

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND
SOUTHERN DIVISION**

FEDERAL TRADE COMMISSION,

Plaintiff,

v.

AMERIDEBT, INC., et al.,

Defendants.

Civil Action No. PJM 03-3317

**RECEIVER'S MOTION FOR ORDER (1) APPROVING RECEIVER'S REPORT
FOR THE PERIOD JANUARY 1, 2006 THROUGH JUNE 23, 2006; AND (2)
APPROVING RECEIVER'S AND ATTORNEYS' FEES AND EXPENSES FOR
THIRD EXPENSE PERIOD AND AUTHORIZING PAYMENT THEREOF**

Robb Evans & Associates LLC as Receiver over the assets of Andris Pukke and DebtWorks, Inc. ("Receiver") pursuant to this Court's Preliminary Injunction Order with Asset Freeze, Appointment of a Receiver, Repatriation of Assets, and Other Equitable Relief dated April 20, 2005 (the "Preliminary Injunction Order") hereby moves the Court for an order (1) approving the Receiver's Report of Activities for the period of January 1, 2006 through June 23, 2006 ("Receiver's Fourth Report") and confirming the Receiver's activities described therein; and (2) approving the fees and expenses of the Receiver, its staff and its attorneys for the five-month period of May 1, 2006 through September 30, 2006 ("Third Expense Period") and authorizing payment thereof as set forth more specifically herein. The Receiver submits good cause exists for the relief sought herein based on the following.

I. INTRODUCTION AND SUMMARY OF RECEIVERSHIP CASE

On April 20, 2005, the Court entered the Preliminary Injunction Order appointing Robb Evans & Associates LLC as Receiver over the assets of Andris Pukke ("Pukke") and DebtWorks, Inc. ("DebtWorks"). The receivership estate established by the Preliminary Injunction Order

includes all assets owned or controlled, in whole or in part, directly or indirectly, by Pukke and DebtWorks.

The Preliminary Injunction Order charges the Receiver with the power and duty to locate receivership assets and take possession and control of those assets to prevent dissipation of the assets. The Order also confers expansive investigatory powers and duties on the Receiver, including expressly conferring the power to issue subpoenas under Rule 45 pursuant to Section XIII of the Order.¹ On motion filed by the Receiver in November 2005, the Preliminary Injunction Order was modified in part to clarify the Receiver's powers to conduct discovery and in part to eliminate the limitation on the Receiver's power to liquidate only "wasting" assets. See Revised Order (A) Assigning Magistrate Judge; and (B) for Limited Modification of Receivership Provisions of Preliminary Injunction Order entered December 13, 2005.

On July 11, 2005, Andris Pukke filed a voluntary petition under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Central District of California, Santa Ana Division. On motion of the Federal Trade Commission, venue of the Pukke bankruptcy case was transferred to the District of Maryland. The Court sua sponte withdrew the reference of the Pukke bankruptcy case to this Court.

On September 26, 2005, the Court conducted a comprehensive hearing on numerous motions filed by the Receiver and Pukke to address the effect of Pukke's bankruptcy on the receivership under the Preliminary Injunction Order and the Receiver's continuing role in investigating receivership property and pursuing assets of the receivership estate. The Court's rulings on the September 26, 2005 hearing provided for the Receiver to continue in all of its duties under the Preliminary Injunction Order, denied Pukke's motion for turnover of assets by the Receiver, authorized Pukke to employ litigation counsel and to employ bankruptcy counsel,

¹ The Receiver requests that the Court take judicial notice of the Preliminary Injunction Order and other orders and pleadings and files of the Court referenced in this Motion pursuant to Rule 201 of the Federal Rules of Evidence in connection with this Motion.

except that the Court deferred for future determination all issues concerning compensation of those professionals, and denied Pukke's application to employ Alvarez & Marsal as a "responsible party" in lieu of the Receiver.

Shortly before the scheduled trial in the FTC Action, the FTC and Pukke reached a resolution of their disputes which was documented and filed with the Court on January 12, 2006. The Stipulated Final Judgment and Permanent Injunction as to Defendants DebtWorks, Inc. and Andris Pukke ("Final Pukke Judgment") was subsequently approved by the Court and entered as the judgment in this action on May 17, 2006. A related order approving the Final Pukke Judgment and an agreement between the FTC and the Internal Revenue Service ("IRS") was entered in Pukke's bankruptcy case. Pamela Pukke, Andris Pukke's former spouse named as a relief defendant in this action, also stipulated to judgment by the Stipulated Final Judgment and Order as to Pamela Pukke ("Pamela Pukke Judgment") entered by the Court on February 8, 2006. Under the Final Pukke Judgment, the Receiver's powers and duties are confirmed and continued, including the power and duty to investigate and locate Assets comprising Receivership Property, to pursue claims of the receivership estate and to liquidate assets.

