

**ROBB EVANS & ASSOCIATES LLC**  
**Receiver of the Assets of**  
**DebtWorks, Inc. and**  
**Andris Pukke**

**REPORT OF RECEIVER'S ACTIVITIES**  
**JANUARY 1, 2006 THROUGH JUNE 23, 2006**

This report covers the activities of the Receiver since its last report as of December 31, 2005. This report does not constitute an audit of financial condition and is intended only to provide information for use by the Court in assessing the progress of the Receivership.

**Overview**

In addition to updating the Court on the status of real properties and collection efforts as to other assets, this report will document Andris Pukke's (Mr. Pukke) on-going violations of this Court's April 20, 2005 Preliminary Injunction Order and numerous false statements under oath. As set forth below these violations include concealing assets and transferring assets that should have been disclosed and turned over to the Receiver.

As previously reported, Peter Baker filed an unsuccessful motion to quash a subpoena regarding the Google email account for the Sanctuary Bay website. On March 13, 2006 the United States District Court for the Northern District of California denied Mr. Baker's motion to stay discovery pending his appeal to the Ninth Circuit Court. Subsequently, Mr. Baker's counsel turned over email to the Receiver, which the Receiver has analyzed. Some of the email are included as attachments to this report as documentation of Mr. Pukke's continued violations of the Preliminary Injunction Order.

In addition, the Receiver requested an interview with Mr. Colin Medhurst, a former director of Dolphin Development Company Ltd. (Dolphin) and Sittce River Wildlife Reserve in Belize. As previously reported, Dolphin is developing and selling residential lots known as Sanctuary Bay in Belize. The Receiver served Mr. Medhurst with the Preliminary Injunction Order and Mr. Medhurst turned over documents to the Receiver as required by that Order. Some of these documents are included as attachments to this report as documentation of Mr. Pukke's continued violations of the Preliminary Injunction Order.

## Status of Other Assets

### *Dolphin Development Company Ltd. and Sittee River Wildlife Reserve*

Mr. Pukke disclosed to the Receiver loans receivable of \$3,258,500 due from either Dolphin or Sittee River Wildlife Reserve. Mr. Pukke has filed three sworn financial statements showing this same amount due. Mr. Medhurst turned over to the Receiver the September 30, 2005 balance sheet for Dolphin (Tab 1<sup>1</sup>) and the November 11, 2005 balance sheet for Sittee River Wildlife Reserve. Mr. Pukke's loan is shown on the Dolphin accounting and the actual loan balance is \$3,632,500. Therefore, Mr. Pukke has understated the carrying value of this asset by \$374,000.

From the Dolphin records turned over to the Receiver by Colin Medhurst and from Peter Baker's email, it is apparent that Mr. Pukke is far more than a passive lender. Under Tab 2 is Dolphin's Board of Directors meeting minutes dated May 13, 2005. The minutes show that Mr. Pukke is the Chairman of the Board of Dolphin. Also under Tab 2 is an email<sup>2</sup> dated April 23, 2005 in which Mr. Pukke is responding to Colin Medhurst about Sanctuary Bay lot sale prices and other matters<sup>3</sup>. The Board of Directors minutes and the email demonstrate Mr. Pukke's violation of this Court's Preliminary Injunction Order and his control of this asset.

Under Tab 3 is the Sittee River Wildlife Reserve Board of Directors meeting minutes dated February 7, 2004. The minutes show Mr. Pukke is the Chairman of the Board of Sittee River Wildlife Reserve. Mr. Pukke testified at his July 12, 2005 deposition conducted by the Receiver that he did not know who comprised the Sittee River Wildlife Reserve Board. His answer was "Don't know. Colin and Joan Medhurst and some other people in Belize."

Under Tab 4 is an email dated July 28, 2005 from Colin Medhurst to Mr. Pukke and Peter Baker. Attached to the email are Dolphin's Board of Directors meeting minutes on July 15, 2005. On page 5 of the minutes it states that "Mr. Pukke agreed to subordinate repayment of the loans and advances made by him to the Company in favor of bank loans and furthermore, to assign the voting rites [sic] of his 60% interest to Mr. Medhurst." On July 12, 2005, just three days before this board meeting, Mr. Pukke testified that Colin and Joan owned or controlled Dolphin. Mr. Pukke's agreement to subordinate the loans and assign his voting rights are two additional violations of this Court's Preliminary Injunction Order.

