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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

-----X
SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

- against -

COBALT MULTIFAMILY INVESTORS I, LLC,
COBALT MULTIFAMILY CO. I, LLC,
COBALT CAPITAL FUNDING, LLC,
MARK A. SHAPIRO,
IRVING J. STITSKY, and
WILLIAM B. FOSTER,

06 Civ. 2360 (KMW)(MHD)

Defendants,

and,

VAIL MOUNTAIN TRUST,

Relief Defendant.

-----X
PLAINTIFF SECURITIES AND EXCHANGE COMMISSION'S
PLAN FOR DISTRIBUTION OF RECEIVERSHIP ASSETS

A. SUMMARY OF DISTRIBUTION PLAN

1. Plaintiff Securities and Exchange Commission (“Commission”) respectfully submits this Plan for Distribution of Receivership Assets (the “Plan”) to distribute assets to those investors and creditors adversely affected as a result of the violations alleged in the

Commission's complaint ("Eligible Claimants"). This Plan provides for a *pro rata* distribution of both current assets on hand in the Receivership estate and those that may be collected hereafter.

B. BACKGROUND

2. Plaintiff filed its complaint in this action on March 27, 2006. It brought this action to halt an ongoing fraud perpetrated by the Cobalt Multifamily Investors I, LLC ("Cobalt Multifamily"), Cobalt Multifamily Co. I, LLC ("Cobalt Co."), and Cobalt Capital Funding, LLC ("Cobalt Funding") (collectively, the "Cobalt Entities"), Mark A. Shapiro, Irving J. Stitsky, and William B. Foster (collectively, with the Cobalt Entities, the "Defendants"), and to freeze the assets of the Defendants and of the Relief Defendant, Vail Mountain Trust ("Vail" or the "Relief Defendant"). (Complaint ¶ 1.)¹

3. As alleged in Plaintiff's Complaint, this action arose out of a fraudulent offering of securities by Cobalt Multifamily, one of a network of affiliated companies, controlled by Shapiro, a convicted felon. (Complaint ¶ 1.) From approximately July 2004 through March 27, 2006, the Cobalt Entities raised more than \$23 million from at least 300 investors on the basis of misrepresentations and omissions in Cobalt Multifamily offering and marketing materials and oral sales presentations. (Receiver's Third Supplemental Status Report, dated December 29, 2006, at 5.)

4. On the basis of the allegations of its Complaint and the Declarations of Layla Assante, executed March 27, 2006 (with exhibits); Allan Kahn, executed March 27, 2006; and Gerald J. Russello, executed March 27, 2006, Plaintiff sought a Temporary Restraining Order,

¹ Plaintiff entered into stipulations with Defendants Shapiro, Stitsky and Foster, and Relief Defendant Vail, that stays its action against them pending resolution of the criminal proceedings now pending against the individual Defendants. (See Stipulation and Order, entered November 28, 2006.)

Preliminary Injunction, Asset Freeze and other Relief on March 27, 2006, which (a) temporarily restrained and preliminarily enjoined all Defendants from violating Section 17(a) of the Securities Act of 1933 (“Securities Act”), 15 U.S.C. § 77q(a); and Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”), 15 U.S.C. §§ 78j(b), and Exchange Act Rule 10b-5, 17 C.F.R. § 240.10b-5; (b) temporarily restrained and preliminarily enjoined Cobalt Funding and Stitsky from violating Section 15(a) of the Exchange Act, 15 U.S.C. §§78o(a); (c) temporarily appointed a receiver over the Cobalt Entities and Vail; (d) ordered each of the Defendants and the Relief Defendant to provide verified accountings; (e) froze the assets of the Defendants and the Relief Defendant; and other relief. On March 28, 2006, the Court granted the Plaintiff’s application and entered its proposed Order, as modified to provide the Individual Defendants a right to seek relief from the asset freeze for attorneys’ fees and living expenses. (Order entered March 28, 2006 (the “TRO”).)

5. On July 20, 2006, the Court granted Plaintiff’s application for a preliminary injunction against the Cobalt Entities and Shapiro, continuing in effect the restraints and other measures initially imposed in the TRO. (Transcript of Proceedings, July 20, 2006, at 5; Order, entered July 28, 2006 (the “Preliminary Injunction”).)

6. On July 20, 2006, the Court continued the appointment of the Receiver on a permanent basis until further order of the Court “to the contrary.” (July 20, 2006 Tr. at 26-27). As part of the Preliminary Injunction Order, the Receiver was authorized to file bankruptcy petitions on behalf of any of the Cobalt Entities without further order of the Court. (Order, entered July 28, 2006.)

7. On March 24, 2008, the Court entered a default judgment against the Cobalt Entities, and awarded Plaintiff \$24,672,600 in disgorgement, and \$1,672,600 in prejudgment

interest, for a total of \$26,345,200. To date, those amounts have not been paid by the Cobalt Entities.

8. To date, the Receiver has marshaled assets of approximately \$1,205,531.02 in cash and securities (the "Current Assets").² The Receiver has also instituted two actions: (1) a lawsuit against the lawyers who represented the Cobalt Entities, Cobalt Multifamily Investors I, LLC v. Shapiro, Civ. No. 06-6468 (KMW) and (2) a lawsuit against the Cobalt Entities' sales people, Cobalt Multifamily Investors I, LLC v. Arden, Civ. No. 06-6172 (KMW) (collectively the "Malpractice and Salesperson Litigations"). While the Malpractice Litigation was dismissed by the Court on March 28, 2008, on April 22, 2008, the Receiver filed a notice of appeal of that decision, and he continues to believe that the Malpractice and Salesperson Litigations will produce recoveries for the Receivership estate at a later date.