This is the Receiver's third motion for approval of reports and for approval and authorization for payment of fees. In December 2005, the Receiver filed its first motion for approval of its first report covering the period of April 20, 2005 through June 28, 2005 and the Receiver's Special Report dated September 19, 2005 and motion for approval of the Receiver's fees and expenses and those of his attorneys for the period of April 20, 2005 through September 30, 2005 ("First Expense Period"). The Court requested supplemental briefing on the Receiver's first motion. On February 9, 2006, the Court entered an order approving the Receiver's Reports and awarding all fees and costs as requested in the motion.

On June 29, 2006, the Receiver filed its second motion seeking approval of the Report of Receiver's Activities for the Period September 20, 2005 Through December 31, 2005 ("Receiver's Third Report") and approval and payment of the Receiver's fees and expenses and those of its attorneys for the period of October 1, 2005 through April 30, 2006 ("Second Expense Period"). The Receiver's motion was granted by Order entered August 9, 2006.

The Receiver's extensive investigation and efforts to locate and realize value from assets comprising the Receivership Property has continued. The Receiver's activities during the Third Expense Period have included ongoing administration and liquidation of assets as well as continued investigatory efforts aimed at locating and gaining control over receivership assets which have been wrongfully transferred, diverted or not disclosed by Pukke, including Dolphin Development Company Ltd. and the Sanctuary Bay Estates real estate development in Belize, the residence located at 69 Emerald Bay, Laguna Beach, California ("Emerald Bay Property"), Pukke's interests in Sportingbet Plc ("Sportingbet") stock and its proceeds and Pukke's interest in two bank accounts at Hansabanka in Latvia, including the account ending with the numbers "8805" ("8805 Account") and the account ending with the numbers "5390" ("5390 Account"). These activities have culminated in the Receiver's filing of an extensive application for an order to show as to why Pukke and Peter C. Baker ("Baker") should not be held in contempt of Court for numerous violations of the Preliminary Injunction Order and Final Pukke Judgment ("Contempt Application") supported by extensive declarations and documentary evidence. The Contempt Application was filed on October 23, 2006.

The Receiver's investigatory activities during the period covered by the Fourth Report and by the Third Expense Period have included a number of depositions of third party witnesses, numerous subpoenas for records from financial institutions and others, resolution of ongoing discovery disputes with key witnesses in the case, including Baker, Stephen Todd Cook ("Cook") and John Vipulis ("Vipulis"), and extensive offshore investigatory activities in at least six foreign countries, including inspections of records, legal actions to obtain compelled disclosure of documents and public records and other investigatory activities to obtain information concerning receivership assets. The Receiver's counsel's services have also included preparation and filing of numerous motions during the Third Expense Period, including four separate motions to sell and/or otherwise dispose of assets, briefing of ongoing discovery disputes with Baker and prosecution of a motion to compel the deposition of Pukke, and addressing a motion and complaint by Cook against the Receiver and others to determine Cook's

alleged rights in the real property located at 35 Ocean Heights, Newport Coast, California (“Ocean Heights Property”).

The ensuing portions of this motion will summarize generally the Receiver's activities and those of its attorneys during the period covered by the Receiver's Fourth Report and the Third Expense Period. The Receiver's activities and those of its counsel are detailed in the Receiver's Fourth Report and the numerous motions, oppositions and related pleadings filed by the Receiver through counsel during this Third Expense Period. In particular, the Receiver's and counsel's extensive services and activities are reflected in the Contempt Application with its supporting pleadings and documentation recently filed with the Court.

As of the end of the Third Expense Period, September 30, 2006, the net fund balance of the estate was \$16,468,758.39 after expenses, of which net funds of \$5,444,500.11 were generated during the Third Expense Period.² Subsequent to the end of the Third Expense Period, the FTC, the IRS, Class Counsel in the Polacsek Class Action litigation and the Receiver reached a stipulation for an interim distribution of receivership assets to be made by the Receiver in the sum of \$10 million, which was approved by the Court by order entered October 24, 2006.

By this motion, the Receiver seeks an order approving the Receiver's Report of Activities for the period of January 1, 2006 through June 23, 2006 ("Receiver's Fourth Report"), which was filed with the Court on June 29, 2006. The Receiver also seeks an order of the Court confirming the Receiver's activities described in the Receiver's Fourth Report.

² The IRS held liens on certain real properties of the receivership estate which were transferred to the proceeds of sale of the assets, including the proceeds of the Potomac property and the North Bay property. The FTC and the IRS reached a stipulation resolving their interests in the funds that was approved by the Court in May 2006. See Stipulation and Order Regarding Division of Settlement Funds (“FTC/IRS Stipulation”) entered May 17, 2006. The FTC and the IRS have resolved the IRS claims to the receivership funds and assets by which, after payment of the Receiver's approved fees and expenses and after the Receiver turns over “Net Monies” to the FTC, “thirty percent (30%) shall go to the IRS in partial satisfaction of its secured claims in the Pukke Bankruptcy Case, and the remaining seventy percent (70%) shall be used for consumer redress.” Based on the Pamela Pukke Judgment and pursuant to agreement with the IRS, Mrs. Pukke has been paid the sum of \$500,000 from the Allison Road sale proceeds and has no further interest in the proceeds of the Potomac Property sale or other assets.