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<sup>1</sup> The balance sheet is stated in Belize dollars. 1 US dollar equals 2 BZ dollars.

<sup>2</sup> The Receiver has redacted a portion of Mr. Medhurst's email address and other personal information contained in this document and other attachments to this report.

<sup>3</sup> In his July 12, 2005 deposition conducted by the Receiver, Mr. Pukke stated he did not know if Colin and Joan Medhurst had an email address.

Under Tab 5 is a September 13, 2005 email from Peter Baker to Colin Medhurst. This email and the attachment set forth the general structure for a new company to take the place of Dolphin. The email states that "...NewCo would retain 90% of the revenue from the sale and pay SRWR 10%. SRWR would use the 10% to fund it's [sic] operations and use whatever remains to start paying back the \$3mm loan to me..." It appears from this email that Mr. Pukke has assigned his rights to the loans made to Dolphin to Mr. Baker, another violation of this Court's Preliminary Injunction Order.

Under Tab 6 is a May 9, 2006 email to the Receiver's office from a purchaser of a Sanctuary Bay lot<sup>4</sup>. The email shows the lot was purchased from Starfish Development, Ltd. Also under Tab 6 is information in the public record that shows Starfish Development, Ltd. as a fictitious business name of Peter Baker.

Under Tab 7 is an email dated October 21, 2005 from Colin Medhurst. Attached to the email are Sittee River Wildlife Reserve Board of Directors meeting minutes on October 7, 2005. Organization changes are discussed on page 2 of the minutes. The minutes set forth that Peter Baker will form a new company to replace Dolphin as the developer of the reserve and that Mr. Baker would be the 100% shareholder of the company. By this action, Mr. Pukke transferred his 60% ownership in Dolphin to Peter Baker, another violation of this Court's Preliminary Injunction Order.

Under Tab 8 is a listing of lots sold as of July 15, 2005 that the Receiver compiled based on detail contained in Peter Baker's email. The Receiver then projected the value of future sales based on a Lot Pricing List. Conservatively, total sold and unsold lots at Sanctuary Bay are worth about \$20 million at July 15, 2005.

### **Investment in Xelan Welfare Benefit Trust**

The Receiver's report for the period ending December 31, 2005, described an investment of about \$1.6 million in this tax shelter. The Receiver learned that four related companies (Xelan Inc., Xelan Financial Planning, Inc., Xelan Insurance Services, Inc., and Xelan Pension Services, Inc.) filed voluntary Chapter 11 petitions on June 30, 2004 in the United States Bankruptcy Court for the Southern District of California. The Receiver contacted the bankruptcy trustee and was informed that distributions were made from the bankruptcy estate to the Indianapolis Life Insurance Company for the purpose of purchasing whole life insurance policies for the investors in Xelan Welfare Benefit Trust. The Receiver subpoenaed Indianapolis Life Insurance Company and discovered that Mr. Pukke holds a whole life policy with a net cash surrender value of \$101,367.95 as of April 4, 2006. Under Tab 9 is a letter from the insurance company stating the cash surrender value of the policy on the date this Court issued the Preliminary Injunction Order was \$113,190.51.

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<sup>4</sup> The Receiver has redacted the email address and the name of the originator of this email.

Mr. Pukke's failure to comply with this Court's Order and disclose this asset resulted in an \$11,822.56 decline in the value of this asset. The Receiver has demanded that Indianapolis Life Insurance Company turn the cash value over to the Receiver.

During Mr. Pukke's July 12, 2005 deposition, he unequivocally testified the policy with Indianapolis Life Insurance Company was a term policy. Mr. Pukke did not disclose this asset to the Receiver and did not disclose this asset in any of his sworn financial statements.

**Investment in Agave, Ltd.**

As previously reported, payments for the \$7.1 million investment in Agave were made between August 3, 2000 and December 31, 2002.

