

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
(Miami Division)**

SECURITIES & EXCHANGE COMMISSION,

Plaintiff,

CASE NO.: 10-22078-CV-MORENO/TORRES

vs.

ESTATE OF KENNETH WAYNE MCLEOD,
F&S ASSET MANAGEMENT GROUP, INC. and
FEDERAL EMPLOYEE BENEFITS GROUP, INC.,

Defendants.

NOTICE OF FILING RECEIVER'S REPORT

Michael I. Goldberg, as Receiver for F&S Asset Management Group, Inc. and Federal Employee Benefits Group, Inc., hereby gives notice of the filing of his Initial Report Concerning the Condition of the F&S Asset Management Group, Inc. and Federal Employee Benefits Group, Inc.

AKERMAN SENTERFITT
350 East Las Olas Boulevard
Las Olas Centre II - Suite 1600
Fort Lauderdale, Florida 33301
Telephone: (954) 463-2700
Facsimile: (954) 463-2224

By: /s/ Michael I. Goldberg
Michael I. Goldberg, Esq.
Florida Bar No.: 886602

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on August 16, 2010, I electronically filed the foregoing document with the Clerk of Court using CM/ECF. I also certify that the foregoing document is being served on this day on all counsel of record or pro se parties identified on the attached Service List in the manner specified, either via transmission of Notices of Electronic Filing generated by CM/ECF or in some other authorized manner for those counsel or parties who are not authorized to receive electronically Notices of Electronic Filing.

/s/ Michael I. Goldberg

SERVICE LIST

1:10-cv-22078-FAM

Notice has been electronically mailed to:

C. Ian Anderson andersonci@sec.gov, jacqmeinv@sec.gov, landaul@sec.gov

Matthew R. Kachergus sheplaw@att.net

Michael Ira Goldberg michael.goldberg@akerman.com, charlene.cerda@akerman.com,
kimberly.matregano@akerman.com

Tamara Jill Savin tamara.savin@akerman.com

Notice has been mailed to

D. Gray Thomas
Sheppard White Thomas & Kachergus PA
215 Washington Street
Jacksonville, FL 32202

William J. Sheppard
Sheppard White Thomas & Kachergus PA
215 Washington Street
Jacksonville, FL 32202

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
(MIAMI DIVISION)**

CASE NO. 10-22078-CIV-MORENO

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

ESTATE OF KENNETH WAYNE MCLEOD, F&S ASSET MANAGEMENT GROUP, INC..
AND FEDERAL EMPLOYEE BENEFITS GROUP, INC.

Defendants.

**RECEIVER, MICHAEL I. GOLDBERG'S, INITIAL REPORT CONCERNING THE
CONDITION OF F&S ASSET MANAGEMENT GROUP, INC. AND
FEDERAL EMPLOYEE BENEFITS GROUP, INC.**

Dated: AUGUST 16, 2010

IMPORTANT—PLEASE READ CAREFULLY

THE STATEMENTS CONTAINED IN THIS REPORT ARE BASED ON THE RECEIVER'S PRELIMINARY INVESTIGATION CONDUCTED IN THE SHORT TIME ELAPSING FROM THE ESTABLISHMENT OF THIS RECEIVERSHIP. THE RECEIVER COMPILED THIS REPORT BASED ON BOTH THE RECEIVER AND HIS PROFESSIONALS': *I)* REVIEW OF HUNDREDS OF PAGES OF DOCUMENTS; AND *II)* INTERVIEWS OF THE DEFENDANTS' EMPLOYEES, VICTIMS AND OTHER THIRD PARTIES. THE FACTS AND CONCLUSIONS STATED HEREIN ARE SUBJECT TO CHANGE AS THE RECEIVER'S INVESTIGATION PROGRESSES. OTHER THAN AMOUNTS CONTAINED IN BANK AND/OR BROKERAGE ACCOUNTS, THE VALUE OF ANY OTHER ASSET HAS NOT YET BEEN DETERMINED. THE RECEIVER INTENDS TO FILE ADDITIONAL REPORTS, FROM TIME TO TIME, AS ADDITIONAL INFORMATION IS OBTAINED.