The Receiver also seeks approval of and authorization for payment from receivership assets of the fees and expenses incurred by the Receiver, including those of its staff and its attorneys, which are detailed in the exhibits filed in the Appendix in support of this motion. The Receiver seeks approval and payment of aggregate fees and expenses for the Third Expense Period of \$854,983.53, comprised of the fees and expenses of the Receiver and its staff and other expenses of the Receiver in an aggregate of \$328,956.71 and legal fees and costs incurred to the Receiver's attorneys in an aggregate of \$526,026.82 for that five-month period.

II. SUMMARY OF RECEIVER'S ACTIVITIES AND RECEIVER'S REPORTS

The Receiver's Fourth Report filed June 29, 2006 covers the period of January 1, 2006 through June 23, 2006. The Fourth Report provides the Court with information regarding Pukke's violations of the Court's prior orders and in particular various receivership assets not disclosed by Pukke or not turned over by Pukke to the Receiver in violation of the Court's Preliminary Injunction Order and Final Pukke Judgment. The Fourth Report includes information based on the Receiver's investigation which suggests that Pukke may be hiding additional undisclosed assets, such as an interest in a bank account at J.P. Morgan Suisse SA, possible ownership or investment interests in the company Media Choice LLC nominally owned by Cook, and ownership interests in the entities Smithberg Medical Arts, LLC ("Smithberg") and Deep Woods Real Estate Development Corporation ("Deep Woods") and/or the real properties comprising those entities' sole assets. The Fourth Report also identifies and describes in summary the four assets which are the subject of the Contempt Application: Dolphin Development Company Ltd. ("Dolphin Development") and its related assets; the 69 Emerald Bay Property; the Sportingbet stock; and the 8805 and 5390 Accounts at Hansabanka.

A. Forensic Accounting and Records Analysis, Investigation and Depositions

Much of the Receiver's work during the period covered by the Fourth Report and the Third Expense Period has focused on exhaustive forensic accounting services aimed at locating assets of the receivership estate. These services have involved extensive, detailed analysis of the tens of thousands of pages of records in the case tying corporate information, banking records, testimonial evidence and other information obtained through witness interviews and

investigation to known Receivership Property and transfers of that Receivership Property which lead to other, oftentimes undisclosed receivership assets. Prime examples of this work are the forensic analysis that led to the discovery of the claim of Pukke and Seaspray Holdings, Ltd. in the Keith Mohn receivership proceeding, resulting in a recovery of an undisclosed asset worth over \$1.8 million and the Indianapolis Life Insurance policy worth over \$92,000, as well as the assets subject to the Contempt Application. The Contempt Application and supporting documentation demonstrates the intense forensic accounting and investigatory work required by the Receiver to demonstrate that the assets in question are Receivership Assets that have been improperly withheld or disposed of in violation of the Court's Orders.

As of April 30, 2006, the Receiver's counsel had issued 80 subpoenas for records, in addition to subpoenas for production of documents issued in connection with depositions of witnesses. During the Third Expense Period, the Receiver's counsel prepared and issued an additional 17 subpoenas to various financial institutions for additional account records and documents. The Receiver's counsel also prepared and issued detailed document production requests in connection with depositions of various witnesses, including Janis Pukke (Andris Pukke's father), James Catsos, Kevin Fortuna, Michael Malesardi, and Matthew Case based on analysis and recommendations by the Receiver and its accounting and other senior staff members.

Since the inception of the receivership up to the end of the Second Expense Period, the Receiver and its counsel have obtained and reviewed approximately 170,000 pages of documents obtained through the Receiver's taking possession and control of Pukke's assets and businesses, such as Infinity Resource Group, Inc., and through the records obtained from the subpoenas issued to third parties. The volume of documents continues to grow through the subpoenas for records issued during the Third Expense Period, with several thousand additional pages of records obtained during this period from deponents, third party records subpoenas, and offshore investigatory activities of the Receiver directly and through counsel and investigators in those other countries.