Mr. Pukke claimed to be a victim of this fraud in connection with his investment in Agave and filed a complaint against the organizers of Agave on February 1, 2005. Mr. Pukke also filed a claim with the Detroit receiver of approximately \$5.7 million, after the denial of Seaspray's foreign-claimant status by the receiver of Agave, on March 29, 2005. As previously reported, Mr. Pukke violated this Court's Preliminary Injunction Order by continuing to assert this claim after April 20, 2005 without disclosing its existence to the Receiver or in any of his sworn financial statements. The Receiver was paid \$1,811,845.51 from a distribution made by the Detroit receiver.

**Canyon Grill Enterprises, LLC**

As previously reported, on May 7, 2003, Puck Key Investments L-1 LLC disbursed \$700,000 from one of its Merrill Lynch accounts to acquire a 30% ownership interest in Canyon Grill Enterprises, LLC (Canyon Grill) which has built and operates two restaurants. Blue Ridge Restaurant Group, LLC (Blue Ridge) is the managing member of Canyon Grill. Mr. David Jones, a partner of Ribis, is the managing member of Blue Ridge. Mr. Jones informed the Receiver that Puck Key Investments L-1 LLC's ownership interest in Canyon Grill was reduced to 26.27% due to its failure to meet a capital call in November 2004. Canyon Grill reported a net loss of approximately \$776,000 on its 2004 Federal tax return. The Receiver has recently completed a confidentiality agreement with the other owners of this asset and is in the process of attempting to negotiate a sale of this asset.

**Commonwealth Trust Assets**

Since May 2005, the Receiver demanded that Mr. Pukke take all steps necessary and appropriate to turn over to the Receiver the assets of the three family trusts identified in the Preliminary Injunction Order, including the assets of The Pukke 2002 Family Irrevocable Trust (2002 Trust).

Certain assets of the 2002 Trust, consisting of funds in a bank account at MBNA America Bank, were turned over to the Receiver on or about August 2, 2005. However, in April 2006, the Receiver obtained information indicating that additional assets of the 2002 Trust may be in the possession and control of Commonwealth Trust Company (Commonwealth) as Trustee under the 2002 Trust, including the original stock certificates in Fidelity & Trust Financial Corporation which is subject to the Receiver's sale of the stock previously approved in February 2006. The Receiver thereafter made demand upon Mr. Pukke and on Commonwealth to turn over the assets of the 2002 Trust to the Receiver. On June 1, 2006, the Receiver obtained from Mr. Pukke executed releases required by Commonwealth to release and turn over the assets and related documents and information concerning the 2002 Trust and its assets at Commonwealth, which the Receiver delivered to Commonwealth on June 5, 2006. On June 6, 2006 Commonwealth provided the Receiver an inventory of assets of the Pukke 2002 Family Trust currently held by Commonwealth and turned over to the Receiver original stock certificates for Fidelity & Trust Corporation, Kaelin Management, Inc., and Infinity Resources Group, Inc. Commonwealth also turned over other documents and information pertaining to the Trust assets under its supervision and control as Trustee of the Trust. The Receiver is continuing to investigate assets of this Trust and any additional documents and information that Commonwealth may have concerning receivership assets.

### **Hansabanka Accounts in Latvia**

Under Tab 10 is a December 11, 2003 wire transfer for \$1,000,000 from DebtWorks to account number xxxxxxxx5390 (5390) at Hansabanka. Also under Tab 10 is a loan application signed by Andris Pukke on February 12, 2004. On page 2 of the loan application, Mr. Pukke lists an asset of \$1,669,481 in the same account at Hansabanka. In an email dated April 27, 2005 (Tab10), Mr. Pukke requested Colin Medhurst to email Hansabanka wiring instructions for Dolphin. Mr. Pukke has not provided any information to the Receiver about this account at Hansabanka.

On May 22, 2006 the Receiver conducted a deposition of John Pukke, Mr. Pukke's father. John Pukke produced bank account statements for account number 5390, account number xxxxxxxx2845 (2845), and account number xxxxxxxx0054 (0054) at Hansabanka. John Pukke asserted that he owned these bank accounts. Among other items reflected on the bank statements are receipts from Sportingbet Plc.

The Receiver's Third Report discussed Andris Pukke's ties to internet gambling interests.

John Pukke testified he made a \$45,000 investment in 1998 in Internet Opportunity, a company purportedly formed by his godson, John Vipulis. Internet Opportunites was a predecessor company to Sportingbet Plc. John Pukke also testified this investment was to provide start up capital and he acquired 1.75% of the company. He was not able to produce any document evidencing this investment.

