

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF FLORIDA

CASE NO. :

10-22078

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

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

Defendants.

CIV-MORENO

/TORRES

UNDER SEAL

FILED by \_\_\_\_\_ D.C.

JUN 24 2010

STEVEN M. LARIMORE  
CLERK U. S. DIST. CT.  
S. D. of FLA. - MIAMI

**EXHIBITS IN SUPPORT OF PLAINTIFF'S *EX PARTE***  
**MOTION FOR ASSET FREEZE ORDER AND OTHER**  
**RELIEF, AND MEMORANDUM OF LAW IN SUPPORT**

1. State of Florida Division of Corporations, FSAMG corporate statement
2. State of Florida Division of Corporations, FEBG corporate statement
3. Declaration of John C. Mattimore
4. Declaration of Kurt Coront
5. Declaration of Douglas K. Garner
6. Declaration of Tonya Tullis
7. FEBG, Inc. Special Fund Promissory Note dated October 27, 2008 (redacted)
8. U.S. District Court Southern District of Florida Temporary Restraining Orders

# EXHIBIT "1

# *State of Florida*

## *Department of State*

I certify from the records of this office that F & S ASSET MANAGEMENT GROUP, INCORPORATED is a corporation organized under the laws of the State of Florida, filed on May 8, 2007, effective May 10, 2007.

The document number of this corporation is P07000055921.

I further certify that said corporation has paid all fees due this office through December 31, 2010, that its most recent annual report was filed on April 6, 2010, and its status is active.

I further certify that said corporation has not filed Articles of Dissolution.

*Given under my hand and the Great Seal of  
Florida, at Tallahassee, the Capital, this the  
Twenty Second day of June, 2010*



*Laura K. Roberts*  
**Secretary of State**

Authentication ID: 700182471337-062210-P07000055921

To authenticate this certificate, visit the following site, enter this ID, and then follow the instructions displayed.

<https://efile.sunbiz.org/certauthver.html>

# EXHIBIT "2"

# *State of Florida*

## *Department of State*

I certify from the records of this office that FEDERAL EMPLOYEE BENEFITS GROUP, INC. is a corporation organized under the laws of the State of Florida, filed on August 2, 1993, effective July 29, 1993.

The document number of this corporation is P93000055022.

I further certify that said corporation has paid all fees due this office through December 31, 2010, that its most recent annual report was filed on April 6, 2010, and its status is active.

I further certify that said corporation has not filed Articles of Dissolution.

*Given under my hand and the Great Seal of  
Florida, at Tallahassee, the Capital, this the  
Twenty Second day of June, 2010*



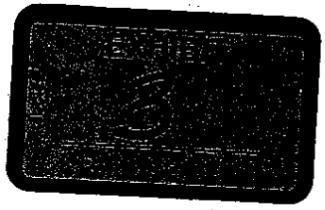
*Laura K. Roberts*  
**Secretary of State**

Authentication ID: 400182470524-062210-P93000055022

To authenticate this certificate, visit the following site, enter this ID, and then follow the instructions displayed.

<https://efile.sunbiz.org/certauthver.html>

# EXHIBIT "3"



**DECLARATION OF JOHN C. MATTIMORE**

Pursuant to 28 U.S.C. § 1746, the undersigned states as follows:

1. My name is John Mattimore. I am over 21 years of age and have personal knowledge of the matters set forth herein.
2. I am an Associate Regional Director for Examinations in the Miami Regional Office of the United States Securities and Exchange Commission (the "Commission"), located at 801 Brickell Avenue, Suite 1800, Miami FL 33131.
3. Pursuant to the authority granted to the Commission and its staff under Section 17(a) of the Securities Exchange Act of 1934 and Section 204 of the Investment Advisers Act of 1940, on Thursday, June 10, 2010, Anson Kwong, Examiner, and Jeri Dresner, Senior Special Counsel, and I (collectively, the "staff"), initiated a cause examination of a branch office of Lincoln Financial Securities Corporation ("Lincoln Financial"), a broker-dealer registered with the Commission, located at 841 Prudential Drive, Suite 1500, Jacksonville, FL 32207, and F&S Asset Management Group, Inc. ("FSAMG"), an investment adviser registered with the Commission, and located at the same address. Kenneth Wayne McLeod ("McLeod"), until his recent death, was the president, CEO and Chief Compliance Officer of FSAMG and, until April 27, 2010, was a registered representative of Lincoln Financial. In addition, during the course of the cause examination, the staff made a voluntary request for documents to Federal Employee Benefits Group, Inc. ("FEBG"), an unregistered entity wholly-owned by McLeod, which shares office space with FSAMG.