During the Third Expense Period, the Receiver's counsel also conducted depositions of five key third party witnesses, conducted in six sessions, in which the Receiver's accounting and in some instances other staff members actively participated. The witnesses deposed include: (1) Janis Pukke, with two deposition sessions conducted on May 22, 2006 and September 14, 2006; (2) Vito Pizzonia, affiliated with Pizzonia Associates Development Corp. and Timothy McCallan, (3) Raymond Suris, affiliated with Smithberg and Deep Woods; (4) Jonathan Gopman; and (5) Baker. The Receiver's counsel noticed additional depositions of Kevin Fortuna and Michael Malesardi, affiliated with various Ballenger entities including Ballenger Resources Group, LLC which acquired DebtWorks from Pukke; James Catsos, a friend and believed to be a business associate of Pukke; and Matthew Case, who is a nominal owner of interests in Smithberg and Deep Woods. James Catsos refused to appear for his scheduled deposition on the basis that he was in the process of engaging counsel; however, he has failed to reschedule the examination. The Receiver was unable to locate and serve Matthew Case with the subpoena in time for his scheduled examination. The Receiver is currently reviewing materials provided by counsel for Messrs. Fortuna and Malesardi in order to determine whether their depositions will be necessary.

B. Asset Review, Investigation, Location, Management, Control and Liquidation

1. Real Property Assets

The Receiver's Fourth Report details and updates the status of the remaining real properties in the receivership estate as well as additional assets and interests of Pukke being investigated and liquidated by the Receiver.

a. Sold Properties. During the period covered by the Fourth Report and the Third Expense Period, the Receiver completed the sale of the Allison Road Property pursuant to Court order yielding net proceeds to the estate of \$1,393,517.01. The Receiver also conducted an auction of the Ballenger Lot pursuant to procedures authorized by the Court, yielding net proceeds to the estate of \$2,033,700.52, almost \$650,000 more than the minimum bid set in the Order authorizing the sale. Another real property interest of Pukke was his interest

in a single-asset limited liability company, Villa C Acquisition Co., LLC (“Villa C”) which owned a penthouse condominium unit at the Setai development in Miami Beach, Florida. The other co-owner of Villa C was Patrick Callahan. The Receiver and its counsel negotiated a settlement by which the Receiver agreed to transfer the estate’s interest in Villa C to Callahan in exchange for a cash payment of \$2,150,000, over \$870,000 more than the Receiver was to obtain in connection with a prior proposed sale of the real estate. The settlement was approved by the Court and was concluded during the Third Expense Period.

b. Other Properties. The Fourth Report addresses the remaining properties and sets forth the Receiver’s activities in attempting to sell the remaining properties and recover Pukke’s interests in the properties. The Linda Isle property and the Centerport, New York property are both subject to the terms and provisions of the Final Pukke Judgment against Pukke. The Ocean Heights Property is subject to a dispute with Cook who claims to hold a three-year purchase option for the property at a price of \$3,225,000 and is living in the property rent-free. As set forth hereafter, Cook has filed a declaratory relief lawsuit pending before this Court to address his alleged rights in the property. As to the Centerport, New York property, Pukke’s father, Janis Pukke, was granted a right of first refusal to purchase the property under the terms of the Final Pukke Judgment, subject to the Receiver’s investigation of Janis Pukke’s ability to pay and the source of the funds that would be used to acquire the property as not being directly or indirectly assets of the receivership estate. The Receiver has refused to permit Janis Pukke to purchase the Centerport Property in light of the evidence developed by the Receiver and described in the Contempt Application.

c. 69 Emerald Bay. The Fourth Report reiterates the Receiver’s claim that this property, nominally owned by Baker, is in fact beneficially owned by Pukke and supplies additional details regarding Baker’s stripping of over \$940,000 in equity from the property through a loan from Countrywide Home Loans obtained after the closing. The 69 Emerald Bay Property is the subject of the Contempt Application.

d. Smithberg/Deep Woods. Pukke made investments in the aggregate sum of \$5,130,000 in Smithberg, Deep Woods, and two related entities, Wooded Land

Properties, LLC and Wooded Land Developing LLC. These entities are all under the common control of Raymond Suris, Richard Suris and/or Matthew Case. Smithberg holds title to two parcels of vacant land in New Jersey which were being marketed and one of which was recently sold after the Third Expense Period. At his deposition, Raymond Suris acknowledged Pukke's interest in Smithberg and agreed to hold any proceeds of sale after payment of ordinary and customary closing costs pertaining to the Smithberg properties in an escrow account until an agreement is reached with the Receiver, subject to Court approval, regarding the nature and extent of the receivership estate's interest in the proceeds. At the close of sale of one of the two parcels of vacant land in New Jersey, the Receiver was paid \$248,500 from escrow which is to be held in a segregated account by the Receiver until the claims of Deep Woods and Matthew Case regarding such proceeds are resolved. Deep Woods owns approximately 397 acres of land in Belchertown, Massachusetts, and the entity is owned 25% indirectly by Raymond Suris and purportedly 75% by Matthew Case. The Receiver believes that Pukke has a significant undisclosed ownership interest in Smithberg and Deep Woods which the Receiver is exploring through depositions and document analysis.