John Pukke testified that he had never received any share certificates until January 2005 and did not know the value of the stock until he received a telephone call from a London stockbroker in January 2005. During his 2004 divorce proceeding, Andris Pukke disclosed as one of his closely held business interests an interest in Internet Opportunities.

Under Tab 11 is a compilation of John Pukke's receipts from Sportingbet Plc totaling approximately \$2.2 million, and the proceeds from sale of Sportingbet Plc stock, totaling approximately \$10.6 million. John Pukke testified that the proceeds from the stock sale were about \$8 million. John Pukke further testified that the \$2.2 million in receipts were dividend income he received from Sportingbet Plc. Also under Tab 11 are excerpts from Sportingbet Plc annual reports the Receiver obtained from the Internet. The annual report for the period ending July 31, 2004 states "The Directors do not recommend a dividend." During this time period the account at Hansabanka received \$927,664 from Sportingbet Plc. The annual report for the period ending July 31, 2005 states "The Directors recommend a *maiden* (emphasis added) dividend of 1.0p per ordinary share for the year.....this will be paid on 4 January 2006." The compilation under Tab 11 shows the account at Hansabanka received \$1,314,620 on November 4, 2004 and that all of the shares were sold by February 2005. Therefore, John Pukke's testimony as to the amount received from the sale of the shares and his testimony about receipts of dividends demonstrate his lack of knowledge regarding this investment.

John Pukke also testified that he transferred approximately \$8 million of the Sportingbet Plc proceeds to Miselva Trust in Lichtenstein and that most of that \$8 million was no longer in Miselva Trust. Andrew Baker (not believed to be related to Peter Baker) is apparently the trustee of Miselva Trust. John Pukke testified that he loaned Mr. Baker's entity, Poole, approximately \$4 million for development of a marina in Grenada. John Pukke testified this was a six-month loan with a 15% interest rate made in February 2005. John Pukke further testified that if the loan defaulted he would have to take over the project or a portion of the project. The Receiver intends to investigate Miselva Trust and disbursements from the Trust.

John Pukke testified that he asked Hansabanka to fax to him a complete set of his bank accounts in response to the Receiver's deposition subpoena. He further testified that account numbers 5390, 2845, and 0054 were the only accounts he owned at Hansabanka between 2002 and the present time. He also testified that if there were other accounts at Hansabanka he would not claim any entitlement to the funds in those accounts.

On page 2 of the loan application under Tab 10, Andris Pukke also lists another account, xxxxxxxx8805 (8805), at Hansabanka as an asset with a balance of \$49,298. The bank account statements for account number 5390 described above reflect that between March 21, 2003 and April 20, 2005, account 8805 received \$1,395,949 from and paid \$1,295,067 to account 5390, which net to \$100,882.



Subsequently, account 8805 received \$500,000 from account 5390 on May 10, 2005. Payments totaling \$607,484 from account 8805 to account 5390 were made on June 17, 2005 and June 22, 2005.

Based on Mr. Pukke's ownership of account numbers 5390 and 8805 as set forth on his loan application, Mr. Pukke again violated this Court's Preliminary Injunction Order by not disclosing these accounts and by making transfers from these accounts after April 20, 2005.

John Pukke's deposition has not been completed.

**J.P. Morgan Suisse SA Bank Account**

Under Tab 12 is a final settlement statement for the purchase of the property located at 35 Ocean Heights Drive, Newport Beach, CA. The deposits in escrow include a \$950,000 deposit made by Mr. Pukke on February 18, 2005. Also under Tab 12 are banking details of the incoming wire for this deposit. The wire originated from J.P. Morgan Suisse SA in Geneva, Switzerland and was sent through JP Morgan Chase in New York. Mr. Pukke has not provided any information to the Receiver about this account at J.P. Morgan Suisse SA.

**Media Choice LLC**

At his deposition taken by the Receiver on November 16, 2005, Todd Cook testified that he was the sole member of this LLC. He further testified that Media Choice LLC sold leads to Prudent Choice Mortgage.