### The Staff's Cause Examination

4. From June 10-17, 2010, in response to a telephone tip and a subsequent referral from the Financial Industry Regulatory Authority ("FINRA"), the staff conducted a cause examination of FSAMG. The telephone tip and the FINRA referral all focused on the "FEBG Bond Fund," a purported high yield bond fund that McLeod recommended to his clients with guaranteed returns of 8-10%.
5. During the course of the cause examination, the staff conducted two interviews of McLeod. During the first interview, on June 15, 2010, McLeod provided the staff with an overview of his business experience. According to McLeod, over the course of the last approximately 25 years, he has become "a notable expert in the federal retirement system." Through FEBG, McLeod has conducted numerous retirement planning seminars, primarily for employees of federal agencies, throughout the United States. Specifically, his target audience has been federal law enforcement agencies such as the U.S. Drug Enforcement Administration ("DEA"), the Federal Bureau of Investigation ("FBI"), the Bureau of Alcohol, Tobacco, Firearms and Explosives ("ATF"), the Federal Air Marshal Service, U.S. Immigration and Customs Enforcement ("ICE"), the U.S. Secret Service, and the U.S. Attorney's Office.
6. McLeod told the staff that, up until the last two years, he was paid between \$1,000-15,000 by various federal and state agencies for conducting retirement planning seminars. He stated that, for about the past two years, due to the fact that most government agencies have not been able to afford to renew their contracts with him, he had been doing most of the seminars for free.

7. At the retirement planning seminars, McLeod provided government employees with retirement planning strategies, including investment advice related to the Thrift Savings Plan. At the close of the seminars, McLeod stated that he offered to prepare a booklet for any attendee, free of charge, which analyzed the employee's benefit package and what the employee could expect to receive upon retirement. In addition, if the employee wanted, for \$300 FEBG would perform a "stage 2" analysis, a one time investment analysis of all investments the employee owned.
8. Mr. McLeod stated that he had excellent relationship with all federal law enforcement agencies, that the overwhelming majority of FSAMG clients were federal agents, and that his clients included, among others, federal judges and assistant U.S. attorneys. McLeod also stated that he managed survivor benefit funds for the families of fallen federal agents.
9. During the initial interview, McLeod initially denied that FEBG managed any funds and that FEBG had ever sent out any account statements to investors. At that time, he also denied that there were any investors, creditors, or owners of FEBG other than himself. However, when confronted by the staff with an investor account statement for the FEBG Bond Fund, McLeod changed his story and responded that FEBG had borrowed "a couple of million dollars from friends," 20-30 individuals, the vast majority whom are federal agents. He said the loans were made "on a handshake." He stated that no one ever voiced any concern to him regarding this investment. At the conclusion of the initial interview, the staff requested all FEBG customer account files.

10. In addition, during the initial interview, McLeod informed the staff that he had just terminated his relationship with Lincoln Financial because Lincoln Financial had attempted to conduct a surprise audit in an adversarial manner.
11. On June 17, 2010, the staff resumed its interview of McLeod. At that time, McLeod admitted that he had been untruthful during his June 15, 2010 interview.
12. McLeod admitted that he created the FEBG Bond Fund in 1988 and that he misrepresented the fund to the first investor. McLeod told the staff that, from the outset, the FEBG Bond Fund was a "scheme" and that he told prospective investors "anything they wanted to hear" in order to get them to invest. McLeod told the staff that over the course over the last 22 years, he raised approximately \$35 million from about 135 investors.
13. McLeod stated that his best estimate was that there were over 85 investors currently invested in the FEBG Bond Fund, and that those investors were currently owed approximately \$20 million. He stated that approximately 50 investors had already fully redeemed their investment for a total of approximately \$15 million. McLeod told the staff that he had destroyed all records of any investor who had already been fully paid.
14. To invest in the FEBG Bond Fund, investors either submitted checks or wired funds to a Wachovia bank account held in the name of FEBG. McLeod told the staff that some investors had elected to take their interest payments quarterly while others chose to roll over the interest back into fund to earn compound growth. He conceded that the neither FEBG nor the FEBG Bond Fund had the funds to make any interest payments, as it had been losing money for years, and

FSAMG had never been profitable. McLeod admitted that he had paid existing investors interest payments with money raised from new investors. He also falsely told investors that they could not redeem their funds because the FEBG Bond Fund had invested in long term government securities and the money was currently tied up.

15. McLeod stated that he told investors their funds were invested in government bonds, or alternatively, that they were collateralized by government bonds, that their investment was guaranteed, and that interest on the investment was tax-free. McLeod admitted that all of these representations were false. In order to continue the "scheme," as McLeod called it, he told investors not to discuss their investment in the FEBG Bond Fund with anybody.

16. At the end of the interview, McLeod gave the staff files for all current investors in the purported FEBG Bond Fund. Some of the files contained copies of checks and wire deposits reflecting amounts invested. From a review of the files, since its inception, there have been approximately 260 investors in the FEBG Bond Fund.