2. Infinity

The Receiver took control of the records of Infinity Resources Group, Inc. ("Infinity") and evaluated its multi-million dollar loan portfolio shortly after the receivership commenced. The Infinity loan portfolio was comprised of 432 loans with an aggregate outstanding balance reported on Infinity's books of \$10,933,051.00 when the Receiver assumed control of that entity. The portfolio was divided into a consumer loan portfolio comprised of 404 loans all with balances of less than \$25,000 totaling \$2,057,712.00 and with an average loan balance of \$5,093.00. There were also 28 loans with balances over \$25,000 with an aggregate outstanding balance of over \$8 million, many of which had little documentation, provided for no interest and had obligors who are close friends, business associates and family of Pukke. These large balance loans comprised over 81% of the Infinity portfolio.

The Receiver has continued to administer the Infinity loan portfolio after concluding its investigation into this entity. The Receiver continues to respond to the numerous consumer

inquiries made regarding outstanding loans, provides documentation to consumers as requested and otherwise is administering the portfolio of consumer loans. The Receiver has continued to enforce and collect the outstanding loans due that entity, and during the Third Expense Period, the Receiver made loan collections of \$917,362.63. As reflected in the Fourth Report, the Receiver is attempting to sell Infinity's loan portfolio.

One of the delinquent Infinity real estate loans is a loan made to Anthony Millon, a friend of Andris Pukke's. The loan in the original principal amount of \$740,000 was secured by mortgages on two condominium units located at 529 N. Charles Street, Units C-1 and C-2, Baltimore, Maryland. During the period covered by the Fourth Report and the Third Expense Period, the Receiver took steps to redeem the units from tax foreclosures and commenced foreclosure proceedings against the two units to make a partial recovery on the Infinity loan.

3. Belize Assets

The Receiver has taken steps to enforce and recover the receivership estate's interests in assets in Belize, including the estate's interests pertaining to the Sanctuary Bay Estates project that was being developed on land owned by Sittee River Wildlife Preserve ("Sittee River"), with Dolphin Development Company Ltd. ("Dolphin Development") as the developer. The Receiver has also taken steps to recover any net asset value from Triton Mariculture Ltd. ("Triton"), the Belize shrimp farm owned 90% by Dolphin Development and which is the subject of a receivership proceeding in Belize by the primary secured bank lender, Bank Atlantic Ltd. Through corporate records turned over by Colin Medhurst, who is a former director of Dolphin Development and Sittee River and a former minority shareholder of Dolphin Development, as well as independent investigation of real property and corporate records in Belize and in Nevis and Google e-mail account documents produced by Baker by order of the District Court for the Northern District of California, the Receiver has determined that attempts have been made by Baker and Pukke to take control of and remove this Receivership Property from the estate. These assets, and the improper activities of Baker and Pukke pertaining to Dolphin Development and the other related entities and assets, are described in significant detail in the Contempt Application filed October 23, 2006. The Receiver believes the net realizable value of the

Sanctuary Bay Estates project is approximately \$20 million based on real property sales as of July 15, 2005.

4. Canyon Grill

Another asset of the receivership was its interest in the entity Canyon Grill Enterprises LLC (“Canyon Grill”). The entity owns two restaurants. The Receiver and the other investors in Canyon Grill entered into a confidentiality agreement and began negotiating a buy-out of the receivership estate’s interest in the enterprise. These negotiations were successful and culminated in an agreement for the estate’s interest to be sold to the other investors/owners for a cash payment of \$600,000. The motion for approval of the sale and settlement was prepared and filed during the Third Expense Period. The Court granted the motion, and full recovery of the settlement was made shortly after the end of the Third Expense Period. The \$600,000 payment was in addition to the receipt of certain retained distributions of approximately \$20,000 that were released to the Receiver prior to completion of the sale.

D. Asset Status

As of September 30, 2006, the Receiver was holding the net sum of \$16,468,758.39 in cash from all sources, including loan payments from loans made by Infinity, certain cash assets repatriated by Pukke's overseas trusts, proceeds of asset sales and other cash assets and proceeds received by the estate. Of that sum, \$887,479.47 represents 50% of the proceeds of the sale of the Ballenger Center Property as to which Timothy McCallan claims an interest as the 50% co-owner of the limited liability company that owned that property. The Receiver believes that its investigation, including its deposition of McCallan, demonstrates that McCallan does not have an entitlement to 50% of the proceeds of the sale of the Ballenger Center Property. Based on the FTC/IRS Stipulation, the Pamela Pukke Judgment and the Final Pukke Judgment, all other funds on hand, including loan payments from loans made by Infinity, certain cash assets repatriated by Pukke’s overseas trusts, proceeds of asset sales and other cash assets and proceeds received by the estate, are receivership assets available for satisfaction of receivership fees and expenses and thereafter for turnover to the FTC. Pursuant to the interim distribution stipulation approved by the Court by order entered October 24, 2006, after the end of the Third Expense Period,

\$10,000,000 has been authorized to be distributed from the estate to pay the allowed fees and expenses of Class Counsel pursuant to the Polacsek Fee Award issued by the Court on September 18, 2006, as well as interim distributions to the IRS and the FTC.