9. The Commission believes that it is appropriate and in the best interests of investors to make a *pro rata* distribution of the assets in the Cobalt Estate. The Plan provides that the Current Assets be distributed as follows: (a) 50% to investors on a pro rata basis; (b) 25% to unsecured creditors; and (c) 25% to the Receiver and the Receiver's law firm, Paduano & Weintraub, and those professionals retained by the Receiver as of December 31, 2006 (collectively, the "Receiver Group"). The Plan also provides that any future recoveries be distributed as follows: (a) 33.3% to investors on a pro rata basis; (b) 33.3% to unsecured creditors; and (c) 33.3% to the Receiver Group.

² Information regarding the current assets, claims, and identities of claimants as described herein was obtained by Plaintiff from records and information furnished by the Receiver. The Receiver informs the staff that he also holds \$137,915.32 in "other cash" that consists, in part, of monies held on deposit for the benefit of others. The United States Attorney's Office for the Southern District of New York holds an additional \$457,109.66 in cash seized prior to the filing of the Commission's action against the Cobalt Entities. Upon approval of the United States Attorney's Office, those funds will be distributed pursuant to the provisions of this Plan.

10. Because the total current assets available for distribution are dwarfed by the claims of investors and creditors, full recovery to victims may well prove impossible to achieve. The Plan therefore seeks to provide some recovery – albeit a limited one – to these investors, and also to Cobalt’s unsecured creditors and to the Receiver Group, who worked to marshal the limited assets available. The Plan seeks to allocate the current assets so that the investors who bore the lion’s share of the losses here obtain the greatest portion of the assets available. As the Second Circuit most recently confirmed, “the most grievously injured claimants should receive the greatest share of the fund.” Official Committee of Unsecured Creditors of WorldCom, Inc. v. SEC, 467 F.3d 73, 84 (2d Cir. 2006)(quoting SEC v. Certain Unknown Purchasers, 817 F.2d 1018, 1021 (2d Cir. 1987)). It also seeks to ensure that creditors – including the Receiver – receive some compensation for the services they provided. The Plan is consistent with the broad equitable powers bestowed upon the Court in actions brought under the securities laws. See SEC v. Certain Unknown Purchasers, 817 F. 2d 1018, 1020 (2d Cir. 1987). Where feasible and appropriate to effect such a distribution, the Commission has been vested with broad discretion in fashioning distribution plans for funds like the Plan in this case. See id; accord SEC v. Wang, 944 F.2d 80, 85 (2d Cir. 1991)(holding that the Court need only review an SEC-proposed plan of distribution to ensure that it is fair and reasonable). As the Second Circuit wrote in Official Committee of Unsecured Creditors of WorldCom, Inc. v. SEC, 467 F.3d 73, 84 (2d Cir. 2006), “[w]e have long understood that the SEC’s charge to enforce the securities laws carries with it the discretion to determine how to distribute recovered profits among injured investors.” That discretion permits, and the Court by its equitable powers may allow, subordination of creditors’ claims to investors.

C. DEFINITIONS

As used in this Plan, the following definitions shall apply:

11. “Additional Recoveries” means the recoveries (whether by settlement or judgment) from the Malpractice and Salesperson Litigations, together with the monies collected from the liquidation by the Receiver of certain remaining property, furnishings, office equipment and jewelry, and any funds transferred by the United States Attorney’s Office from those seized and held by it prior to the Commission’s action against the Cobalt Entities.

12. “Distribution Fund I” means the amount of money to be paid out of the registry of this Court to the Distribution Agent following deposit into the registry of the Court of the Current Assets by the Receiver, plus accrued interest thereon, if any, and less (i) \$50,000 paid to the Distribution Agent as an advance on his reasonable fees and expenses, if, as provided below, the Commission staff determines that an independent Distribution agent should be appointed, and it obtains Court approval of such appointment; and (ii) any tax obligations and the Tax Administrator’s fees.

13. “Distribution Fund II” means the amount of money to be paid out of the registry of the Court to the Distribution Agent from the funds deposited into the Court’s registry from the Additional Recoveries, plus accrued interest thereon, if any, and less any tax obligations and the Tax Administrator’s fees, provided, however, that the Distribution Agent shall determine when the amounts deposited separately as Additional Recoveries shall have reached a sufficient total dollar value to justify the expense of distributing Distribution Fund II.

14. The “Final Distribution” means the special and final distribution of funds remaining after the distribution of Distribution Fund II, and calculated as described in paragraph 26 below.

15. “Distribution Agent” means the agent appointed by the Court pursuant to the Court’s order approving this Plan. In the event that the Commission staff determines that the distributions under this Plan can practicably be performed without the expense of retaining an independent Distribution Agent, the Commission may move the Court for an order appointing its staff as Distribution Agent under this Plan. If the Court enters an order that appoints the Commission staff as Distribution Agent under this Plan, and notwithstanding any other paragraph herein, the Distribution Agent shall not be entitled to payment out of Distribution Fund I of any fees.

16. “Tax Administrator” means the certified public accounting firm appointed by the Court pursuant to the Court’s order approving this Plan and Section 468B(g) of the Internal Revenue Code, 26 U.S.C. § 468B(g), and related regulations, and charged with executing all income tax reporting requirements, including the preparation and filing of tax returns, associated with the Distribution Fund I, Distribution Fund II and the Final Distribution.

17. “Texas Properties Trade Creditors” means those claimants listed on Exhibit F hereto who have asserted claims against the Cobalt Entities’ properties located in Houston, Texas (the “Texas Properties”). The Texas Properties Trade Creditors shall be permitted to pursue their respective claims against the Texas Properties in the jurisdictions in which such actions are now pending or in which they may appropriately be raised, notwithstanding the stay imposed by the Preliminary Injunction. If, after having recourse to the Texas Properties in satisfaction of their claims, the Texas Properties Trade Creditors shall have obtained deficiency judgments in those proceedings, they shall have the right to participate in the Distribution Fund II as set forth below.