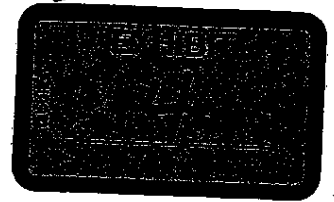
I declare under penalty of perjury that the foregoing is true and correct.

Dated: June 24, 2010

  
JOHN C. MATTIMORE

EXHIBIT "4"

**DECLARATION OF KURT CORONT**



Pursuant to 28 U.S.C. § 1746, the undersigned states as follows:

1. My name is Kurt Coront. I am over 21 years of age and have personal knowledge of the matters set forth herein. I am a resident of the State of Florida.
2. From 1983 until 2005, I was a Special Agent with the U.S. Drug Enforcement Administration ("DEA").
3. In 1998, I attended an in service training for the DEA San Francisco Divisional Office held in Lake Tahoe, Nevada. One of the speakers at the conference was Kenneth Wayne McLeod ("McLeod").
4. Some time in 1999 or 2000, my wife and I met with McLeod to discuss specific retirement planning strategies and opportunities. At that time, McLeod made specific recommendations regarding my Thrift Savings Plan ("TSP") account as well as general investment advice.
5. In 2000, McLeod offered me the opportunity to invest in the FEBG Bond Fund. According to statements made by McLeod over the course of the last several years, the FEBG Bond Fund invested in government bonds with guaranteed interest of 10% annually. McLeod told me that other investors in the FEBG Bond Fund included high ranking federal government officials, federal judges, and McLeod's family members. McLeod also referred to the FEBG Bond Fund as a "Private Silent Partnership Bond Issue between you and FEBG." A series of e-mails between me, my wife, and McLeod are attached hereto as Composite Exhibit A. (Notations on original).

6. On December 28, 2000, I made my first investment of \$11,000 in the FEBG Bond Fund.

Since then, I have made several other investments, for a combined total of \$458,500, in the FEBG Bond Fund, as detailed below:

| Deposit Date | Amount               |
|--------------|----------------------|
| 12/28/00     | \$11,000             |
| 5/20/02      | \$110,000            |
| 8/6/2002     | \$5,900              |
| 5/31/05      | \$10,000<br>\$31,600 |
| 11/3/05      | \$200,000            |
| 12/5/08      | \$90,000             |

**Total principal invested: \$458,500**

The majority of the funds I invested in the FEBG Bond Fund came from the proceeds of two houses I sold and a family inheritance. A series of e-mails between me, my wife and McLeod and other correspondence are attached hereto as Composite Exhibit B.

(Notations on original).

7. In 2005, based in large part on what I believed to be a very profitable investment in the FEBG Bond Fund, as McLeod assured me through account statements and e-mails, I decided to retire from the DEA. As McLeod had my complete and utter trust, after I retired, I rolled over my TSP account to F&S Asset Management Group, Inc., the registered investment adviser that McLeod manages. That account is held at Fidelity Brokerage Services LLC/National Financial Services, LLC ("Fidelity").

8. McLeod only provided me with account statements reflecting my investment in the FEBG Bond Fund when I asked him for them. The account statements that I received

always reflected 10% interest on my investment. On more than one occasion, McLeod assured me that the FEBG Fund was "100% Gov't securities so unless the [government] goes out of business all ok there too!" An e-mail between me, my wife, and McLeod is attached hereto as Exhibit C. (Notations on originals).

9. On one occasion, McLeod told me that the FEBG Bond Fund was audited. He also told me that my money was insured in the event of company losses, his death and/or disability. Two e-mails between me, my wife, and McLeod are attached hereto as Composite Exhibit D. (Notations on originals).
10. From 2000 to the present, I redeemed \$140,000 in funds I had invested in the FEBG Bond Fund.
11. In March 2009, I began withdrawing the interest accrued on my investment in the FEBG Bond Fund. From March 2009 to the present, I have received \$62,500 in interest payments.
12. In late 2009, after evasive answers from McLeod in response to my specific questions, I became concerned about the security of my investment in the FEBG Bond Fund.
13. As a result, in early 2010, I terminated McLeod as my investment adviser so that he could no longer manage my retirement account held at Fidelity. I also requested that McLeod liquidate my entire investment in the FEBG Bond Fund. To date, I have not received my money. An e-mail between me, my wife, and McLeod, with attachment, is attached hereto as Exhibit E. (Notations on originals).

14. As of today, including interest, my current investment in the FEBG Fund totals \$512,500.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Executed on: June 23, 2010

Kurt J. Coroni  
Kurt Coroni

From: Wayne McLeod <wayne.mcleod@febq.com>  
To: CLAIRE CORONT <ckcor@yahoo.com>  
Sent: Thu, January 7, 2010 10:39:44 AM  
Subject: RE: Questions

Replies below...

Wayne

K. Wayne McLeod

President / CEO

FEBQ/FSB AMG, Inc.