III. SUMMARY OF SERVICES OF RECEIVER'S PROFESSIONALS AND REQUEST FOR FEES AND EXPENSES

The Receiver seeks approval and authority for payment of the fees and expenses of the Receiver, the Receiver's staff, and the Receiver's counsel for the period from May 1, 2006 through September 30, 2006. The fees and costs for the Receiver for which approval is requested are set forth in the summary entitled "Administrative Expenses and Fund Balance by Month," attached to the Declaration of Brick Kane as Exhibit 1. The fees and costs of the Receiver are then itemized in the Appendix of Exhibits as the Receiver's fees of \$98,797.50 (Appendix, Exhibit 1), financial reconstruction and accounting of \$122,925.00 (Appendix, Exhibit 2), asset management and liquidation of \$20,299.00 (Appendix, Exhibit 3), IT management of \$8,312.50 (Appendix, Exhibit 4), support staff fees of \$13,470.00 and out-of-pocket expenses of \$14,313.98. In addition to these expenses, the Summary attached as Exhibit 1 to the Kane declaration identifies additional categories of Receiver expenses for which approval and payment is sought. The fees and expenses of the Receiver's counsel McKenna Long & Aldridge LLP ("McKenna Firm"), comprised of \$391,731.18 in fees and expenses, are attached to the Appendix of Exhibits as Exhibit 5. The fees and expenses of the Saul Ewing Firm, former local counsel³ for the Receiver, comprised of \$13,618.32, are attached to the Appendix of Exhibits as Exhibit 6. Other outside counsel fees of \$294.82 for the firm of Gray Robinson in Florida representing its final billings for fees and costs in connection with the Vipulis discovery dispute that was transferred to this Court are attached to the Appendix of Exhibits as Exhibit 7. Final billings inadvertently omitted from prior statements by the Frandzel Firm, the Receiver's former counsel until Gary Caris and Lesley Hawes moved their practice to

³ The McKenna Firm's office in Washington, DC began representing the Receiver as local counsel in this case in August 2006.

the McKenna Firm, of \$2,802.93 are not attached given the amounts involved and that those billings conclude the involvement of that firm in this matter. As set forth in detail in Exhibits 1 through 7, and in the Summary attached as Exhibit 1 to the Kane declaration, the Receiver has incurred an aggregate of \$854,983.53 in fees and expenses for the five-month period from May 1, 2006 through September 30, 2006 for which approval and payment is sought in this motion.

In addition, the Receiver incurred fees and costs in its engagement of various law firms outside the United States to assist in the Receiver's investigation, location and recovery of Receivership Property. Pursuant to Section VI.A.4 of the Preliminary Injunction Order and Section IX.I of the Final Pukke Judgment, the Receiver is authorized to employ and compensate foreign attorneys and accountants without Court approval as Ordinary Course Professionals and Vendors. These foreign firms who have been employed by the Receiver pursuant to that provision of the Preliminary Injunction Order include (a) Manches LLP in London, England, to assist the Receiver in connection with its investigation into assets of the receivership estate, including without limitation stock in Sportingbet Plc which is the subject of the Receiver's Contempt Application; (b) Charles Adams Ritchie & Duckworth in the Cayman Islands, which has assisted the Receiver in obtaining banking records and other documents pertaining to Seaspray Holdings Limited and Reinsurance Syndicate 99 LLC, both of which are Pukke controlled entities and were involved in the claims asserted in the receivership proceeding in Michigan filed by the SEC against Keith Mohn arising out of an overseas insurance scam; (c) Webster Dyrud Mitchell in Nevis, which assisted the Receiver in obtaining public records documentation concerning Sanctuary Bay Limited formed by Baker in that country; (d) Higgs & Johnson in the Bahamas, which has assisted the Receiver in obtaining records and documents pertaining to other possible receivership assets; and (e) Gerhardt Holzhacker, counsel located in Europe who has provided advice and assistance in pursuing recovery of assets located in Europe. The Receiver has not attached the billing records of these foreign law firms in the interest of protecting sensitive and confidential communications and information regarding the Receiver's ongoing investigation into the overseas stock and other assets that may be held by or for Pukke

and in that the Receiver has been authorized to employ and pay those firms without Court approval.

The services and fees for which the Receiver seeks recovery are detailed in the Administrative Expenses and Fund Balance summary attached as Exhibit 1 to the Declaration of Brick Kane and in the time records included in the Appendix of Exhibits. These services and activities are summarized above in connection with the Receiver's request for approval and confirmation of the Receiver's Reports. With respect to the fees and expenses of the Receiver's attorneys, the services rendered are summarized below.