18. “Eligible Claimants Distribution Fund I” means

- a. the investors who were defrauded as a result of the violations alleged in the Commission's complaint, identified in Exhibit A hereto (the "Investors");
- b. the unsecured creditors of the Cobalt Entities with undisputed claims, and any claims asserted by the Internal Revenue Service, identified in Exhibit B hereto (the "Unsecured Creditors"); and
- c. the Receiver and the Receiver's law firm, Paduano & Weintraub ("P&W"), and those professionals retained by the Receiver as of December 31, 2006 (the "Receiver's Professionals"), identified in Exhibit C hereto (collectively, the "Receiver Group").

19. "Eligible Claimants Distribution Fund II" means

- a. the Investors;
- b. the Unsecured Creditors;
- c. the unsecured creditors of the Cobalt Entities with disputed claims, identified in Exhibit D hereto whose claims have been resolved through litigation or settlement with the Receiver, or, if appropriate, with the Commission, on or before the date the Distribution Agent distributes Distribution Fund II or the Final Distribution (the "Unsecured Creditors (Disputed)");
- d. claims asserted by taxing authorities other than the Internal Revenue Service as identified on Exhibit E hereto;
- e. plaintiffs in the litigations encaptioned Jones v. DSP-HP 2002, Ltd., Civ. No. 2006-13869 (Harris County Texas District Court) and Alvarado v. North Am. Equities, LP, et al., Civ. No. 2006-35219 (Harris County Texas District Court), to the extent that any judgment entered in either case is unsatisfied by payments from Defendants' respective insurance carriers in those actions (the "Litigation Claimants");

f. the Texas Properties Trade Creditors to the extent that any of them has obtained a deficiency judgment against the Texas Properties (the "Texas Property Claimants"); and

g. the Receiver Group.

D. DISTRIBUTION OF DISTRIBUTION FUND I

20. Distribution of Distribution Fund I shall be made by the Distribution Agent to the Eligible Claimants Distribution Fund I in the following manner:

a. Within 30 days following entry of an order approving this Plan, the Receiver shall deposit the Current Assets into the Court's Registry (the "CRIS Account") and accompany such a deposit with a letter identifying the Distribution Agent, and setting forth the title and civil action number of this action and the name of this Court.

b. Within 30 days following the Receiver's deposit of the Current Assets into the Court's Registry, the Distribution Agent shall, by letter to the Clerk of the Court, ask the Clerk to determine the amount of money currently held in the CRIS account and ask the Clerk to transfer those funds to the Distribution Agent in trust for deposit into a non-interest bearing checking account. Upon receipt of the monies from the Clerk, the Distribution Agent shall promptly deposit the funds in a non-interest bearing checking account or in multiple such accounts as may be necessary to ensure that the entire amount deposited is insured by the Federal Deposit Insurance Corporation.

c. Within 60 days following the receipt by the Distribution Agent of the Distribution Fund I from the Clerk, the Distribution Agent shall issue checks to the following Eligible Claimants Distribution Fund I in the following manner:

i. 50% of the Distribution Fund I shall be paid to each of the Investors on a pro rata basis. Each Investor shall receive the portion of their respective total amount lost that their total amount lost bears to the total amounts lost by all Investors, up to a maximum payment of each Investor's total principal invested. The amount lost by each such Investor shall be net of any distributions made to such Investor from any Cobalt Entity prior to March 27, 2006, to the extent that such distributions can practicably be determined;

ii. 25% of the Distribution Fund I shall be paid to each of the Unsecured Creditors on a pro rata basis. Each Unsecured Creditor shall receive the portion of its respective total claim that its total claim bears to the total claims asserted by all Unsecured Creditors, up to a maximum payment of 50 % of each Unsecured Creditor's total claim provided, however, that in no event shall any Unsecured Creditor whose claim is covered by insurance be paid any amounts out of Distribution Fund I, but, instead his, her, or its recovery shall be limited by the insurance proceeds applicable to such claim; and

iii. 25% of the Distribution Fund I shall be paid to the Receiver Group for allocation among them as they may decide.

d. If any Eligible Claimant Fund I shall accept and negotiate the check it receives pursuant to the distribution of Distribution Fund I, it shall be deemed to have accepted the Distribution Agent's calculation of its claim and to have waived any objection to such calculation. Such claimant's negotiation of such check shall constitute its release of any and all claims it now has or may thereafter assert against the Receivership estate.

E. DISTRIBUTION OF DISTRIBUTION FUND II

21. Distribution of Distribution Fund II shall be made by the Distribution Agent to the Eligible Claimants Distribution Fund II in the following manner:

a. Within 30 days following receipt of any funds qualifying as Additional Recoveries, the Receiver shall deposit such amounts into the CRIS Account and shall accompany such deposit with a letter identifying the Distribution Agent, and setting forth the title and civil action number of this action and the name of this Court. The Receiver shall copy the Distribution Agent on such correspondence.

b. Within 30 days following the Receiver's notification to the Distribution Agent of a deposit of Additional Recoveries into the CRIS Account, the Distribution Agent shall determine whether the Additional Recoveries then on deposit in the CRIS Account justify the expense of a distribution as Distribution Fund II. If the Distribution Agent determines that the expenses of a distribution are justified, he shall, by letter to the Court, ask the Clerk to transfer those funds to the Distribution Agent in trust for deposit into a non-interest bearing checking account. Upon receipt of the monies from the Clerk, the Distribution Agent shall promptly deposit the funds in a non-interest bearing checking account or in multiple such accounts as may be necessary to ensure that the entire amount deposited is insured by the Federal Deposit Insurance Corporation.

c. Within 60 days following the receipt by the Distribution Agent of the Distribution Fund II from the Clerk, the Distribution Agent shall issue checks to the following Eligible Claimants Distribution Fund II in the following manner:

i. 33.3% of the Distribution Fund II shall be paid to each of the Investors on a pro rata basis. Each Investor shall receive the portion of their respective total amount lost that their total amount lost bears to the total amounts lost by all Investors, up to a maximum payment of 100% each Investor's total principal invested. The amount lost by each

such Investor shall be net of any distributions to such Investor from any Cobalt Entity prior to March 27, 2006, to the extent that any such distributions can practicably be determined;

ii. 33.3% of the Distribution Fund II shall be paid to each of the Unsecured Creditors, the Unsecured Creditors (Disputed), all taxing authorities, the Litigation Claimants, and the Texas Property Claimants (collectively, the "Unsecured Creditors II") on a pro rata basis. Each of the Unsecured Creditors II shall receive the portion of its respective total claim that its total claim bears to the total claims asserted by all Unsecured Creditors II, up to a maximum payment of 100% of each Unsecured Creditor II's total claim provided, however, that in no event shall any Unsecured Creditor II whose claim is covered by insurance be paid any amounts out of Distribution Fund II, but, instead his, her, or its recovery shall be limited by the insurance proceeds applicable to such claim; and

iii. 33.3% of the Distribution Fund II shall be paid to the Receiver Group for allocation among them as they may decide.