(O) 904 398-1001

(F) 904 398-0091

(C) 904-753-0452

[www.febq.com](http://www.febq.com)

[wayne.mcleod@febq.com](mailto:wayne.mcleod@febq.com)

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From: CLAIRE CORONT [mailto:ckcor@yahoo.com]  
Sent: Thursday, January 07, 2010 10:18 AM  
To: Wayne McLeod  
Subject: Questions

Wayne,

My daughter is starting her own company and I am thinking about investing with her to get her started. Before I do, I need some questions answered:

1. What is the earliest I can pull out the \$500,000? Our initial deposit into the fund was in 2000.

Answer: We set up the account for an 8 year period and therefore you are not able to liquidate before year 5. We are now in year 2.

2. What would our final figure be?

Answer: at the end of 5 years you will receive the entire \$500,000.

3. At what point can we pull out the entire amount without losing any interest?

Answer: 2013

If you could let me know as soon as possible, I would appreciate it. This way I could give her an idea of how much financial assistance we can give her.

Answer: we spoke in great detail about this a couple of weeks ago and I purchased a 5 year Gov't bond and I would lose several hundred thousand dollars if I had to sell it off. Before we started the interest income last year I was very forthcoming in stating that once the income started we could not liquidate before 5 years or 2013.

Kurt & Claire Coront

Wayne

EXHIBIT

A

From: "Wayne McLeod" <wayne.mcleod@febg.com> |

To: ckcor@yahoo.com

Subject: Overview Letter

Date: Thu, 2003-03-20 13:30:28 -0500

Hello Claire and Kurt,

I am sorry for the delays in getting you this information. It's been tough with only one eye after the botched surgery. It seems to be getting better each passing day.

I have also moved into our new offices. We have a new address, phone numbers and email address too. They are listed at the bottom of this email.

The money I have received from you guys for the FEBG Bond Fund is as follows:

12/28/00 \$11,000/ current value as of 12/28/03 = \$14,461, '04 = \$16,105, '05 = 17,716, '06 = 19,488

05/20/02 \$110,000/ " " " 05/20/03 = \$121,000, '04 = \$133,100, '05 = \$146,410, '06 = \$161,051

08/28/02 ~~(\$5,900)~~ " " " 08/28/03 = \$6,490, '04 = \$7,139, '05 = \$7,853, '06 = \$8,638

RET & CO

As you can see, the longer you guys stay foreign and can leave these accounts alone, the more money you will have upon your return to the states. You can also add additional monies to the bond fund as it is still returning 8% for a two year bond and 10% for a three year bond all tax-free. All the bond funds above are currently locked-in at 10%. We don't want to put any money into this account if it will be needed within the minimum two year period though. As you know, this is a "Private Silent Partnership Bond Issue between you and FEBG." This account is only offered to my best clients, closest friends and family. We use this money to grow, add new employees, upgrade computers systems, etc. It's a win - win for everyone involved. We are adding 250 new financial advisors this year to handle the growth we've experienced in the last three years. We are very excited about the opportunities and the growth models we are projecting.

As for the stock account you have, I would transfer them to your "Joint Brokerage Account" so I can keep an eye on them and we can buy & sell as necessary.

I'm still checking on the DYNCORP Savings & Retirement Plan (SARP) to see if it can be rolled into an IRA account without penalties. I'll let you know on this as soon as I can get a satisfactory answer.

The savings account that you are speaking of can be handled in different ways. We can add this money to your existing Brokerage Account and keep in cash, or add to the bond issue or set-up a conservative investment portfolio with a tax-free money market fund. This is not going to earn very much in cash, but if it needs to be safe, this might be the best investment option other than the bond issue you have with FEBG.

I hope this helps with you planning. Let me know if I've left anything out or if you have any questions or concerns.

As always, thank you for your continued TRUST in both FEBG and myself.

Take care and stay safe...

Wayne

K. Wayne McLeod  
President & CEO  
Office: 904-398-1001  
Fax: 904-398-0091  
Pager: 800-938-3965

New Office Address:

From: Wayne McLeod ()  
To: 'CLAIRE CORONT'  
Date: Tue, January 19, 2010 1:49:07 PM  
Subject: RE: bond fund

Hi Kurt and Claire,

WOW after 10 years of being a client and participating in the FEBG Fund you are now questioning my integrity? First and foremost, there is no amount of money that would EVER cause me to waiver from my Fiduciary duties, ruin my reputation or divert from my ethics. I met you both through Bert Bruce and offered you the opportunity to participate in the FEBG Fund in 1999.

I will try and put this into laymen's terms for your review.

The FEBG Fund is a separate portfolio from the other investments you have with my asset management firm. FEBG manages several Survivor Benefits Funds and FEBG decided to piggy back on those funds for several reasons. The FEBG Fund participates in part 501c6 (I write off on my corporate taxes as business expenses) and part 501c3 a Charitable Organization in which it has no taxes as an exempt organization.