Under Tab 13 is an account statement from account number 5390 at Hansabanka. On June 10, 2005 \$200,000 was wired from Hansabanka to account number 0399 at the Bank of America. The notation on the bank statement is "payment for 200,000 shares of Media Choice LLC common." John Pukke testified at his deposition this disbursement was to purchase shares of Media Choice. Again, John Pukke's lack of knowledge regarding this transaction is telling. A LLC cannot have shareholders. Rather, a LLC has members. As noted above, Todd Cook testified six months after this wire transfer that he is the sole member of Media Choice LLC.

**Infinity Resources**

The Receiver continues to collect loan payments. To date, approximately \$1.6 million has been collected.

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 described as 529 Charles Street, C-1 and C-2, Baltimore, Maryland.

Infinity was served with two complaints to foreclose the equity of redemption in favor of Infinity by the two parties who purchased the condominium units at tax sales. The Receiver has obtained appraisals of the condominium units and determined that there is equity to support a partial repayment of the outstanding balance due Infinity on the Millon loan. The Receiver is therefore taking steps to redeem the condominium units and foreclose on Infinity's mortgage liens against the units.

The Receiver is attempting to sell the entire portfolio. The nature of the loans and makeup of the borrowers require constant monitoring and collection effort, which is not inexpensive. The protracted maturity dates extend far beyond the estimated life of the receivership estate.

The portfolio consists of three consumer loan types: debt consolidation loans, auto loans, and home equity loans. The debt consolidation loans represent the largest portion of the portfolio. They reference a security interest in personal property, but are basically unsecured. These loans are written on extended terms, in some cases as long as ten years, to keep payments within the borrower's budget. The fact that there is no tangible collateral severely impacts the ability to collect the loans in the event of default.

The auto loans present a particular challenge in that the loan amounts exceeded the value of the vehicle at the inception of the loan. Many of the vehicles are 1990's vintage, some early 90's. The borrowers are typically not creditworthy and could not qualify for traditional financing. The low value of the vehicles and impaired credit leaves little incentive for the borrowers to pay in the event of financial hardship or mechanical difficulties with the vehicle. Many vehicles have been repossessed.

There are six home equity loans with an average maturity date of 2019.

### **Real Property Assets**

The Receiver identified ten properties that are subject to the Preliminary Injunction Order entered on April 20, 2005. Four of the properties were sold after the Court entered orders authorizing the Receiver to complete the sales. Net proceeds from the sale of these four properties totaled \$8,189,676.68 and have been deposited in various accounts subject to competing claims and/or liens of the IRS, the FTC, the Receiver, Andris Pukke, and Pamela Pukke pursuant to the orders authorizing the sales. The two properties sold during this reporting period included the vacant oceanfront building lot in Miami Beach, Florida and a commercial condominium located at 3852 Dulles South Court, Chantilly, Virginia.



The Receiver filed a motion seeking authorization from the Court to distribute fifty percent (50%) of the net proceeds of the sale of the commercial condominium to Claridge LLC. On April 4, 2006, the Court entered the order and the Receiver distributed \$292,878.87, plus interest, to Claridge LLC.

The remaining six parcels of real property are comprised of three single-family residences, one vacant commercial lot, a high-rise condominium unit, and a residential lot. The Receiver continues to investigate the acquisition of another single-family residence located at 69 Emerald Bay, Laguna Beach, California which it believes is an asset of the estate.

As a result of the continuing investigation by the Receiver, a review of banking records, documents produced pursuant to subpoenas and depositions, the Receiver has identified additional real estate assets held by Smithburg Medical Arts and Deep Woods Real Estate Development Corporation which it believes are assets of the estate. Each property will be discussed in detail below.

***321 Ballenger Creek Drive, Frederick, Maryland (Ballenger Lot 4)***

Ballenger Lot 4 is owned by Ballenger/DW, LLC, a Maryland limited liability company in which Andris Pukke is the Managing Member and holder of a 50% interest. Tim McCallan purportedly holds the other 50% ownership interest in Ballenger/DW, LLC although the Receiver disputes his entitlement to 50% of the proceeds when the property is sold.

Ballenger Lot 4 is a 247,984 square-foot graded vacant lot. It remained in the receivership estate after the Receiver sold the adjoining two-story, commercial office building, also owned by Ballenger/DW LLC, pursuant to Court Order dated May 26, 2005.