F. APPEALS OF DISTRIBUTION AMOUNTS AND FINAL DISTRIBUTION

22. If, after receiving checks pursuant to Distribution Fund I or II, any Eligible Claimant shall wish to dispute the amounts awarded to him, her or it, such Eligible Claimant shall, prior to negotiation of such check, file an objection with the Court and serve a copy of such objection on the Distribution Agent and the Commission, and include in such objection the basis for his, her or its dispute (the "Claim Objection").

23. Within 120 days after distribution to the Eligible Claimants Distribution Fund II, the Distribution Agent and/or the Commission shall file responses to any Claim Objections filed. Claimants who obtain a favorable determination on their Claim Objection are "Adjudicated

Claimants,” and each of their respective claim amounts after adjudication is a “Post-Adjudicated Claim.”

24. In the event that an Eligible Claimant fails to negotiate a distribution check within 90 days after the date of the check, and such check had been mailed to the last known address for such Eligible Claimant, such claim shall be considered abandoned and disallowed in its entirety. In the event that a distribution check, mailed to the last known address for an Eligible Claimant, is returned as undeliverable, and no claim is made by such Eligible Claimant for such check within 90 days after mailing, the funds which would otherwise be distributed to such Eligible Claimant shall revert to the Distribution Agent. Any funds reverting to the Distribution Agent as described in this paragraph shall be referred to as “Abandoned Funds.”

25. Notwithstanding any other paragraph of this Plan, the Distribution Agent shall issue no checks for claims in an amount below \$25.

26. If, after entry of Orders of the Court adjudicating the Claim Objections, the Distribution Agent retains more than \$10,000 in Abandoned Funds or otherwise, the Distribution Agent shall make a special and final distribution of the funds in accordance with the ratios set out in Section E (the “Final Distribution”), provided, however, that no Eligible Claimant Fund II shall be paid any amounts in the Final Distribution until all Adjudicated Claimants have received the full amount, on a pro rata basis, that his, her or its respective Post-Adjudicated Claim would have received in the Eligible Claim Fund I and II distributions.

G. THE DISTRIBUTION AGENT

27. Upon entry of the Court’s Order approving this Plan, the Distribution Agent shall have the following rights and responsibilities:

a. The Distribution Agent, after consultation with the Commission staff, shall distribute Distribution Fund I, Distribution Fund II and the Final Distribution in accordance with this Plan.

b. The Distribution Agent shall provide the Tax Administrator with any information needed relevant to the performance of its responsibilities as Tax Administrator, including the preparation and filing of any necessary tax returns and calculation of the amount of taxes due. The Distribution Agent may pay taxes and the Tax Administrator's fees related to its performance out of the Distribution Fund I or II, upon the Commission's application to the Court and pursuant to further order of the Court.

c. If the Commission staff determines that it cannot practicably assume the duties of Distribution Agent itself, and the appointment of an independent Distribution Agent is approved by the Court, then such independent Distribution Agent shall be entitled to receive compensation from the Distribution Fund I at the Distribution Agent's standard hourly rates, and other reasonable and documented costs and expenses incurred in performance of the Distribution Agent's duties under this Plan, up to \$50,000. The Distribution Agent may pay all such fees and costs upon application to the Court and pursuant to further order of the Court.

d. The Distribution Agent is excused from all legal requirements to post a bond or give an undertaking of any type in connection with the Distribution Agent's duties and obligations under the Plan.

e. The Distribution Agent is entitled to rely on all outstanding rules of law and court orders, and shall not be liable to anyone for good faith compliance with any order, rule, law, judgment, or decree, including the orders of this Court.

f. The Distribution Agent shall provide no tax advice to any Eligible Claimant. Each Eligible Claimant shall be responsible for obtaining his, her or its own tax advice with respect to any Distribution from Distribution Fund I, Distribution Fund II or the Final Distribution.

g. The Distribution Agent may be removed at any time by the Court, and replaced with a successor. In the event the Distribution Agent decides to resign, the Distribution Agent shall first give written notice to the Commission and the Court of such intention to resign, and the resignation shall not be effective until the Court has appointed a successor. The Distribution Agent shall then follow instructions provided by its successor to the Court.

h. If for any reason, monies, including Abandoned Funds, remain in the Distribution Fund after six months from the date the funds are disbursed to the Eligible Claimants Distribution Fund II in the Final Distribution, after consultation with the Commission and without further order of the Court, the Distribution Agent shall pay such funds to the Commission for deposit into the United States Treasury or, if the Commission deems it necessary or appropriate to propose to the Court an Plan for a subsequent distribution, continue to hold such funds in trust until further order of the Court. If the Distribution Agent pays any funds to the Commission for deposit into the United States Treasury pursuant to this paragraph, the payment shall be delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Mail Stop 0-3, Alexandria, Virginia 22312, and shall be accompanied by a letter identifying the Distribution Agent; setting forth the title and civil action number of this action and the name of this Court; and indicating that payment is made pursuant to this Plan and the Court's order approving this Plan and that the funds are being paid for deposit by the Comptroller, Securities and Exchange

Commission, into the United States Treasury. The Distribution Agent shall simultaneously transmit photocopies of such payment and letter to the Commission's counsel in this action. Upon receipt of such funds from the Distribution Agent, the Commission's Office of Financial Management shall promptly remit the funds to the United States Treasury.

i. The Distribution Agent shall serve upon the Commission and file with the Court a final report upon the completion of the Distribution Agent's duties under this Plan.