The FEBG Fund holds the vast majority of my parents investments, as well as mine and includes 26 of Kurt's current and former employees' of the DEA. This fund also holds money for 18 Federal Judges, 4 Members of Congress and 13 high level agency head. All current employees' that participate in this fund must list it on their SES Financial Statements they submit to the DOJ. Therefore there is nothing to hide, just the confidentiality agreement that the Blind Trust I manage for 22 participants created. This eliminates the "conflict of interest" issue it otherwise would create. The FEBG Fund/Survivor Benefits Portfolio is not regulated by the normal Securities Laws that apply to the other investments managed through F&SAMG, Inc., which controls your IRA (TSP rollover), etc. I use the same investment philosophy (investment policy statement attached) as I do for the Survivor Benefits Fund money as it has done more then the overall market (with little risk...everything, including gov't securities has risk) for the past 19 years I've been managing these funds. Therefore since your money is part of the overall portfolio there is no way to provide the information you've requested.

When you first deposited \$11,000 on December 28, 2000 I thought you fully understood the program. Your money would be used for the growth of the FEBG Family of Companies and as the money grew it would be invested in an account that purchased primarily government securities and other secure investments that we were buying with the Survivor Benefits money I was managing. You subsequently added more money throughout the next nine years to get the current total of \$500,000. You've pulled money out to buy property and agreed with the recommendation that liquidating Claire's IRA was a better choice then liquidating more of the FEBG Fund.

In March 2009 you decided to start drawing \$50,000 per year from the account and lock the principal in for eight years. I even gave you the option to liquidate after year five since you had been such great clients and friends over the years. FEBG has made all payments as agreed and will continue to do so as promised for the five year term.

Yes, it is your money and you have every right to understand the basic principals of the portfolio. I thought I had explained the operations of the fund several times to you both dating back to 1999. Since we spoke in mid December I no longer have the benefit of liquidating the funds. The best I can do is find someone to take your position and adjust the balance to the rate of return you would have been given had we set the income stream up for a one year period. The adjusted rate would be 5%.

This account isn't open to many participants. Primarily family and friends and the families of the fallen agents plus those like you that I thought would appreciate the opportunity it has given you. While FEBG keeps between 1/2 and 1% for administrative fees, I personally haven't made one dime off of this account since your first investment. I also give back the fees to the Survivor Benefits Fund as I believe that it is my

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way of giving back to the Law Enforcement Community that has treated my firm so well through the years. Had this money been in the market over the past 10 years you would have seen a great deal of market ups and downs that you wouldn't have liked and I would have made 1% for managing the funds through F&S AMG and you wouldn't have the \$500,000 you have today. You have enjoyed tens of thousands of dollars in growth and I hope you will continue to allow me the opportunity to serve you both.

V/R,

Wayne

*K. Wayne McLeod*

President / CEO

FEBIG/F&S AMG, Inc.

(O) 904 398-1001

(F) 904 398-0091

(C) 904-753-0452

[www.febig.com](http://www.febig.com)

[wayne.mcleod@febq.com](mailto:wayne.mcleod@febq.com)

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# **Foundation of the Association of Former Agents...**

## **Investment Policy**

### **Board of Trustees - Defined**

**The President of the Association of Former Agents shall be the chairman of the Board of Trustees.**

**The Vice-President of the Association of Former Agents shall be the vice-chairman of the Board of Trustees.**

**The Treasurer of the Association shall be the Treasurer of the Board of Trustees.**

**The Secretary of the Association shall be the secretary of the Board of Trustees.**

**Members of the Board of Trustees shall not receive any compensation for their services as such, but may receive expenses and per diem when performing official duties in the administration of the funds.**

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### **Powers and Duties**

**The board of trustees may:**

**Invest and reinvest the assets of the Foundation in:**

**Time, savings, or money market (3) accounts of a national bank, or a state bank insured by the Federal Deposit Insurance Corporation.**

**Obligations of the United States or obligations guaranteed as to principal and interest by the government of the United States.**

**Bonds issued by a municipality (5), or bonds backed by mortgage obligations or other assets within a mutual fund (4).**

**Bonds, stocks, mutual funds (2) or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia, provided that:**

**The corporation is listed on any one (1) or more of the three (3) major recognized national exchanges, New York Stock Exchange (NYSE), NASDAQ National Market, and the American Stock Market (ASE), and bonds issued by such companies are legal investments for nationally and state chartered savings banks;**

**Or, non-listed stocks not to exceed \_\_\_\_%; (2)  
and**

**The aggregate investment in any one (1) issuing company shall not exceed five (5) percent of the outstanding capital stock of the company;  
and**

**The aggregate of its investments in common stocks under this paragraph, at cost, shall not exceed seventy (70) percent of the assets of the foundation;  
and**

**Of the seventy (70) percent allowed to be invested in common stock no more than ten (10) percent shall be invested in the stock of any one company.**

