

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF KANSAS**

SECURITIES EXCHANGE COMMISSION)

Plaintiff,)

vs.)

DAVID TANNER, et al.,)

Civil Action No.: 05-4057-RDR

Defendants,)

and)

MARGARET F. SPENCER, et al.,)

Relief Defendants.)

RECEIVER’S FOURTH STATUS REPORT TO THE COURT

Receiver, Larry E. Cook, reports to the Court as directed, respectfully stating:

I. Introduction

1. The United States Securities and Exchange Commission (the “Commission”) initiated this securities fraud enforcement action on May 4, 2005. At the request of the Commission and based upon a preliminary showing of securities fraud, the Court issued a Temporary Restraining Order (the “TRO”) and ordered an asset freeze and appointed Larry E. Cook as Receiver.

2. To date, the Receiver has recovered approximately \$5,201,151 in investor funds. The Receiver has also identified and obtained orders directing the return of an additional \$8.08 million in investor funds deposited in US and European Banks. Furthermore, the Receiver has pending motions for the turnover of approximately \$6.4 million in investor funds transferred to a foreign bank and an additional \$286,000 in investor funds used to purchase real property in the United States.

3. The Receiver incorporates by reference his Third Interim Report filed with the Court on or about December 8, 2006 (Docket # 157). As of the Third Interim Report, the Commission had obtained judgment against, or entered into settlement agreements with, all Defendants and Relief Defendants with the exception of Relief Defendant Vectra Resources, LLC. On January 26, 2006, the Commission and Relief Defendant Vectra Resources, LLC filed their Joint Motion for Judgment against Vectra Resources. On February 1, 2006, the Court entered its Agreed Final Judgment as to Vectra Resources, LLC. Pursuant to the Agreed Final Judgment, Vectra Resources, LLC has commenced making the settlement payments as set forth therein.

II. Procedural Status of Case

4. All named Defendants and Relief Defendants in this case have been addressed.¹

5. The Receiver has pending miscellaneous cases in eight US District Courts. The only active miscellaneous cases are in the District of Nevada—Las Vegas Division and the Southern District of New York. The Receiver submits that while the named Defendants and Relief Defendants have either settled or had judgment entered against them, there are ongoing recovery efforts against individuals and companies who received significant transfers of investor funds for no apparent consideration. The Receiver, in conjunction with the Commission and federal authorities, is working to identify, evaluate, and recover these transfers.

¹ On April 12, 2006, the Commission filed its Unopposed Motion for Extension of Time to Complete Final Settlements (Docket # 201) in which the Commission requested additional time to finalize approval of the proposed settlement with the Commission's Commissioners. The Court granted the Commission's request in an Order dated April 12, 2006 (Docket # 202).

III. Receiver's Activity Since December 8, 2005

6. Intensive efforts have been required to locate and to recover Receivership Assets and Receivership Records, and to independently determine the nature of, and the appropriate course of action to be taken with respect to, Receivership Assets and the location of investor funds. To assist in these efforts, the Receiver has retained the legal services of Lathrop & Gage, L.C. in Kansas City and Jones Vargas in Reno, Nevada.

7. In addition to the problems created by the lack of cooperation from most of the defendants and relief defendants, the accounting for Receivership Assets and identification of victims is difficult because a majority of investor funds were deposited into financial institutions located outside the United States. The fund transfers were facilitated by several "electronic currency" services which are unregulated internet commerce escrow and currency exchange operations. These operations refer to themselves as "e-currency" firms.

8. Furthermore, most of the CEC investors who deposited funds with U.S. financial institutions did so via cashier's or certified checks without noting any "remitter" or other identification indicating for whose benefit the investment was made.

9. The Receiver has subpoenaed thousands of pages of bank records and other documents related to the e-currency firms in order to trace the flow of investor funds into CEC and back out to various individuals and companies. The Receiver has deposed several e-currency firms and payment processors related to CEC, several of whom have asserted a Fifth Amendment right not to answer any of the Receiver's questions.

A. Pending Motions

10. The Receiver has initiated a turnover action against iPTS, Inc. (Docket # 117), the last e-currency company used by CEC. The Receiver believes iPTS received up to US\$978,684.31 and €329,226.31 of investor funds. However, these funds are located at VEF Banka in Riga, Latvia. The Latvian Prosecutor General's Office froze these funds, among others, upon the initiation of this case at the request of the Commission and the United States Department of Justice. Accordingly, any agreement iPTS and the Receiver may reach regarding these funds will need to be approved not only by this Court, but also by the Latvian Prosecutor General's Office before the funds may be returned.

11. On August 11, 2005, the Court entered a Stipulated Order (Docket # 84) which provided, in part, for the return of approximately \$3 million of investor funds transferred to Cedax Limited's account at VEF Banka. Since that time, the Receiver has been working with the Commission, the Commission's Office of International Affairs ("OIA"), and the U.S. Department of Justice to obtain a return of the Cedax funds via a Mutual Legal Assistance Treaty ("MLAT") between the United States and Latvia. The Receiver has assisted the Commission, the Commission's OIA, and the Justice Department to facilitate the return of the Cedax funds.