H. WIND-UP OF THE RECEIVERSHIP ESTATE

28. If any property interest held by any of the Cobalt Entities or any of their respective subsidiaries or affiliates can not be liquidated within 60 days of the entry of the Order approving this Plan, the Receiver shall notify the Commission, and shall apply for an Order of the Court authorizing it to convey such interests in their entirety to the individual Defendants, Mark A. Shapiro, Irving Stitsky and William Foster, subject to any pre-existing security interest in such property. The Receiver's application for such an Order shall include a description of the efforts the Receiver has undertaken to liquidate such property interests and the last best offers received for each such interest. Nothing in this paragraph, however, shall give the Receiver authority to convey any interest in the Malpractice and Salesperson Litigations to Shapiro, Stitsky or Foster.

29. Any creditor who holds a security interest in any property in which the Cobalt Entities shall have asserted an interest, whose claim is not otherwise addressed in this Plan, and who can demonstrate to the Commission staff that its security interest is greater than or equal to the value of such property, may apply to the Court for an order relieving it from the stay imposed by the Preliminary Injunction to pursue foreclosure in the appropriate state court with jurisdiction over the property to which its claims relates.

30. If the Receiver or the Commission shall determine that the Receiver has concluded his duties and obligations under the Receivership appointment orders issued by the Court, as may have been amended, either may apply to the Court for an Order terminating the Receivership.

31. Any Order terminating the Receivership shall provide for the following:

- a. The Receiver shall transfer all records obtained during the Receivership to the Commission in a manner satisfactory to the Commission;
- b. The Receiver shall file a final accounting providing schedules identifying:
 - i. all assets, their source and value, including, but not limited to, any claims which the Receiver believes may be asserted on behalf of the Cobalt Entities;
 - ii. all liabilities, the nature and amount of such claims, whether secured or unsecured, disputed or undisputed, and the creditor's identity and last-known contact information; and
 - iii. The Receiver shall continue to provide reasonable cooperation to the Commission.

I. MODIFICATION OF THE PLAN

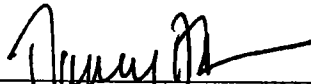
32. In the event that the Commission should determine that the Plan as approved should be modified, it shall move the Court for an Order on appropriate notice.

Dated: New York, New York
May 2, 2008

Respectfully submitted,

SECURITIES AND EXCHANGE COMMISSION

By:



Nancy A. Brown
Paul W. Ryan

3 World Financial Center
New York, New York 10281
(212) 336-1023
Attorneys for Plaintiff

Exhibit A

Exhibit A**Investors in Cobalt Entities**

First Name	Last Name	Amount Invested
David	Able	100000
Phillip	Ackerman	25000
Michael	Ambrosino	100000
Robert	Anarumo	100000
Daniel	Andriano	42000
Jack	Auguste	27500
Glenn	Axelrod	25000
Kenneth	Babcock	25000
Michael	Baker	25000
John	Band	12500
Bernardo	Barcelona	20357
Marie	Baron	25000
David	Bauer	25000
Michael	Bauer	25000
George	Bayer	12500
Norman	Beck	25000
Steven	Beck	50000
Jeffrey H. M.D.	Belmont	100000
Matthew and Marcia	Benjamin	355000
Charles	Binstok	25000
Michael	Blaymore	50000
Rethea	Boone	4800
Sam	Borod	50000
Ellen	Borod	50000
Peter C.	Brathauer	100000
John R.	Bria	50000
Jonathan and Barbara	Bria	100000
M.	Bria	50000
David & Paula	Brooks	100000
Jeffrey	Broome	50000
David	Brown	50000
Shelley	Brown	13705
Jim	Bullock	12500
William	Byer	50000
Angela	Calcaterra	25000
Alex	Canaan	25000
Anne	Capasso	100000
Felicia	Carco	12500
William H.	Cassidy	25000
Frank	Cassisi	143677.68
Teresa	Cassisi	27019.36
Aniello	Cecora	12500
Elaine	Cederberg	19395
Scott	Charney	50000
Ralph	Chicas	12500

First Name	Last Name	Amount Invested
Peter	Ciccone	25000
Robert	Clark	27000
Rick	Clayton	103244.16
Ira	Cohen	50000
Jason	Cohen	12500
Linda	Cohen-White	25000
David	Coren	50000
Alan	Cornfield	500000
Jason	Crace	
Cynthia	Craig	35000
Michael	D'Adamo	25000
Frank	D'Adamo	25000
Luigi and Maureen	D'Onofrio	60000
Mitchel and Gale	Dancyger	25000
John P.	DeLangre	100000
Daphney	Dickinson	30000
Susan	Director	100000
Peter R.	Dirkes	12500
Sahne	Donovan	24768
Allen J.	Dougherty	100000
Douglas	Draper Family LL	325000
Nick and Kathleen	Drossos	60000
Jay	Dworkin	25000
Howard	Dworkin	25000
Perry	Dworkin	60000
Suzanne	Dyer	50000
Suzanne	Dyer	70000
Ronald	Edwards	12500
Wayne and Cindy	Eisen	12500
S. Marcia	Eligman	25000
Alfred	Elsner	18750
David J.	Elsner	12500
Jonathon A.	Elsner	12500
Joyce	Even	34075.67
Mark	Even	25773.73
	E.W. Gordon Pen	66500
Michael	Falkove	8250
	Fallfax, Inc.	750000
Melvin and Theda	Febesh	50000
Ronald	Feldman	100000
Glenn	Feldman (Furrows	12500
Benjamin	Ferrara	50000
Francie	Filmore	59018.4
Leon	Fletcher	10000
Jeanne	Fontana	50000
Luis	Forte	62393.82
Jonathan	Foster	40000
Robert	Freericks	50000
Wayne	Galvin	32,170
Robert C.	Gaudet	25000
Esperanza	Gavilla	50000

