

**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 FIFTH 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 \$5,263,651.07 in investor funds. The Receiver has also identified and obtained orders directing the return of an additional \$8 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.

3. As of the Fourth 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. As of September 22, 2006, Vectra Resources, LLC has made all payments provided by the Agreed Final Judgment. Furthermore, on October 4, 2006, the Court entered its Final Judgment against Defendant Richard Kringen and Relief Defendant Omnibus, LLC.

II. Receiver's Activity Since the Fourth Status Report

4. 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, Missouri, Jones Vargas in Reno, Nevada, and Sorainen Law Offices in Riga, Latvia.

5. 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.

6. 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.

7. 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.

8. The Receiver and the Commission have determined that Mr. Tucker's real name is Scott Klion and that he also uses the alias David Tanner (Docket # 222). The Commission has had several conversations with Mr. Klion's counsel. However, as of the date of this Status Report, Mr. Klion has refused to engage in meaningful settlement discussions.

A. Pending Motions

9. 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. On October 4, 2006, the Receiver obtained a Supplemental Order related to the Cedax funds at VEF Banka. The Receiver, in conjunction with the Commission and Latvian counsel

has obtained a certified and Apostilled copy of the Supplemental Order which will be filed in the appropriate Latvian court to effectuate the return of the Cedax funds to the Receiver for distribution to the investors.

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. The Receiver and the Commission believe they have determined a procedure by which the iPTS funds at VEF Banka can be returned to the Receiver for distribution to the investors as set forth above with respect to the Cedax funds at VEF Banka. Once the Receiver has confirmation that VEF Banka will return the Cedax funds to the Receiver in accordance with the procedure set forth above, the Receiver will follow a similar procedure for a return of the iPTS funds.

11. 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.

12. 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. Following extended negotiations, the Receiver and Worldplaza reached an

agreement whereby the Receiver has listed the properties for sale with a Nevada real estate agent. The proceeds of the sale of these properties will be deposited in the Receiver's accounts for distribution to investors and, if the proceeds from the sale of the properties exceed the amount of investor funds used to purchase the properties, the excess will be divided between Worldplaza and the Receiver in accordance with the agreement.

13. 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. The Receiver continues to work toward the return of the Server to Go funds.

B. Recovery of Investor Funds.

14. 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 \$5,263,651.07 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 paying \$4.1 million, 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.

15. The Receiver has devoted significant time and expense working to enforce the terms of the Stipulated Order and recover the \$4.9 million balance Seaforth owes to the Receivership Estate. On September 14, 2006, the Commission commenced a separate action against Seaforth and its principals in a case number 06-4107 pending before this Court.

C. Claims

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

17. 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.

18. 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.

19. 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). On July 17, 2006, the Receiver attempted to provide notice of the Motion to Allow and Disallow Investor Claims (Docket # 233) to all known investors. A majority of the investors use a safe-mail.net e-mail address. Due to technical problems on safe-mail.net's side, the July 17, 2006 Notice was not received by many investors. Safe-mail.net is an e-mail service company based in Jerusalem. Due to the conflict between Israel and Lebanon in July and August, many of safe-mail.net's employees were called up to duty with the Israeli Defense Forces. The employees have now returned to work and have advised the Receiver and his third-party e-mail service the e-mail delivery problem has been resolved. The Receiver will re-notice a hearing on the Motion to Allow and Disallow Investor Claims set for November 20, 2006. Following approval of claims, the Receiver will propose an interim distribution of recovered funds to the investors.

D. Miscellaneous.

20. 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.

21. To date, the Receiver has sought and obtained approval for payment of \$789,847.33 in fees and expenses.

III. Receiver's Intended Course of Action

22. Because defendant David Tanner/James Tucker/Scott Klion 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.

23. 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.

24. In addition, the Receiver remains committed to recovering the balance of funds Seaforth Meridian, Limited owes the receivership estate, the repatriation of the approximately \$3 million in VEF Banka, obtaining either an agreement or an order directing the return of approximately \$1.3 million in investor funds held by IPTS, Inc. at VEF Banka, and recovering the \$5 million transferred to Server to Go, Inc.

25. 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.

26. 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.

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

28. This Fifth Status Report has been reviewed by the Commission who concurs with its contents.

Dated: October 11, 2006

Respectfully submitted,

LATHROP & GAGE L.C.

By: /s/ Brian M. Holland

Kenneth L. Weltz KS #9134
Brian M. Holland KS #19989
10851 Mastin Boulevard, Suite
Overland Park, KS 66210-1669
Telephone: 913.451.5100
Telecopier: 913.451.0875
bholland@lathropgage.com

Attorneys for Larry E. Cook, Receiver

CERTIFICATE OF SERVICE

I hereby certify that on this 11th day of October, 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;

/s/ Brian M. Holland
An attorney for Larry E, Cook,
Receiver