**Foreign securities; provided, however, that the total investment in foreign securities shall not exceed twenty-five (25) percent of the assets of the foundation.**

**Issue drafts upon the foundation funds pursuant to this article and rules and regulations prescribed by the board of trustees. The treasurer of the Board of Trustees shall retain such drafts when paid, as permanent vouchers for disbursements made, and no other money shall be otherwise drawn from the fund.**

**Convert into cash any securities of the foundation.**

**The Board of Trustees shall keep a complete record of all receipts and disbursements of their actions**

**Neither the Board of Trustees nor any person or entity, shall be liable for the making, retention, or sale of any investment or reinvestment made as herein provided, nor any loss or diminishment of the funds, except that due to his/her or its own negligence, willful misconduct or lack of good faith.**

From: "Wayne McLeod" <wayne.mcleod@febfg.com> |

To: ckc@yaho.com

Subject: Overview Letter

Date: Thu, 13:30:28 -0500

Hello Claire and Kurt,

I am sorry for the delays in getting you this information. It's been tough with only one eye after the botched surgery. It seems to be getting better each passing day.

I have also moved into our new offices. We have a new address, phone numbers and email address too. They are listed at the bottom of this email.

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As for the stock account you have, I would transfer them to your "Joint Brokerage Account" so I can keep an eye on them and we can buy & sell as necessary.

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I hope this helps with you planning. Let me know if I've left anything out or if you have any questions or concerns.

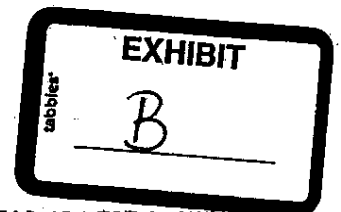
As always, thank you for your continued TRUST in both FEBG and myself.

Take care and stay safe...

Wayne

K. Wayne McLeod  
President & CEO  
Office: 904-398-1001  
Fax: 904-398-0091  
Pager: 800-938-3965

New Office Address:



November 24, 2008

Dear Wayne,

Per our conversation on 11/19/2008, I will be sending you a check for \$90,000 as soon as possible. I know we discussed \$100,000 but I want to keep out \$10,000 to offset expenses until our March quarterly check is issued. This should bring our total to \$500,000.


Please be advised, we would like to have the interest issued on a quarterly basis.

Please email me when the check arrives and before depositing. I need to make a quick transfer from the savings to checking. They are both with USAA and transfers are immediate within USAA. Every day of interest savings does help!

Thanks,

Kurt and Claire

# Memorandum

To: Kurt & Clara Coront  
CC: FEBG/FEIS, Inc. Investor File  
From: Wayne McLeod   
Date: 01/09/01  
Re: FEBG Investment

---

Dear Kurt & Clara,

This memo is to serve as receipt of the \$11,000.00 you invested in FEBG on December 28, 2000. As agreed, FEBG promises to pay an annualized yield of 10% each year. The maximum period for the guarantee is two years.

FEBG uses the spread difference to fund growth, operational expenses and other business opportunities that become available. We also pay the taxes, therefore, the principal and interest payments paid to you are tax-free.

Should FEBG or it's parent company, NAFPE, Inc., go public (IPO) or be sold at any time during this bond issue period, your value will be converted to stock and the taxes will be shared by all participating investors. We fully anticipate this to happen within the next few years based on our current business plan and other venture capitalists partners.

look forward to this mutually rewarding opportunity.

Please feel free to call me with any questions or concerns.

Wayne



-----Original Message-----  
From: Kurt & Claire Coront  
To: Wayne McLeod  
Sent: Sep 29, 2008 8:56 AM  
Subject: finances

Hi Wayne,

Needless to say that our finances are worrying me quite a bit.

First, how secure is Kurt's Pension?

Second, the Fidelity IRAs; I read SIPC's brochure so I understand we have some protection, but how much. If Fidelity fails, what are we guaranteed of getting back? I am hearing so much of getting money out of mutual funds, but it seems that is what the IRAs are. Can we lose it all?

Third, the bond fund. I know they are insured in the event of company losses, etc. But in the event something drastic would happen, what are we insured for, i.e. FDIC \$100.00 per depositor.

Obviously, we are hoping business is still going well, but times are scary and we need to know how secure our money is,

Thanks,  
Claire and Kurt Coront

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----- Original Message -----  
From: Wayne McLeod <wayne.mcleod@febg.com>  
To: Kurt & Claire Coront <ckcor@yahoo.com>  
Cc: Wayne McLeod <wayne.mcleod@febg.com>  
Sent: Monday, September 29, 2008 9:08:39 AM  
Subject: Re: finances

Good Morning,

Everything is fine! SIPC covers the Fidelity holdings, IRA, etc., up to \$500K.

FEBG is 100% Gov't securities so unless G goes out of business all ok there too!

How is the estate settlement going for Kurt's Mom? When will you be putting those funds in with the FEBG Special Fund?