The Receiver reviewed an appraisal prepared by an MAI appraiser shortly before the creation of the receivership estate. The Receiver thereafter sought and obtained an updated appraisal reflecting a greater appraised value for Ballenger Lot 4. After reviewing the two appraisals, interviewing several local brokers and investigating the local commercial real estate market, the Receiver determined that the sale of Ballenger Lot 4 by auction with automatic confirmation of the sale would yield an optimal and fair price for the property and will minimize delay and transactional expenses associated with the sale. On April 28, 2006 the Receiver filed the Receiver's Motion for Order Authorizing and Confirming Sale of Ballenger Lot 4 by Auction Pursuant to Modified Sale Procedures of 28 U.S.C. §§ 2001 and 2002. The Receiver's motion was granted by Order entered on June 7, 2006.

***6493 Allison Road, Miami Beach, Florida (Allison Road Property)***

The Allison Road Property is a five-bedroom, four and one-half bath, 4973 square foot single-family residence located on the waterfront in an upscale gated community in Miami Beach, Florida. Title to the Allison Road Property is held by Andris Pukke and Pamela Pukke as husband and wife. Pamela Pukke and her children reside at the Allison Road Property.

Mr. & Mrs. Pukke acquired the Allison Road Property in August 2003 for a purchase price of \$1,658,000. Mr. Pukke valued the property on his bankruptcy schedules filed in July 2005 at \$2,500,000. The Receiver has obtained two appraisals of the Allison Road Property. The first appraisal obtained by the Receiver valued the property as of September 1, 2005 at \$3,150,000. The Receiver has obtained an updated appraisal dated April 6, 2006 that valued the property at \$3,247,000.

The Receiver listed the property with a broker with substantial knowledge and expertise in the high-end residential real estate market in Miami Beach, Florida who previously successfully marketed and sold the North Bay Property. On April 7, 2006, the Receiver entered into an As Is Sale and Purchase Contract ("Purchase Contract") for the sum of \$3,300,000. The proposed sale is an all-cash sale without financing contingencies pursuant to which the Buyer has deposited \$150,000 as an earnest money, non-refundable deposit toward completion of the sale. The Purchase Contract is expressly conditional upon the Receiver obtaining Court approval of the pending sale. The Receiver prepared a motion seeking an order from the Court authorizing and confirming the sale of the Allison Road Property which was approved by Court Order entered on June 22, 2006.

***31 Linda Isle, Newport Beach, California (Linda Isle Property)***

The Linda Isle Property is titled to Andris Pukke as an unmarried man. According to a broker's opinion of value obtained by the Receiver, the single-family custom residence is worth approximately \$9,000,000. The Receiver obtained an appraisal valuing the home at \$8,000,000 as of July 12, 2005. Washington Mutual holds a first trust deed of about \$5,000,000. The Linda Isle Property is 4,745 square feet and is situated on a 5,580 square-foot lot with ocean views. The Receiver observed a yacht in the boat slip adjacent to this residence. Mr. Pukke did not disclose his ownership of the yacht on his May 26, 2005 IRS Form 433-A.

On or about January 9, 2006, Andris Pukke entered into a Stipulated Final Judgment and Permanent Injunction As To Defendants DebtWorks, Inc. and Andris Pukke (Pukke Stipulated Judgment), which has been entered by the Court. Pursuant to the Pukke Stipulated Judgment, the Receiver will take steps to actively market the Linda Isle Property.

***35 Ocean Heights Drive, Newport Coast, California***

As previously reported, this property is owned by Mr. Pukke, but his close friend Stephen Todd Cook resides there rent-free. Mr. Cook asserts that he is entitled to exercise a purchase option on the property for \$3,225,000. The Receiver disputes the legitimacy and enforceability of the purchase option. The Receiver's efforts to investigate whether Cook has the financial capacity to acquire the property without relying on hidden assets of Mr. Pukke and whether Cook has concealed money and assets which are properly part of the receivership estate have been impeded by Cook's failure to answer various questions at his deposition and by Cook's motion to quash the Receiver's subpoena of various banking records, which is currently pending before Magistrate Judge Day. The Receiver anticipates commencing litigation against Cook to, among other things, obtain a determination that the purchase option is unenforceable and to obtain possession and control of the Ocean Heights property.

