

**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-SAC
)	
Defendants,)	
)	
and)	
)	
MARGARET F. SPENCER, et al.,)	
)	
Relief Defendants.)	

RECEIVER’S THIRD 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. The Commission’s claims against the Defendants and Relief Defendants have been largely resolved. Relief Defendant Vectra Resources is the sole remaining unresolved named Relief Defendant. The Commission and the Receiver are reviewing documents and information provided by Vectra Resources and evaluating potential settlement of the Receiver’s claims against it.

3. To date, the Receiver has recovered approximately \$5,044,688 in investor funds. The Receiver has also identified and obtained orders directing the return of an

additional \$7.9 million in investor funds deposited in US and European Banks.

Furthermore, the Receiver has pending motions for the turnover of approximately \$1.3 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.

4. The Receiver incorporates by reference his Second Interim Report filed with the Court on or about September 6, 2005 (Docket # 107). As of the Second Interim Report, The Commission had obtained judgment against Defendant Richard Kringen and Relief Defendant Omnibus, LLC. In addition, the Court had entered its Agreed Order dismissing Relief Defendant Dynamic Environmental Solutions.

II. Procedural Status of Case

5. On September 9, 2005, the Commission and Defendant David Tanner filed their Joint Motion for Order to Enter Agreed Order of Permanent Injunction and Order of Disgorgement against David Tanner (Docket # 110). On September 13, 2005, the Court entered its Agreed Order Granting the Joint Motion. The Agreed Order provided that Mr. Tanner accepted judgment in the amount of \$15 million, subject to the Receiver's right to ask the Court to increase this amount if the Receiver discovers the investors lost more than \$15 million in the Capital Enhancement Club scheme. The Agreed Order further provided that Mr. Tanner will receive credit for funds the Receiver recovers from certain accounts. To date, Mr. Tanner has not paid any amount to the Receiver.

6. On November 11, 2005, the Commission filed its Notice of Settlement Agreement with Defendants Marroc Corp., Rocky D. Spencer, and Relief Defendant Margaret F. Spencer (collectively, the "Spencer Defendants") (Docket # 139). The Notice of Settlement Agreement provides that the Commission and the Spencer

Defendants have reached an agreement on settlement terms, subject to approval of the Commissioners of the Commission.

7. The sole remaining named party in this case is Relief Defendant Vectra Resources. Vectra Resources received over \$1 million of investor funds which appear to have been used to purchase and remodel one or more residences in Washington state. The principals of Vectra Resources have provided the Receiver and the Commission with a partial accounting of the disbursement of these funds and the Receiver has requested additional documentation and information to verify where the funds were spent.

8. The Receiver has pending miscellaneous cases in eight US District Courts. The most active miscellaneous cases are in the District of Nevada—Las Vegas Division and the Southern District of New York. The Receiver submits that while only one of the named defendants is still in this action, there are now, and will be in the future, numerous recovery actions 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.

III. Receiver's Activity Since September 6, 2005

9. 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, Jones Vargas in Reno, Nevada, and legal counsel in Riga, Latvia where Receivership Assets are located.

10. 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.

11. 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.

12. 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.

13. In addition, the Receiver has initiated a turnover action against iPTS, Inc. (Docket # 117), the last e-currency company used by CEC. The Receiver believes iPTS is holding approximately US\$978,684.31 and €29,226.31 of investor funds.

14. The Receiver has also initiated a turnover action against WorldPlaza Corporation. WorldPlaza is a Panamanian corporation that used approximately \$286,000 in investor funds to purchase tracts of land near Reno, Nevada. The Receiver is

seeking a turnover of the property purchased, or, in the alternative, a return of the investor funds used to purchase the property.

15. 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 a total of \$5,044,688 in investor funds. A significant portion of this recover 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. Seaforth subsequently filed its Motion to Intervene in this case. The Receiver, the Commission, and Seaforth have reached an agreement potentially resolving the pending motions. The Receiver continues his efforts to obtain the balance owed by Seaforth to the receivership estate.

16. 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.

17. As reported in the Receiver’s Second Interim Report, the defrauded investors in CEC invested primarily via e-currency which does not provide a direct method of tracing an investment back to a particular investor. Accordingly, identifying

the defrauded investors has been a difficult and time-consuming task for the Receiver. The Receiver was recently successful in obtaining a list of approximately ten thousand investors' names and e-mail addresses. These names are being formatted into a central database so that the Receiver may send an e-mail alerting the potential investors of the receivership website and opportunity to file a claim. Once these names are uploaded, the Receiver anticipates asking the Court to approve a claim solicitation procedure and to establish a claims bar date, or deadline by which investors must file their claim with the Receiver. The Receiver anticipates publishing the claims bar date in one or more national publications to advise those investors who do not receive individual notice of the bar date of the deadline to file a claim.

18. 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.

19. To date, the Receiver has sought and obtained approval for payment of \$347,220.02 in fees and expenses.

IV. Receiver's Intended Course of Action

20. 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.

21. The Receiver's immediate focus is on recovering the balance of funds Seaforth Meridian, Limited owes the receivership estate and on obtaining either an agreement or an order directing the return of investor funds held by IPTS, Inc.

22. 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.

23. 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.

24. The Receiver will continue to advertise the receivership web site and encourage victims to utilize the web site to register a claim.

25. In order to prevent the further dissipation of the defrauded investor funds, the Receiver cannot fully disclose in this public report the status of his present efforts to collect all additional assets. The Receiver will provide any such information to the Court by way of sealed submission or direct report, as the Court may direct. Alternatively, the Receiver will report the status of such recovery efforts once the funds are actually recovered by the Receiver, or the Receiver confirms such funds cannot be recovered.

26. This Third Status Report has been reviewed by the Commission who concurs with its contents.

Dated: December 8, 2005

Respectfully submitted,

LATHROP & GAGE L.C.

By: /s/ Brian M. Holland

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Attorneys for Larry E. Cook, Receiver

CERTIFICATE OF SERVICE

I hereby certify that on this 8th day of December, 2005, 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;

/s/ Brian M. Holland

An attorney for Larry E, Cook,
Receiver