A. McKenna

The McKenna Firm has been employed as the Receiver's general counsel and since August 2006 has also fulfilled the role of local counsel in this proceeding. During the Third Expense Period, the firm performed extensive services in preparing and prosecuting numerous motions, documenting and concluding sales of assets, and in pursuing extensive discovery efforts to trace, locate and take control of receivership assets. The services have included the preparation of the Receiver's Contempt Application, which was completed and filed on October 23, 2006. The services have also included addressing numerous disputes with Baker, Cook and Vipulis, Pukke's closest friends, all of which have been resolved favorably to the Receiver.

1. Contempt Application

On October 23, 2006, the Receiver filed an application for an order to show cause regarding why Pukke and Baker should not be held in contempt of court for violations of the Court's Preliminary Injunction Order and the Final Pukke Judgment. The contempt application required months to complete and is supported by declarations of three third party witnesses along with counsel for the Receiver and Brick Kane on behalf of the Receiver. The application is lengthy and summarizes the evidence gathered and analyzed by the Receiver over the sixteen months of its investigation as it pertains to four key, valuable assets of the receivership. The application is supported by 80 exhibits, including excerpts of deposition testimony of seven different witnesses. While the Contempt Application was filed after the end of the Third Expense Period, much of the time spent and services rendered by counsel during the Third

Expense Period pertained to the application, including gathering and reviewing volumes of documentary and testimonial evidence addressing the assets in question and the activities of Pukke and Baker pertaining to those assets. The Receiver estimates the value of the assets subject to the Contempt Application may be as much as \$40 million.

2. Motions for Sales of Assets and Other Non-Discovery Motions and Proceedings

During the Third Expense Period, the firm filed motions to approve the sale and settlement of Pukke's interest in Villa C for a recovery to the estate of \$2,150,000 and a motion for approval of the sale and settlement of Pukke's interest in Canyon Grill for an aggregate recovery of over \$620,000, including the turn over of funds being held by Canyon Grill that were due Pukke. The Receiver also consummated the sale of the Allison Road Property for a gross purchase price of \$3,300,000 and net realized sale proceeds of \$1,363,517.01. The Receiver also conducted an auction of the Ballenger Lot 4 property, which produced a recovery of over \$2,033,000 to the estate during the Third Expense Period.

The Receiver has also taken steps to recover the net equity in two condominium units in Baltimore securing a loan of \$740,000 to Anthony Millon. This multi-step process first required the Receiver to redeem the units from tax foreclosure and then to pursue judicial foreclosure procedures under Maryland law. The proceedings are in process but had not concluded as of the end of the Third Expense Period.

During the Third Expense Period, the Receiver's counsel recorded a lis pendens against the Smithberg properties in New Jersey which required investigation into the procedures for filing and recording a notice of pending action under New Jersey law as well as information regarding the proper legal descriptions of the parcels of undeveloped land subject to the Receiver's claims. This led to a payment of \$248,500 to the Receiver after the Third Expense Period, being held in a segregated account pending resolution of the various claims to these funds. The Receiver's counsel is also investigating the approximate 397-acre parcel of real property owned by Deep Woods in Belchertown, Massachusetts and the assertion of rights and interests by the receivership estate in the entity and the real property.

The Receiver's counsel also assisted the Receiver in the review and filing of the Receiver's Fourth Report. On June 29, 2006, the McKenna Firm also filed the Receiver's motion for approval of the Third Report and for approval and payment of fees and expenses for the Second Expense Period. In response to the Third Report, Pukke filed a "Response" to the Report, without supporting evidence, denying many of the findings and conclusions made by the Receiver. The Receiver's counsel prepared and filed a reply to Pukke's position, as well as a reply in response to a limited objection by Cook to the motion for approval of the Third Report to address Cook's alleged claims to the Ocean Heights Property. The Receiver's motion for approval of the Third Report and fees and expenses for the Second Expense Period was granted in its entirety.

The Receiver's counsel also had to address a motion filed by Cook for leave to sue the Receiver, Pukke and the IRS seeking a declaration of their respective rights and interests in the 35 Ocean Heights Property, including the validity of the purported lease option granted by Pukke to Cook in that property. The Receiver and the FTC each filed limited opposition to Cook's motion pertaining to the proper forum for the filing and prosecution of the lawsuit. Based on the FTC's and Receiver's positions, the Court ordered that the complaint be filed in the District Court. The Cook complaint was filed in this Court and has been assigned to Judge Messitte. Cook has agreed by written stipulations approved by the Court that responsive pleadings are due from all defendants by November 14, 2006.

3. Final Pukke Judgment and Pamela Pukke Judgment

The hearing on the approval of the Final Pukke Judgment and the stipulation between the IRS and the FTC regarding the disposition of receivership estate assets to which the two agencies laid claim, was set for hearing on May 16, 2006. Shortly before the hearing on the motion, objections were filed by the Irell & Manella firm, Pukke's bankruptcy counsel, as well as a statement of position by Pukke. The Receiver's counsel evaluated the impact of the objections and positions on the receivership assets and participated telephonically in the initial hearing on these matters.