Wayne

From: CLAIRE CORONT (ckcor@yahoo.com)  
To: wayne.mcleod@febg.com;  
Date: Mon, September 29, 2008 9:19:20 AM  
Cc:  
Subject: Re: finances

Wayne,

I am assuming Kurt's monthly pension is secure as well?

As for the estate, we are still waiting. The lawyer received confirmation that the estate return is not being disputed, but the final distribution has yet to be made.

Thanks,  
Claire



From: CLAIRE CORONT (ekcor@yahoo.com)  
To: wayne.mcleod@febfg.com  
Date: Sat, December 9, 2006 9:47:55 AM  
Subject: Re: Follow-up...

**REDACTED**

Wayne McLeod <wayne.mcleod@febfg.com> wrote:

Good Afternoon Guys,

I hope all is well and life is treating you good.

We have finished the audit and your FEBG Special Fund account balance as of December 1, 2006 is \$339,300.00. I have consolidated all deposits, minus disbursements into one account to make the process run smoother.

I will be sending you out a new statement as well as other follow up materials over the next few days.

Take care and we'll talk soon.

Wayne

K. Wayne McLeod

President / CEO

FEBG/FEIS, Inc.

(O) 904 398-1001

(F) 904 398-0091

(C) 904-753-0452

EXHIBIT

tabbler

D

12/9/2009 4:50 PM

From: "Wayne McLeod" <wayne.mcleod@fbs.com> [Add to Address Book](#)

To: "Kurt Claire CORONT" <ckc@cor@yahoo.com>

Subject: Re:

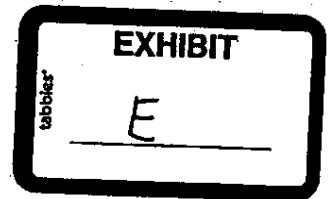
Date: Sun, Dec 14, 2002 3:35:44 -0400

The money is insured in the event of company losses, my death and/or disability and we only use the spread for growth, not the investment. We have a bank line-of-credit that we use to liquidate the bond funds when applicable. We have an idea as to the time line of the bond and therefore, we plan accordingly. Nevertheless, should you wish, I will liquidate the bond funds and invest in a different investment portfolio in the market. Just let me know.

I am in Anchorage, AK all week and San Diego next week. I'm back in my office on Monday December 1st, however, based on the time difference between AK and you, we can probably still connect this week. I'm sorry that I didn't do a better job explaining the Tax-Free FBBS Bond Fund to you. Please accept my apologies. Let me know what you wish for me to do. Wayne

735 3.33  
2290  
800-933-6262

From: Wayne McLeod ()  
To: 'CLAIRE CORONT'  
Date: Tue, January 19, 2010 1:49:07 PM  
Subject: RE: bond fund



Hi Kurt and Claire,

WOW after 10 years of being a client and participating in the FEBG Fund you are now questioning my integrity? First and foremost, there is no amount of money that would EVER cause me to waiver from my Fiduciary duties, ruin my reputation or divert from my ethics. I met you both through Bert Bruce and offered you the opportunity to participate in the FEBG Fund in 1999.

I will try and put this into laymen's terms for your review.

The FEBG Fund is a separate portfolio from the other investments you have with my asset management firm. FEBG manages several Survivor Benefits Funds and FEBG decided to piggy back on those funds for several reasons. The FEBG Fund participates in part 501c6 (I write off on my corporate taxes as business expenses) and part 501c3 a Charitable Organization in which it has no taxes as an exempt organization.

The FEBG Fund holds the vast majority of my parents investments, as well as mine and includes 26 of Kurt's current and former employees' of the DEA. This fund also holds money for 18 Federal Judges, 4 Members of Congress and 13 high level agency head. All current employees' that participate in this fund must list it on their SES Financial Statements they submit to the DOJ. Therefore there is nothing to hide, just the confidentiality agreement that the Blind Trust I manage for 22 participants created. This eliminates the "conflict of interest" issue it otherwise would create. The FEBG Fund/Survivor Benefits Portfolio is not regulated by the normal Securities Laws that apply to the other investments managed through F&SAMG, Inc., which controls your IRA (TSP rollover), etc. I use the same investment philosophy (investment policy statement attached) as I do for the Survivor Benefits Fund money as it has done more then the overall market (with little risk...everything, including gov't securities has risk) for the past 19 years I've been managing these funds. Therefore since your money is part of the overall portfolio there is no way to provide the information you've requested.

When you first deposited \$11,000 on December 28, 2000 I thought you fully understood the program. Your money would be used for the growth of the FEBG Family of Companies and as the money grew it would be invested in an account that purchased primarily government securities and other secure investments that we were buying with the Survivor Benefits money I was managing. You subsequently added more money throughout the next nine years to get the current total of \$500,000. You've pulled money out to buy property and agreed with the recommendation that liquidating Claire's IRA was a better choice then liquidating more of the FEBG Fund.

