of those units, as well as from the developer and escrow holder. While all of the parties have acknowledged the Receiver's request and the terms of the *Order*, these deposits have not yet been disbursed to the Receiver.

81. Another \$64,400 was paid as deposits toward the purchase of the two Coadum-related units, and an additional \$6,700 was paid for other related services.

82. The Receiver has been in discussions with the developer of these two, Coadum-related units to secure the developer's cooperation in returning the deposits paid, in exchange for a release of the units back to the developer.

83. The Receiver is also exploring other possible avenues for maximizing the recovery of these assets, including the possible resale of these units.

### **Texas Litigation**

84. The Receiver participated in court-ordered mediation in Coadum 1's suit against individuals and entities involved with a prime bank scheme that resulted in a loss of more than \$400,000. Coadum Capital Fund 1, LLC v. LOBO International, A.G., et al., Case Number 2006-76967 (District Court of Harris County, Texas, 165<sup>th</sup> Judicial Circuit).

85. The case did not settle at mediation, so counsel for the Receiver took the deposition of one of the defendants the following day, and the defendants took the deposition of Mr. Repke.

86. The Receiver has filed a motion for summary judgment and expects it to succeed. If it does not, the Receiver is prepared to try the case.

### **Emerald Title**

87. As detailed in the First Interim Report, Emerald Title was the escrow agent for Coadum 1 until September 2006.

88. The Receiver has requested information from Roger Rowley, principal of Emerald Title, and subpoenaed bank records from Emerald Title's bank in an effort to quantify Mr. Rowley's liability to the Receivership.

89. The Receiver will pursue repayment of the loan Coadum made to Mr. Rowley.

### **Millstream**

90. Mr. Repke's personal services company, Millstream Business Advisors, Inc. ("Millstream"), received \$439,000 from Coadum.

91. The Receiver has received bank account records for Millstream and Mr. Repke personally, and is analyzing those records to identify possible leads to other assets.

### **Tax Matters**

92. The defendants told investors that the Coadum funds were profitable.

93. The defendants issued K-1's to the investors.

94. The numbers on the K-1's were fictitious, as none of the Coadum entities was ever profitable.

95. After reviewing the company's accounting file, the Receiver has determined that there is no basis for the earnings originally reported on the 2006 tax returns of Coadum 1 and Coadum 2.

96. The income originally reported was equal to the amount of "earnings" reported to the investors on their quarterly reports. The "earnings" reported were, in fact, money borrowed from other entities.

97. The Receiver will amend the 2006 tax returns for both partnerships, which may generate tax benefits to investors who file amended returns.

98. In order to realize the benefits of amending these partnership returns, partners should consult their own tax professionals to determine whether they should file an amended personal return for 2006.

99. The Receiver will post the amended partnership returns on the Receiver's website as soon as they are finalized.

### **Claims Process**

100. After the Court approved the Claim Form, the Receiver mailed out 186 Claim Forms - 174 to investors and 12 to creditors.

101. The Receiver believes he identified all prospective claimants. He has received no information to the contrary.

102. The Receiver has received Claim Forms from 131 investors and 2 creditors for a total of 133 claimants.

103. The total amount of claims is \$37,941,283.95.

104. The Receiver's staff continues to verify claims. That work is necessary as some claimants have submitted claims for inflated amounts, and the Receiver must verify each claim to prevent an inequitable distribution.

### **Third-Party Claims**

105. The Receiver is investigating potential claims against third parties who received Coadum money, including professionals who provided services to Coadum.

106. Third-party claims that have been successful in other SEC receivership cases include cases against salesmen, investors who received more than they invested, professionals whose services for the receivership entities fell below the applicable standard of care, and those who received payments without providing equivalent services. The Receiver will evaluate the cost effectiveness of each potential third-party claim so as to avoid an unproductive expenditure of receivership assets.

### **Reappointment**

107. To facilitate the recovery of receivership assets from third parties, the Receiver has, through counsel, filed a Motion for Reappointment to allow him to file notice of his appointment under 28 U.S.C. § 754 in a number of additional judicial districts. While the Receiver filed his notice of appointment in seven judicial districts within ten days of the entry of the *Order*, subsequent investigation revealed additional districts where receivership property and likely third-party

defendants are located. The Receiver will file his notice of appointment in those additional districts within ten days of reappointment.

108. Reappointment will allow the Receiver to pursue more third-party actions to bring more assets into the receivership, should his investigation show that the likely recovery in such actions is worth the expected cost.

### **Investor Communications**

109. The Receiver maintains numerous avenues for investor communication.

a. The Receiver continues to maintain a dedicated secure link from his website, through which investors can e-mail contact information to the Receiver. That link proved helpful in creating the list of prospective claimants who received the Claim Form. The Receiver has come across no information suggesting that any rightful claimant failed to receive a Claim Form.

b. The Receiver posts updates to the dedicated “Coadum Advisors” portion of his website. The Receiver posts filed pleadings on that site as well.

c. While the pace of work and the need to maintain momentum prevents the Receiver from speaking to investors as often as he would like, the Receiver and his staff have spoken to dozens of Coadum investors since the last Interim Report and continue to field calls and answer investor questions. In addition, the Receiver

communicates by email with Coadum investors and takes their questions into consideration when posting updates to the Coadum Advisors section of his website.

### **Current Status**

110. The balance of the Receivership accounts is \$2,139,675.30.

111. Although months of work remain, the Receiver has made substantial progress.

112. The next Interim Report will detail the third-party actions that the Receiver will, by that time, have commenced to secure return of investor assets, as well as the status of the efforts to recover funds from overseas.

113. The Receiver expects to file his next Interim Report in November 2008.

Respectfully submitted this 14th day of August, 2008.

THE HUDDLESTON LAW FIRM

/s/ Pat Huddleston, II  
Pat Huddleston, II  
Receiver

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COADUM CAPITAL FUND III, LP and	:	
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	:	
Defendants.	:	

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**CERTIFICATE OF SERVICE**

This certifies that I have this day served a copy of the foregoing *Receiver's Third Interim Report* via the CM/ECF electronic filing system upon the following:

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This 14th day of August, 2008.

/s/ Pat Huddleston, II  
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Receiver

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