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I. INTRODUCTION

On June 24, 2010, the Honorable Federico A. Moreno, Chief Judge of the United States District Court for the Southern District of Florida, upon the Motion of the United States Securities and Exchange Commission (the "SEC"), entered an Order against Defendants, Estate of Kenneth Wayne McLeod, F&S Asset Management Group, Inc. ("FSAMG") and Federal Employee Benefits Group, Inc. ("FEBG") (collectively, the "Defendants") temporarily restraining them from violating the anti-fraud provisions of the federal securities laws and freezing their assets. On that same date, the Court entered an Order (the "Receivership Order") appointing Michael I. Goldberg, Esq. (the "Receiver") as receiver over FSAMG and FEBG (collectively, the "Receivership Entities"). Under the terms of the Receivership Order, the Receiver is authorized to investigate the Defendants' financial affairs and to marshal and safeguard the Receivership Entities' assets for the benefit of defrauded investors. On July 6, 2010, the Court entered preliminary injunctions against the Defendants extending the restraining order and asset freeze. On August 13, 2010, a judgment was entered by consent against the Receivership Entities enjoining them from future violations of federal securities laws.

II. BACKGROUND OF FSAMG AND FEBG

For at least the past two decades, Kenneth Wayne McLeod ("McLeod") solicited dozens of federal employees, many of whom were retired FBI, DEA and ICE agents, to invest in a fund purportedly invested in long-term government securities (the "FEBG Bond Fund"). McLeod offered his clients guaranteed, tax free returns of eight to ten percent per annum in the FEBG Bond Fund. McLeod attracted many of his clients through retirement planning seminars across the country that various federal and state agencies paid him to conduct. McLeod used these

presentations to build relationships with government employees and then solicited them when they retired to roll over their retirement accounts to the Receivership Entities.

McLeod raised funds for the FEBG Bond Fund from approximately 260 investors. He raised at least \$34 million from the approximate 150 investors who are still supposedly currently invested in the FEBG Bond Fund. Additionally, at the commencement of the receivership, FSAMG had approximately \$43 million under management for approximately 1,100 clients, most of whom are government employees. McLeod also solicited FSAMG clients and other active and retired government employees to invest in the FEBG Bond Fund. Although McLeod described the FEBG Bond Fund to investors in various ways, he primarily emphasized that it invested in extremely low risk, long-term government securities. McLeod told at least one investor that the FEBG Bond Fund was a special fund for "family and friends, and families of the fallen agents." He sent investors correspondence regarding their investment, including promissory notes and fraudulent FEBG Bond Fund account statements.

McLeod never invested money given to FEBG in government securities as represented. Instead, McLeod utilized FEBG to orchestrate a Ponzi scheme. McLeod simply used new investors' funds to pay prior investors interest and principal, and diverted funds to himself for his personal use and to help pay obligations of other companies he owned. Between 2005 and June 2010 alone, McLeod spent more than \$1 million on promotional expenses to bolster his image in the community, including paying for stadium box seats and an annual trip for him and dozens of friends to the Super Bowl. As result of this conduct, McLeod and the Receivership Entities violated numerous federal and state securities laws.

FSAMG placed most of its clients' funds with Fidelity Investments. Based on the Receiver's analysis to date, McLeod's fraud did not involve these accounts.¹ Accordingly, upon the commencement of the receivership, the Receiver authorized and encouraged investors to transfer their Fidelity accounts to new investment advisors, but deducted management fees owed to FSAMG thru June 30, 2010. Upon information and belief, as of the date of this report, all investor accounts with Fidelity have been transferred to new Investment Advisors.

On June 22, 2010, after he learned that the SEC was investigating his conduct, McLeod committed suicide. McLeod leaves behind his wife of approximately 8 years and six children from his current and previous marriage. Since his appointment, the Receiver has attempted to locate and freeze assets that may be available to liquidate to pay McLeod's victims.