First Name	Last Name	Amount Invested
Robert	Geier	100000
Ruth	Geier	30000
Michael	Giller	25000
Michael	Giller	50000
Richard	Glass	12500
Robert A.	Goldstone	131000
Joel	Golub	25000
Arthur and Arlene	Goodman	100000
Gloria	Gordon	8250
Frank and Victoria	Granati	75000
Phillip	Granati	25000
Suzanne	Guerrier	12500
Ashok	Gupta	13000
Ino	Halegua	500000
Brian	Halprin	12500
John	Hammer	50000
Paul	Hammer	25000
Richard and Lois	Hand	25000
Richard H.	Liaw	100000
Edward	Harra	25000
Louis	Healy	25000
Evan	Heller	12500
Harry	Hersh	25000
Patricia	Heuberger	58595.07
Gary	Hickman	50000
Rose	Hightower	12500
Kenneth and Ellen	Hogan	305000
Steven	Horowitz	25000
Mary K.	Humfelt	750000
Eero	Hyvonen	100000
Sanjay and Sanjiv	Israni and Sahni	42500
Dennis	Iulucci	25000
Kurt A.	Jacobson	12500
Shadih and Salena	Jaffri	12500
Greta and Cory	Jenkins	12500
	JP Partners	
Harriet	Kagan	50000
Ronald	Kaplan	25000
Steven	Kauff	60000
Paul	Kaye	200000
	Kaylor Enterprises	25000
Thomas	Kennedy	100000
Robin	Kernitzky	12500
Jeremy	Kessler	25000
James	Kilte	50000
S. Dana	Kimball	50000
Bruce	Klein	25000
Carol Ann	Klemm	25000
Dr. James	Kouzoukian	12500
Harley	Kravitz	50000
David	Krokoff	25000

First Name	Last Name	Amount Invested
Sandy	Krulak	50000
Charles	Kutch	27528.02
Scott	Lander	100000
Andrew	Langer	25000
Peter	Lavi	50000
Barry	Liebowitz	86500
Robert	Leisten	25000
Robert	Leisten	25000
Robert	Libby	25000
Dr. Mark. S.	Lisch	50000
Joseph	Lopez	25000
Herbert	Lowenthal	20000
Charles	Lubetkin	255000
Louis	Luft	12500
William	Lynch	12500
Arvinder and Aminderpal	Mahil and Singh	25000
Clifford	Maldow	15000
Clifford	Maldow	25000
Howard	Manney	50000
Christopher	Manuel	100000
Salvatore	Marra	100000
A	Marcus	12500
George	Marks	225000
Salvatore	Marra	300000
Angela	Marse	50000
Matthew	Matza	25000
Gordon and Linda	McCollum	25000
Gordon	McCollum	12500
William Danner	McGuinnes	12500
Peter	Miklakos	12731.53
Peter	Miklakos	12500
June	Miller	59421.32
June	Miller	16031.46
Steven	Miller	12500
Andrea S.	Minsky	200000
Michael and Wendi	Mistretta	100000
Richard	Mistretta	100000
Thomasz	Miudzik	45000
Frank	Molinari	100000
James and Theresa	Molinari	200000
Albert	Monotoya	14000
Susan	Moore	200000
Carl	Moroff	25000
Carl	Morrow	25000
Joseph	Moshe	23996.88
Michel	Moutal	50000
John	Mullan	27888.41
Abbie D.	Naff	107000
Roy	Nardin	25000
Robert	Nelson	25000
Asher	Nueman	25000

First Name	Last Name	Amount Invested
Samson and Lorada	Newman	50000
George	Noon	100000
Stan	Norwalk	50000
Neil	Novak	50000
Marica	November	27460
James	O'Hare	25000
Terry Keller	O'Hare	65000
Atsuko	Okabe	25000
Avi	Oster	1200000
Ann	Oster	700000
Maria	Olivera	85000
Kiran	Pandy	25991.88
Irene	Papacosta	3473.71
Irene	Papacosta	9099.79
Louis	Pappas	2000000
Linda	Parker	25000
Jiten	Patel	12500
Parful	Patel	12500
Stephen	Patino	200000
Perry	Perzov	50000
Bruce	Peterson	25000
Adele	Phillips	50000
Paul	Phillips	50000
Kevin	Pietramala	25000
Abraham and Delara	Pouladian	255000
Elizabeth	Shew	100000
Todd	Prigal	300000
Klaus	Prinz	23000
Stephen Dirk	Pulliam	50000
Larry and Carol	Raisfeld	25000
Gary H.	Rand	50000
Vincent	Raro	130000
Lisa A.	Ravella	25000
Ronald J.	Reed	25000
Allen	Resnick	50000
Allen	Resnick	25000
Sheila	Resnick	50000
Sheila	Resnick	25000
Andrew	Resnick	100000
Solomon	Ripstein	25000
Robert M.	Rizzuit	12500
Howard	Robson	20000
Stan	Roher	100000
Alan	Rosen	25000
Sandra	Rosen	25000
Brett	Rosen	25000
Kevin	Rosen	25000
Sandra	Rosen	200000
Michael	Rosenfeld	50000
Marvin C.	Rothenberg	200000
David	Rubenstein	25000