12. The Commission's OIA advises that this is the first time Latvia has assisted a United States MLAT request. Due to the lack of precedent for obtaining the return of investor funds frozen by the Latvian Prosecutor General's Office, the Receiver is waiting for confirmation that Latvian officials will return the Cedax funds before proceeding further with the iPTS Motion for Turnover. In short, the Receiver wants to

confirm he has a procedure by which to obtain the return of the iPTS funds frozen in Latvia before proceeding to avoid unnecessary cost and expense.

13. The Receiver initiated a turnover action against WorldPlaza Corporation in the United States District Court for the District of Nevada (the "Nevada Court"). WorldPlaza is a Panamanian corporation that used approximately \$286,000 in investor funds to purchase two tracts of land near Reno, Nevada. On January 12, 2006, the Nevada Court granted the Receiver's Motion for Turnover against WorldPlaza Corporation.

14. Subsequent to the entry of that Order, WorldPlaza filed several Motions to Modify the Order of Turnover to prohibit the Receiver from liquidating the subject properties. The Nevada Court denied these Motions and on or about February 8, 2006, WorldPlaza filed a Notice of Appeal of the Nevada Court's Order. The Ninth Circuit Court of Appeals has entered a briefing schedule on this appeal. An interim dispute between the Receiver and WorldPlaza has arisen regarding the Nevada Court's Order: the Receiver understood the Nevada Court ruled that the Receiver could liquidate the subject properties, and hold the proceeds in trust pending this Court's ruling on whether WorldPlaza should be allowed a claim against the receivership estate. WorldPlaza understood that the subject properties could not be liquidated pending this Court's ruling on any objection to WorldPlaza's claim. The Receiver has received WorldPlaza's claim and intends to object to same. In addition, the Nevada Court has scheduled a June 2, 2006 hearing wherein the Receiver anticipates the Nevada Court will clarify its January 12, 2006 Order.

15. On March 7, 2006, the Receiver filed a Motion for Turnover of approximately \$5 million in investor funds transferred to Server to Go, Inc. The Receiver has engaged in extensive discovery of Server to Go, Inc. by deposing its CEO, Mr. Paul Pak and subpoenaing numerous bank records. According to Mr. Pak, Server to Go, Inc. received over \$5 million in investor funds at the instruction of James Tucker. Although Mr. Tucker is not a named party in this action, the Receiver has previously tied Mr. Tucker to the Seaforth Meridian transaction and the Dynamic Environmental Systems transactions earlier in this case. Mr. Pak maintains the \$5 million investment was used to build a secure on-line payment system called E Bank Central. Mr. Pak further maintains that E Bank Central is ninety percent complete and is worth \$70 million to \$80 million. Although Mr. Pak testified the \$5 million “investment” was originally to have resulted in Mr. Tucker receiving 80% of E Bank Central, he also testified that Mr. Tucker presently has no interest in E Bank Central.

16. The Receiver and the Commission suspect that Mr. Tucker may be the real identity of defendant David Tanner. After nearly a year of investigation, the Receiver and the Commission have not confirmed any one has ever seen or spoken to Mr. Tanner, other than by e-mail. The Receiver has served a document subpoena on Mr. Tanner’s law firm to determine Mr. Tanner’s identity².

17. On April 26, 2006, the Court entered an Order denying Server to Go, Inc.’s Motion to Dismiss the Motion for Turnover and adopting a scheduling order

² In addition to complicating the recovery of CEC funds and developing a distribution plan, “Tanner’s” strategy of participating in this litigation and even filing pleadings under an assumed name will likely prohibit the timely resolution of the civil case against Tanner by the SEC. The Receiver understands that the SEC intends to file a motion to re-open discovery for the limited purpose of determining the true identity of David Tanner.

proposed by the parties. The Receiver and Server to Go are proceeding in accordance with the Court's April 26, 2006 Order.

B. Recovery of Investor Funds.

18. Despite the lack of cooperation of most of the defendants and relief defendants, through the intensive efforts of the Receiver, his counsel, and the Commission, the Receiver has recovered approximately \$5,201,151 in investor funds. A significant portion of this recovery came from a Stipulated Order (Docket # 84) pursuant to which Seaforth Meridian, Limited ("Seaforth") agreed to turnover \$8.9 million to the Receiver on or before October 15, 2005. After making approximately one half of the agreed upon payments, Seaforth defaulted on its payment plan to the Receiver alleging its funds were illiquid. Following discussions with Seaforth's principals, the Receiver filed his Motion for Order to Show Cause as to why Seaforth should not be held in contempt of court for failure to make the remaining payments.