III. THE EFFORTS OF THE RECEIVER

Since his appointment, the Receiver has sought to:

- (1) identify, locate, and secure the Defendants' assets;
- (2) identify, locate, and secure the Receivership Entities' records;
- (3) commence liquidation of the Receivership Entities' assets;
- (4) identify the dozens of investors who invested with the Receivership Entities to apprise them of the nature of these proceedings and the fraud which has been perpetrated against them;
- (5) establish a toll-free investor hotline at 1-800-223-2234 to keep victims informed as to the progress of the Receivership proceedings;
- (6) establish an internet website at www.febginfo.com to advise investors of developments in the case;
- (7) identify claims and develop legal theories for recovery against parties whose actions may have caused injury to the Receivership Entities and their victims; and
- (8) assist federal and state authorities in their finalization of their investigation into the Defendants' fraudulent conduct.

¹ This preliminary conclusion is subject to change as more facts are learned.

Upon his appointment, the Receiver traveled to Jacksonville and secured the Receivership Entities' offices located at 841 Prudential Drive, Suite 1500, Jacksonville, Florida 32207. In doing so, the Receiver secured all of the documents and computer data contained in the Receivership Entities' offices. The Receiver is in the process of transferring this information to his offices located in Fort Lauderdale, Florida and will set up a document depository for use by the SEC and the Receiver in attempting to learn more about the Defendants and to trace assets for the victims' benefit. To date, the Receiver has in his possession more than 250 banker's boxes of documents and computer files, containing hundreds of thousands of documents detailing the Receivership Entities' financial history. Moreover, the Receiver and his staff have spoken with dozens of investors, interviewed numerous witnesses, and worked closely with federal authorities to help unwind the fraud and trace the victims' money.

A. Real Estate Purchases

To date, the Receiver has identified and located 5 parcels of real property owned by McLeod and the Defendants. The Receiver believes that these properties were purchased, in full or in part, with funds directly obtained from defrauded victims. Most of these properties are mortgaged and the Receiver is in the process of determining if any equity exists that may be captured for the victims' benefit. These properties are as follows:

Property Address	Just Value According to Property Appraiser's Office
1543 Wentworth Avenue St. Johns, Florida 32259	\$937,999
1647 Yachtman Court Ameila Island, Florida 32034	\$497,827
2690 Port Industrial Dr. Jacksonville, Florida 32226	\$564,738

2640 Ocean Cove Drive Fernandina Beach, Florida 32034	\$220,000
2644 Ocean Cove Drive Fernandina Beach, Florida 32034	\$220,000

B. Bank and Brokerage Accounts

A significant portion of the Receiver's efforts have been devoted to locating bank and brokerage accounts into which victims' funds have been diverted. To date, the Receiver has frozen minimal funds from FEBG, FSAMG and McLeod as it appears that McLeod's Ponzi scheme was suffering severe liquidity issues at the time it was discovered. Listed below are the banks that the Receiver has contacted, and the account balance at the time the freeze was in place. The Receiver will continue to analyze the Receivership Entities' bank accounts in an effort to locate additional assets which may be used to satisfy investor claims.

Financial Institution	Account Name	Amount Frozen
Wachovia	K. Wayne McLeod Acct No.: 3343	\$0.00 No Funds In Accounts
	FSAMG, Inc. Acct No.: 6220	
	FEBG, Inc. Acct No.: 1117	
BBVA Compass	K. Wayne McLeod Acct No.: 0473	\$80.00
	FEBG, Inc. Acct No.: 4684	\$581.76
	FSAMG, Inc. Acct No.: 4897	\$701.66
Fidelity Investments	K. McLeod (Personal)	\$0.00
	FSAMG, Inc. #1	\$972.00
	FSAMG, Inc. #2	\$151.00
	FSAMG, Inc. #3 Acct No.: 9443	\$89,436.26 ²

² These funds represent management fees earned in connection with FSAMG's investment advisory services through June 30, 2010.