First Name	Last Name	Amount Invested
Athanasious	Salins	42500
Kenneth	SanPedro	46500
James	Sandison	12500
Maryanne	Santorella	25000
Paul and Carolyn	Sarote	25000
Ernest P.	Sartain	50000
Christopher	Savine	100000
Steve	Sazegari	12500
Felice	Scala	140000
Donald C.	Scanlon	25000
Paul	Schell	100000
Eric	Schneider	35000
Lloyd	Schumann	12500
Jeffrey	Schwartz	100000
Riva	Schwartz	25000
David and Jamie and Bradle	Schweid	100000
Clifford and Fay	Schwimmer	25000
Phyliss	Segal	30000
Barry	Segal	100000
Gary and Susan	Segal	50000
Janie Tyler	Sellers	50000
Joan K.	Shafran	25000
Joseph M.	Shafran	25000
Devorah	Shalev	25000
Elizabeth	Shew	100000
Kraig	Silver	25000
Alan J.	Silvers	50000
Florence	Simon	12500
Amy	Skiles	12500
Sophia	Slobodien	25000
James	Speer	87995.94
Michael	Sperry	25000
Sandra	Sperry	75000
Ilene	Staniszewski	25000
Howard	Starr	50000
Arthur	Stein	12500
Andrew	Steinmann	75000
Allan	Stempler	88338.52
William E.	Stopps	25000
Barbara	Strampe	25000
James	Strano	12500
Jay	Strobing	25000
Thomas and Gwen	Sullivan	50000
Dennis and Francine	Sunshine	100000
Jaymee	Sunshine	45000
Florin	Sutton	300000
Douglas	Szczensy	12500
Larue and Ruth	Taintor	25000
Charles	Thompson	100000
Sheila	Tirshfield	25000
Sheila	Tirshfield	1190.98

First Name	Last Name	Amount Invested
David	Treacy	40000
Mark	Tublisky	50000
Mark and Marcy	Tublisky	25000
Norbert	Tuseo	25000
Norbert	Tuseo	282000
Virginia	Upton	50000
Marilyn and Frank	Urso	25000
Ted	Vetere	12500
Audrey	Vigna	25000
Charles	Lubetkin	255000
Adam	Waldman	112155.37
Karen	Waldman	13389.33
Di Yun	Wang	39000
Wenfang	Wang	170000
Denicia	Watts	15925.68
Donald	Weaver	12500
Helene	Weinstein	16623
Jane	Weisbrot	15000
Mitchell	Weisbrot	50000
Thomas R.	Wellman	25000
Darrel	Weiner	22219.38
Karen	Weiner	8561.39
Darrel	Weiner	12500
Howard	Wilkov	100000
Jennifer	Wilkov	50000
Marjorie	Wilkov	50000
George	Wofford	25000
Elsie	Wood	61969.43
Dennis	Xie	142640
Laura	Xie	100000
Gershon and Linda	Yormack	50000
Patricia	Zebrowski	50000
Dr. Martin	Zizi	12500
Robert	Geier	100000
Ino	Halegua	500000
Mary K.	Hurfelt	750000
Dr. Mark. S.	Lisch	50000
Clifford	Maldow	25000
Michel	Moutal	50000
James	O'Hare	25000
Avi	Oster	1200000
Irene	Papacosta	9099.79
Parful	Patel	12500
Elizabeth	Shew	100000
Sandra	Rosen	200000
Eric	Schneider	35000
Barry	Segal	100000
Michael	Sperry	25000
William E.	Stopps	25000
Charles	Lubetkin	255000

First Name	Last Name	Amount Invested
Darrel	Weiner	12500
Dr. Martin	Zizi	12500
Kevin	Pietramala	25000
Helen	Gruber/SG Sobe	688884.39

Exhibit B

Exhibit B**Cobalt Entities' Unsecured Creditors with Undisputed Claims and IRS Claims**

<u>Creditor</u>	<u>Claim</u>
A+ Conferencing Services	\$ 298.32
Bridge Capital LLC	1,758,000
Absolute Heating & Air Inc.	523.52
Accountemps Specialized Fin. Staffing	5,286.25
ADT	6,647.42
Alton Road Investments	28,003.34
American International Group, Inc.	5,360.00
Blue Cross Blue Shield MA-NCR	476.78
Western Mass Elec. Co.	5,740.23
Media Networks, Inc.	63,312.48
Comcast	375.50
Dow Jones & Co., Inc.	3934.14
Sprint PCS	11,520.47
Urban Surveying, Inc.	3,464.00
CST Environ., Inc.	24,554.10
Home Miami	4,920.00
NEBS	202.82
Lincoln Center Parking	1,270.00
Anthony Proietta & Assoc. Inv.	225.00
AW Gifford, Inc.	196.80
Blitz Media Inc.	42,816.20
Budget Printers & Office Supplies	5,856.46
Fieldstone Lester Shear & Denberg, LLP	93,088.42
Covad Communications	9,213.03
Design Workshop, Inc.	238.25
DHL Express	1,505.03
Steven Garth	1,529.62
Guenther Innovative Graphic Design	9,924.95
Halsey & Griffith Office Solutions	350.17
InfoHighway	(51.10)
Marcus Printing	19,187.75
Oval Office Inc.	678.90
Paetec Communications	1,302.37
PC Connection	1,294.41
Practitioners Publishing Co.	224.98
Pro Graphics Inc.	2,544.00
Signetco	85.00
Staffing Now, Inc.	15,910.83
Wachovia Bank, N.A.	1,129.48
W.B.Mason	16,106.74

<u>Creditor</u>	<u>Claim</u>
Perfect Vision Media Group	\$ 9,000.00
Bacon & Wilson, P.C.	12,288.06
Comer Nowling and Associates, P.C.	6,006.26
Caxton Newspaper, Inc.	10,282.64
The New York Times	4,043.02
Simon Pearce	497.87
Green Monkey Web, LLC	150.00
DLA Piper US LLP	43,501.79
American Express Business Centurion Card	18,294.34
Bell South	387.15
American Express Business Card	44,136.36
Cablevision of Great Neck	282.97
Pitney Bowes	5,436.93
Federal Express	148.60
CARR Business Systems	1,324.47
DHL Express	230.73
Employment Journal	500.00
Kelly Janitorial Systems, Inc.	1,376.95
The Miami Herald Publishing Co.	15,071.70
National Registered Agents, Inc.	800.00
Bank of America	58.20
The State Ins. Fund	282.88
All Counties Investigation Servs, Inc.	1,905.00
Zephyrhills/Perrier Group	262.29
Poland Spring/Perrier Group	590.25
Personnel Concepts - 3	247.92
Bellsouth Telecommunications	1,182.26
Texas Surveying Associates	3,123.15
First Choice Copy	10,534.76
Enercon Services, Inc.	8,462.00
Hibo Design: Interiors	4,504.18
Carl Levin, R.A.	5,107.36
Bigdough.com, Inc.	5,082.06
Smail's Flowers	386.00
Akermann Senterfitt, Attorneys at Law	25,666.41
Service One	8,581.23
Webster Bank	12,510.00
Fidelity Investments	1,875.00
Newsday	5,824.00
MetLife	13,752.27
United Health Group CT	13,498.83
The Plant Lady Stores, Inc.	141.20
Two Charles	1,995.00