***101 20<sup>th</sup> Street, Unit PH-VC, Miami Beach, Florida (Setai Condominium)***

On November 30, 2004, Mr. Pukke and Patrick Callahan III ("Callahan") executed an Operating Agreement of Villa C. Acquisition Co., LLC ("Villa C"). Villa C was formed for the express purpose of acquiring the Setai Condominium. Mr. Pukke and Callahan each hold a 50% "Sharing Ratio" in Villa C.

Previously, Callahan successfully opposed the Receiver's attempt to sell the Setai Condominium, based on the Court's determination that this was not a wasting asset. Callahan opposed the sale because the Receiver sought to hold all sales proceeds pending an investigation of whether and the extent to which Callahan's interest was property of the receivership estate. The Receiver and Callahan have recently entered into a settlement, subject to this Court's approval, whereby the Receiver will transfer Pukke's interest in Villa C to Callahan for \$2,150,000.

***Taft Crescent, Lot #11.002, Centerport, New York (Centerport Property)***

The Centerport Property is a 7,865 square-foot vacant residential building lot with an outstanding view of Centerport Harbor. Title to the Centerport Property is held in the name of Andris Pukke. Pursuant to Section IX. E., of the Stipulated Final Judgment, the Receiver was directed to put the property up for sale and consider any offers received to determine the fair market value of the Centerport Property. An appraisal obtained by the Receiver valued the Centerport Property as of February 8, 2006 at \$450,000. The Receiver entered into a listing agreement to market the property on March 19, 2006 and set the listing price at \$474,900. Thereafter, the Receiver received two offers to purchase the property at the full listing price of \$474,900. On April 5, 2006 an attorney for a local builder memorialized his offer in a written Contract of Sale and submitted it to the Receiver with an earnest money deposit of \$45,000.

The Receiver indicated its willingness to accept the terms of the local builder's offer, subject to John Pukke's right of first refusal and obtaining the Court's approval of the sale.

Section IX. E., of the Pukke Stipulated Judgment states in pertinent part that, "the Receiver shall consider any offer received by Pukke's father, John Pukke, to purchase said property, and allow John Pukke the right of first refusal to purchase the property at fair market value." On March 29, 2006, the Receiver notified John Pukke of the pending offers to purchase and invited John Pukke to advise the Receiver in writing of his interest in exercising a first right of refusal to purchase the property under terms identical to the pending offer. In a letter dated April 6, 2006, John Pukke notified the Receiver of his intention to exercise the first right of refusal and agreed to purchase the property under the terms outlined by the Receiver. In order to meet the terms of the pending contract with the local builder, John Pukke included an earnest money deposit for \$45,000 with his letter of April 6, 2006.

The Receiver's counsel contacted counsel for John Pukke and scheduled a deposition on May 22, 2006. The Receiver wants to assure itself that any funds to be used by John Pukke to purchase the Centerport Property do not constitute Receivership Property. As noted above, John Pukke's deposition has commenced but has not been completed.

### ***69 Emerald Bay, Laguna Beach, California (Emerald Bay)***

The Receiver first reported the suspicious circumstances surrounding the purchase of the Emerald Bay property in the Special Report to the Court dated September 19, 2005.

Under Tab 14 is an email dated June 4, 2005 and an attachment from Mr. Pukke to Peter Baker. The attachment is a contingency removal for the purchase of this property, further demonstrating Pukke's control over the purchase. The Receiver continues to believe this property is an asset of the receivership estate and will aggressively pursue recovery.

Peter Baker obtained a third trust deed loan of \$1.6 million from Countrywide Home Loans, Inc. (Countrywide) against this property on August 15, 2005 (Tab 15). A total of \$645,000 of this loan was used to payoff the second trust deed loan to Countrywide. A total of \$940,688.50 from this loan was transferred to Peter Baker's account at Provident Bank & Trust of Belize Limited on August 16, 2005 (Tab 15).

### ***Smithburg Medical Arts, LLC***

As discussed in the Receiver's Third Report, Mr. Pukke and his companies invested \$2,300,000 in Smithburg Medical Arts, LLC (Smithburg), \$2,050,000 in Deep Woods Real Estate Development, Corp., \$450,000 in Wooded Land Properties, LLC, and \$330,000 in Wooded Land Developing, LLC, which totaled \$5,130,000.