C. Computers and Office Equipment

The Receiver has recovered several computers and some used office furniture from FSAMG's offices. The Receiver has received bids for this used furniture and expects to obtain a nominal amount (currently estimated at less than \$3,000) for this furniture. The Receiver also obtained some sports and entertainment memorabilia from FSAMG's offices that will be auctioned off in the near future. The Receiver also expects to generate a nominal amount from the sale of these assets.

IV. LIFE INSURANCE POLICIES

The Receiver has learned that McLeod had at least two life insurance policies on his life. The first policy in the amount of \$1,000,000 is with ING Life Insurance Corporation and the second policy in the amount of \$750,000 is with the Principal Life Insurance Corporation (collectively, the "Policies"). Upon information and belief, other life insurance policies on McLeod's life may exist.

The Receiver believes that McLeod paid the premiums for these policies with funds directly traceable to the monies stolen from his victims. Accordingly, the Receiver claims an interest in the Policies and has placed both life insurance companies on notice of his claim and demanded that they not distribute any funds to the beneficiaries named under the Policies. The Receiver has been in communication with McLeod's wife, Susan McLeod, through her attorneys concerning the Receiver's demand for the Policies. The Receiver has been informed that Susan McLeod contends that her interest as the named beneficiary in the Policies is superior to the Receiver's, and in turn, the victims' interest in the Policies. Accordingly, a dispute exists between the Receiver and Susan McLeod as to who has a superior right, title and interest in the Policies. Notwithstanding the dispute, the Receiver and Susan McLeod believe it is in both of

their best interest to obtain the life insurance proceeds from the insurance companies, place them in an interest bearing escrow account, and file a declaratory action to obtain a determination as to who is legally entitled to the life insurance proceeds. The Receiver intends to initiate a declaratory action within the next few weeks.

V. CLAIMS AGAINST THIRD PARTIES

Numerous victims have contacted the Receiver to discuss potential claims against third parties that may have inadvertently or intentionally assisted McLeod in committing his fraud. Some of these investors have already retained counsel to pursue claims against financial institutions that did business with McLeod or otherwise handled investor monies. These causes of action most likely "belong" to investors and investors are encouraged to communicate with their own counsel in the event they wish to pursue any such claims. The Receiver will cooperate with all counsel representing victims by attempting to supply available documents and information concerning the fraud, the Receivership Entities and their affairs. The Receiver is also exploring whether the Receivership Entities have independent causes of action against these financial institutions. To the extent the Receiver determines that such causes of action exist, he will pursue them for the benefit of the victims.

The Receiver is also in the process of attempting to set up meetings with several Congressmen to discuss the government's conduct with respect to introducing McLeod to its employees through the retirement savings seminars numerous agencies paid him to conduct. At this point in time, the Receiver takes no position on whether or not any liability exists, and is merely undertaking an investigation to properly discharge his fiduciary duty to victims. The Receiver will continue to keep victims informed of any developments on this front.

VI. CLAIM PROCESS

At this point in time, the Receiver is not undertaking a formal claims process as there are minimal assets in the estate. The Receiver will commence a claims process when and if additional assets are discovered which will result in a distribution. If such assets are marshaled, the Receiver will notify creditors of the estate and provide sufficient notice to enable all creditors to file a claim.

VII. RECEIVER'S PLANNED COURSE OF ACTION

In the upcoming weeks, the Receiver intends to continue to: (a) determine the exact amount of money raised by the Defendants from victims; (b) determine the amount of money still due and owing to victims; (c) determine how the Defendants spent or diverted the money raised from victims; (d) trace victims' funds; and (e) explore potential causes of action against third parties that may have inadvertently or intentionally assisted the Defendants in carrying out the Ponzi scheme.

VIII. CONCLUSION

The Receiver will continue to file interim reports which will describe future litigation efforts, the culpability of various individuals and the progress of the receivership proceeding.

IN WITNESS WHEREOF, the undersigned Michael I. Goldberg, Esq., as Receiver for FEBG and FSAMG hereby files this report with the Honorable Federico A. Moreno, Chief Judge of the United States District Court for the Southern District of Florida this 16th day of August, 2010.



MICHAEL I. GOLDBERG, RECEIVER