<u>Creditor</u>	<u>Claim</u>
Advanced Environmental Analysis, Inc.	\$ 26,000.00
FYLA	1,445.41
Landtech	9,400.00
Bercow & Radell	10,064.54
Cactus Builders, Inc.	65,812.04
Management & Consulting, Inc.	9,790.52
Safety Ins.	956.00
Imagewear Uniforms & Embroidery	7,005.40
State of Texas Comptroller of Public Accounts	121.74
CHH Engraving Inc.	25.00
Waste Management	25.31
Premium Assignment Corp.	5,711.09
Florida Power & Light Co.	307.76
Bank of America - Operations	76.54
HVAC	1,014.37
ABC Land Clearing & Demolition	35,060.00
City of Miami Beach	6,178.55
IRS	8,958.79

Exhibit C

Exhibit C

Claims Asserted by the Receiver Group¹

<u>Claimant</u>	<u>Claim</u>
Anthony Paduano, the Receiver	\$144,501.31
Paduano & Weintraub	2,465,170.24
RSM McGladrey, Inc.	195,437.00
Hogan & Hartson LLP	227,721.59
Kirkpatrick & Lockhart Nicholson Graham, LLP	10,504.43
Secore & Waller, LLP	2,740.21
Keith Kramer, CPA	3,168.76
Michael Gottfried, Esq.	15,000.00

¹ The Claim amounts are taken from (i) the Objections of the Receiver to the Magistrate Judge's Report and Recommendation, dated January 14, 2008 and reflect amounts billed through December 31, 2006; (ii) the bills furnished to the Plaintiff by the Receiver for time billed by the Receiver and Paduano & Weintraub during the period January 1, 2007 through December 31, 2007; and (iii) additional information supplied by the Receiver. The Receiver expects the amounts for the Receiver and Paduano & Weintraub to be reduced by some amount pursuant to the stipulation between the Commission and the Receiver entered into on January 24, 2008 and so ordered by the Court on February 6, 2008, pursuant to which, among other things, the Receiver and Paduano & Weintraub will "remove all entries from the Cobalt receivership matter that primarily or exclusively relate" to the Malpractice and Salesperson Litigations. In addition, the amounts associated with Michael Gottfried are based on the Receiver's payment to him of a retainer. Plaintiff does not know how much of that retainer has been consumed to date.

Exhibit D

Exhibit D

Cobalt Entities' Unsecured Creditors (Disputed)

<u>Claimant</u>	<u>Claim</u>
Certilman Balin	641,300
Coleman Contracting Group, Inc.	163,259.81
Hobart Indus., Inc.	1,194.86
Smith Seckman Reid, Inc.	5,000
Home Depot Supply Inc.	3,219.00
Houston Independent School District	491,019.33
Oppenheim Architecture & Design LLC	60,000.00
Dimitri Construction Services Corp.	342,386.00

Exhibit E

Exhibit E

Claims by Taxing Authorities Other than the IRS

<u>Claimant</u>	<u>Claim</u>
NY State Dep't of Taxation and Finance	\$ 82,549.41
City of Springfield	1,589.93
State of Delaware	197.92
Florida Dep't of Revenue	691.49
Miami Dade County, Florida	190,651.00
Texas Dep't of Housing and Community Affairs	1,800.00
Texas Workforce Commission Tax Dep't	324.36
Texas Taxing Authority	637,349.19
State of Texas Comptroller of Pubic Accounts	121.74

Exhibit F

Exhibit F**Texas Properties' Trade Creditors (Disputed)**

<u>Claimant</u>	<u>Claim</u>
Camp Roofing	\$ 95,622.16
Rasa Floors, LP	2,986.87
Redi-Carpet Sales of Houston, Ltd.	47,126.41
Ket Enterprises, Inc.	Unspecified damages.
Sunset Arbor, Ltd.	Unspecified damages.
Fantastic Floors Inc.	4,930.28
Home Depot Supply Inc.	3,219.00
Redi-Carpet Sales of Houston, Ltd.	7,077.03
Wilmar Industries Inc.	7,587.45
Wilmar Industries, Inc.	12,166.36
Redi-Carpet Sales of Houston, Ltd.	20,494.22
Fantastic Floors, Inc.	9,541.93
Redi-Carpet Sales of Houston, Ltd.	5,517.64
Fantastic Floors, Inc.	21,181.01
Rasa Floors, LP	2,986.87
Estrada	2,080.00
Redi-Carpet Sales of Houston	20,898.46
AAA Flexible Pipe Cleaning Co., Inc.	463.33
Apartments for Rent	29,712.67
Canter Office Equipment	75.13
Texas Apartment Supply, Inc.	1,189.62
The Home Depot Supply, Inc.	15,155.34
Apartments for Rent	6,217.58
Apartments for Rent	6,835.48
Texas Apartment Supply, Inc.	88.22
Apartments for Rent	6,018.91
Apartments for Rent	5,545.26
Brandt Electrical Services, Inc.	2,859.80
Texas Apartment Supply, Inc.	765.55
Texas Apartment Supply, Inc.	147.71