19. The Receiver has devoted significant time and expense working to enforce the terms of the Stipulated Order and recover the \$4 million balance Seaforth owes to the Receivership Estate. The Receiver, his counsel, and the Commission have reviewed numerous documents, taken depositions, worked with foreign authorities, and participated in hearings calculated to obtaining the balance due from Seaforth. Seaforth maintains it is unable to pay the balance due, stating, at various times, that the funds were in Scotland, Switzerland, China, and Brunei. Most recently, Seaforth has maintained that it has arranged for an "asset swap" pursuant to which it will obtain a Japanese government bond which it can leverage to pay the balance due the Receiver. A final hearing on the Receiver's Motion for Contempt, and the Commission's Motion for the

Seaforth principals to be incarcerated was originally set for May 16, 2006, but was continued indefinitely upon Judge Crow's recusal from this case.

C. Claims

20. The Receiver's primary goal in this case is to return the recovered funds to the defrauded investors.

21. In addition to responding to numerous individual investor inquiries, the Receiver has developed and updated the receivership website (www.ceclubreceiver.com) to serve as a reference for investors. The website also provides a central claims registration database where investors may submit a claim for their lost investment in the Capital Enhancement Club scheme.

22. On March 9, 2006, the Receiver filed his Motion for Order: (i) Approving Claims Solicitation Procedure; (ii) Approving Claim Form; and (iii) Establishing Claims Bar Date for Investors and Others. On March 28, 2006, the Court entered its Order granting the Motion and establishing April 28, 2006 as the deadline by which investors and others must file a claim via the Receiver's website.

23. As of the claims bar date, the Receiver had received approximately 1,200 claims totaling over \$18 million. The Receiver has been reviewing the claims to verify the legitimacy of those claims, the amounts actually invested, and sorting duplicate and fraudulent claims. Although the claims bar date has passed, the Receiver continues to receive supporting documents postmarked by the claims bar date (i.e., the deadline to file claims via the Receiver's website and postmark any documents in support of the claim was April 28, 2006, but the supporting documents for over 300 of the over 1200 total claims has not yet been received by the Receiver). The Receiver will continue to verify

the claims filed and ultimately file one or more motions with the Court recommending the allowance, reduction, or disallowance of the filed claims. Following approval of claims, the Receiver will propose an interim distribution of recovered funds to the investors.

D. Miscellaneous.

24. The Receiver is continuing to work with the Commission, other U.S. law enforcement agencies, and government officials of several foreign jurisdictions in obtaining banking records to trace the source and disposition of CEC funds, as well as to take possession of CEC victim funds identified at the VEF Bank and Krajabank in Latvia, and frozen by the Latvian government.

25. To date, the Receiver has sought and obtained approval for payment of \$666,824.05 in fees and expenses.

IV. Receiver's Intended Course of Action

26. Because defendant David Tanner has refused to provide the accounting ordered by the Court, the Receiver must continue the costly and time consuming effort required to locate and subpoena the numerous CEC related bank and electronic currency accounts within and outside the U.S. and reconstruct the source and disposition of funds. Although the Receiver has examined thousands of pages to date, this represents a small portion of the total records the Receiver anticipates reviewing in order to determine the current location of additional CEC investor funds.

27. The Receiver's immediate focus is on reviewing the investor claims, recommending the claims to be allowed, proposing a plan of distribution, and making an interim distribution to the investors.

28. In addition, the Receiver remains committed to recovering the balance of funds Seaforth Meridian, Limited owes the receivership estate, the repatriation of the \$million in VEF Bank, obtaining either an agreement or an order directing the return of investor funds held by IPTS, Inc., and recovering the \$5 million transferred to Server to Go, Inc.

29. The Receiver's forensic examination of the CEC related financial records to date has identified individuals who have received large sums of investor money under questionable circumstances. The Receiver will continue to evaluate recovery actions against these individuals.

30. In addition, the Receiver is continuing his investigation into additional transfers of CEC investor funds into US and foreign institutions and will evaluate appropriate recovery actions for these transactions.

31. The Receiver will continue to keep investors apprised of the status of his efforts via his website.

32. This Fourth Status Report has been reviewed by the Commission who concurs with its contents.

Dated: May 17, 2006

Respectfully submitted,

LATHROP & GAGE L.C.

By: /s/ Brian M. Holland

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CERTIFICATE OF SERVICE

I hereby certify that on this 17th day of May, 2006, I electronically filed the foregoing, with the Clerk of the Court for the District of Kansas, Topeka Division, by using the CM/ECF system which will send a notice of electronic filing to the following CM/ECF participants:

Timothy P. Davis, SEC;

Christopher M. Joseph and Stephen M. Joseph, Counsel for Spencer Defendants;

Roger N. Walter, Co-Counsel for Relief Defendant Vectra Resources, LLC;

Christopher Bebel, Co-Counsel for Relief Defendant Vectra Resources, LLC;

Robert L. Herskovits, Counsel for Defendant Tanner;

Thomas D. Haney, Counsel for Defendant Tanner; and

Steven J. Cohen and Howard Kleinhendler, Counsel for Server to Go, Inc.; and

Douglas J. Schmidt and Terrance M. Summers, Counsel for Server to Go, Inc.

 /s/ Brian M. Holland

An attorney for Larry E, Cook,
Receiver