4. Discovery Motions and Disputes

The Receiver's counsel subpoenaed records from Bank of America pertaining to an account in the name of Media Choice LLC, a company owned 100% by Cook according to Cook's deposition testimony but as to which Janis Pukke also claims to have obtained an ownership interest in exchange for a \$200,000 cash investment. Media Choice filed a motion to quash or for protective order pertaining to the subpoena which the Receiver opposed. The matter was determined by the Magistrate Judge and was resolved in favor of the Receiver.

The Receiver sought depositions of Kevin Fortuna and Michael Malesardi and production of documents in connection with those depositions. Fortuna and Malesardi were principals of various Ballenger entities, including Ballenger Resources Group, LLC which acquired DebtWorks from Pukke. In response to the deposition subpoenas and request for production of documents, the deponents sought to obtain a stipulated protective order to protect the confidentiality of records produced by them. The parties reached agreement on a Confidentiality Stipulation which was filed with the Court in September 2006 and approved.

The Receiver also sought to conduct an asset deposition of Pukke. Pukke refused to submit to an asset deposition despite the provisions of the Court's orders providing for the Receiver to investigate the nature, location and recovery of receivership property as well as Pukke's agreement in the Final Pukke Judgment to appear for depositions noticed by the Receiver and his waiver of any right to claim the Fifth Amendment privilege against self-incrimination pertaining to his assets. The Receiver's counsel therefore prepared and filed a motion to compel Pukke to appear for deposition which has been fully briefed by the parties and as to which the FTC has submitted supporting papers.

The Receiver's counsel has also been embroiled in a significant discovery dispute with Baker concerning the Google e-mail account records subpoenaed by the Receiver pertaining to the contact e-mail address for Sanctuary Bay Estates (peterbelize@gmail.com). This dispute spanned most of the Third Expense Period, with a hearing on a new motion for protective order filed by Baker on September 12, 2006, and the Court's ruling denying Baker's motion issued on October 6, 2006. At the end of May 2006, the Receiver's counsel notified counsel for Baker that

it appeared Baker had produced e-mail records from the Google account that included items identified on various privilege logs submitted to the Receiver's counsel over a period of weeks after the disks of documents and hard copies of documents were turned over. The parties disputed the extent to which most of the documents identified on the privilege logs were in fact properly withheld on privacy grounds or privilege grounds, with the very limited exception of a few e-mails between Baker and his former counsel, Ron Rus of Rus, Miliband & Smith. The District Court agreed with the Receiver's position and denied Baker's motion for protective order. The proceedings addressing the disputed documents required extensive factual and legal briefing as part of the opposition by the Receiver as well as a motion to conditionally file the disputed documents under seal with the Court until the Court ruled that the records were not subject to a valid claim of privilege or privacy.

5. Investigation Through Depositions and Subpoenas

The Receiver's counsel has assisted in the Receiver's investigation by preparing and serving approximately 17 additional subpoenas for production of documents during the Third Expense Period to third parties, generally financial institutions, brokerages, and escrow or title companies. These subpoenas, and the follow up with the subpoenaed party, have resulted in additional banking and other records being produced that have been reviewed and analyzed by the Receiver and its staff.

The Receiver's counsel has also issued subpoenas for depositions of third party witnesses, many of which also requested production of records in connection with the examination. The Receiver's counsel conducted depositions of five witnesses during the Third Expense Period conducted in six, full-day deposition sessions, including two full days of deposition with Janis Pukke, and a full day deposition of Baker on September 26, 2006 whom counsel had been attempting to depose since October 2005 when his deposition was originally scheduled.

The Receiver also attempted to conduct depositions of two additional witnesses, James Catsos and Matthew Case. Catsos was timely served but failed to appear for his deposition on the ground that he needed to engage counsel. The Receiver's counsel was unable to locate

Matthew Case in time to conduct his deposition during this period. The depositions seek information regarding Pukke's intricate web of companies, personal relationships and transfers of funds and property over many years since as early as 1998 in order to trace and locate assets properly constituting Receivership Property. As a result, they require extensive preparation and analysis and can be lengthy.

B. Saul Ewing LLP

The firm of Saul Ewing LLP was the Receiver's local Maryland counsel. The Receiver's local counsel has assisted the Receiver's lead counsel in connection with all filings that the Receiver has made with this Court since the inception of the receivership. The firm reviewed, revised and assisted the Receiver in filing the numerous pleadings and papers that the Receiver has filed with this Court since the receivership commenced. The activities and extent of the involvement of the Saul Ewing firm decreased significantly since the inception of the case and its role and responsibilities were transferred to the Washington, DC office of the McKenna Firm in August 2006 to enhance efficiency. For the services rendered by the Saul Ewing firm during the Third Expense Period through its final bill in August 2006, the Receiver seeks approval and payment of fees and expenses billed by that firm of \$13,618.32.