These companies are affiliated through the common control of three of Mr. Pukke's high school friends, Raymond Suris, an attorney in Melville, New York, his brother, Richard Suris, and Matthew Case. On May 25, 2006, the Receiver deposed Raymond Suris.

Smithburg was created for the express purpose of acquiring real estate. Mr. Pukke funded the operation and acquisition activities and placed his close personal friends in positions as principals of Smithburg and the entities comprising its members. Smithburg was formed on October 9, 2003. It has three members, Wooded Land Properties, LLC (55%), The Riverbrook Companies (35%) and National Properties LLC (10%).

Wooded Land Properties, LLC functions as the operational arm of Smithburg and is purportedly owned by Richard Suris and Matthew Case, although an executed operating agreement is not available to the Receiver currently. The Riverbrook Companies was owned by Al Messano, Blair Kummer and Mark Grama. National Properties LLC is 100% owned by Raymond Suris.

On October 31, 2003, Puck Key Investments L-1 LLC, a company wholly-owned by Mr. Pukke, wired \$2.3 million to a law firm retained to handle the closing of Smithburg's first acquisition of real estate known as Lot 2.09, 12.237 acres of vacant land, in the Township of Freehold, New Jersey. Wooded Land Properties received \$300,000 from Puck Key Investments L-1 LLC on January 23, 2004 and \$150,000 from DebtWorks on May 6, 2004.

Lot 2.09 is in escrow for sale by Smithburg for \$3.2 million. Smithburg also pledged Lot 2.09 to the potential buyer for a \$2,100,000 loan in order to purchase Lot 2.08, which is 12.153 acres of vacant land valued at \$1.5 million in 2003. Lot 2.08 was purchased by Smithburg in September 2005. According to Raymond Suris, Lot 2.09 is expected to be sold within the next 60 to 90 days.

Raymond Suris acknowledged in his deposition that Mr. Pukke has an interest in Smithburg and agreed to hold all funds in an escrow account, with the exception of normal and customary closing costs, until an agreement is reached with the other members of Smithburg, the Receiver and the Court.

***Deep Woods Real Estate Development Corporation (Deep Woods)***

Deep Woods was created to purchase 397 acres of undivided land in Belchertown, Massachusetts ("Belchertown Property"). Mr. Suris testified that Deep Woods is owned by National Properties LLC (25%) and Matthew Case (75%). National Properties is 100% owned by Raymond Suris.

Wooded Land Developing, LLC functions as the operational arm of Deep Woods and is purportedly owned by Richard Suris and Matthew Case, although an executed operating agreement is not available to the Receiver currently.

In February 2003, Mr. Pukke sent a check to Deep Woods for \$250,000 and on February 3, 2004, DebtWorks wired \$1.8 million to Deep Woods to fund the purchase of the Belchertown Property. Between May 21, 2003 and August 29, 2003, DebtWorks paid \$330,000 to Wooded Land Developing. Currently, there are two mortgages totaling \$600,000 on the Belchertown Property in favor of Country Bank for Savings.

Raymond Suris failed to produce documents at his deposition that had been subpoenaed by the Receiver. The Receiver subsequently obtained documents from Mr. Suris and has reserved the right to depose Mr. Suris further pending a review of the documents. The Receiver believes that Mr. Pukke has a substantial undisclosed ownership interest in Smithburg, Deep Woods, and/or the properties owned by those entities. The Receiver is continuing its investigation into those interests. The Receiver plans on conducting depositions of the other principals.

### **Tax Matters**

The Receiver has obtained a tax identification number for a Qualified Settlement Fund (QSF). Effective April 20, 2005, the receivership estate will be taxed as a QSF as described in Internal Revenue Code Section 468B and Treasury Regulation Section 1.468B-1.

### **Conclusion**

Mr. Pukke has, in conjunction with various friends and relatives, continued to conceal and control assets subject to this receivership. The Receiver plans to file an application for an order to show cause why Mr. Pukke should not be held in contempt for his repeated violations of the Court's Preliminary Injunction Order. This application may also seek to hold others in contempt for their role in concealing assets of the receivership estate.

Respectfully submitted,

/s/

Robb Evans & Associates LLC  
Receiver