In March 2009 you decided to start drawing \$50,000 per year from the account and lock the principal in for eight years. I even gave you the option to liquidate after year five since you had been such great clients and friends over the years. FEBG has made all payments as agreed and will continue to do so as promised for the five year term.

Yes, it is your money and you have every right to understand the basic principals of the portfolio. I thought I had explained the operations of the fund several times to you both dating back to 1999. Since we spoke in mid December I no longer have the benefit of liquidating the funds. The best I can do is find someone to take your position and adjust the balance to the rate of return you would have been given had we set the income stream up for a one year period. The adjusted rate would be 5%.

This account isn't open to many participants. Primarily family and friends and the families of the fallen agents plus those like you that I thought would appreciate the opportunity it has given you. While FEBG keeps between 1/2 and 1% for administrative fees, I personally haven't made one dime off of this account since your first investment. I also give back the fees to the Survivor Benefits Fund as I believe that it is my

Print

CORT Pg. 2

way of giving back to the Law Enforcement Community that has treated my firm so well through the years. Had this money been in the market over the past 10 years you would have seen a great deal of market ups and downs that you wouldn't have liked and I would have made 1% for managing the funds through F&SAMG and you wouldn't have the \$500,000 you have today. You have enjoyed tens of thousands of dollars in growth and I hope you will continue to allow me the opportunity to serve you both.

V/R,

Wayne

*K. Wayne McLeod*

President / CEO

FEBG/F&S AMG, Inc.

(O) 904 398-1001

(F) 904 398-0091

(C) 904-753-0452

[www.febg.com](http://www.febg.com)

[wayne.mcleod@febq.com](mailto:wayne.mcleod@febq.com)

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# **Foundation of the Association of Former Agents...**

## **Investment Policy**

### **Board of Trustees - Defined**

The President of the Association of Former Agents shall be the chairman of the Board of Trustees.

The Vice-President of the Association of Former Agents shall be the vice-chairman of the Board of Trustees.

The Treasurer of the Association shall be the Treasurer of the Board of Trustees.

The Secretary of the Association shall be the secretary of the Board of Trustees.

Members of the Board of Trustees shall not receive any compensation for their services as such, but may receive expenses and per diem when performing official duties in the administration of the funds.

### **Powers and Duties**

The board of trustees may:

Invest and reinvest the assets of the Foundation in:

Time, savings, or money market (3) accounts of a national bank, or a state bank insured by the Federal Deposit Insurance Corporation.

**Obligations of the United States or obligations guaranteed as to principal and interest by the government of the United States.**

**Bonds issued by a municipality (5), or bonds backed by mortgage obligations or other assets within a mutual fund (4).**

**Bonds, stocks, mutual funds (2) or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia, provided that:**

**The corporation is listed on any one (1) or more of the three (3) major recognized national exchanges, New York Stock Exchange (NYSE), NASDAQ National Market, and the American Stock Market (ASE), and bonds issued by such companies are legal investments for nationally and state chartered savings banks;**

**Or, non-listed stocks not to exceed \_\_\_\_%; (2)  
and**

**The aggregate investment in any one (1) issuing company shall not exceed five (5) percent of the outstanding capital stock of the company;  
and**

**The aggregate of its investments in common stocks under this paragraph, at cost, shall not exceed seventy (70) percent of the assets of the foundation;  
and**

**Of the seventy (70) percent allowed to be invested in common stock no more than ten (10) percent shall be invested in the stock of any one company.**

**Foreign securities; provided, however, that the total investment in foreign securities shall not exceed twenty-five (25) percent of the assets of the foundation.**

**Issue drafts upon the foundation funds pursuant to this article and rules and regulations prescribed by the board of trustees. The treasurer of the Board of Trustees shall retain such drafts when paid, as permanent vouchers for disbursements made, and no other money shall be otherwise drawn from the fund.**

**Convert into cash any securities of the foundation.**

**The Board of Trustees shall keep a complete record of all receipts and disbursements of their actions**

**Neither the Board of Trustees nor any person or entity, shall be liable for the making, retention, or sale of any investment or reinvestment made as herein provided, nor any loss or diminishment of the funds, except that due to his/her or its own negligence, willful misconduct or lack of good faith.**

EXHIBIT "5"



**DECLARATION OF DOUGLAS K. GARNER**

Pursuant to 28 U.S.C. § 1746, the undersigned states as follows:

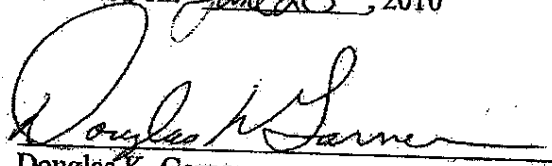
1. My name is Douglas K. Garner. I am over 21 years of age and have personal knowledge of the matters set forth herein. I am a resident of the State of Florida.
2. For the past 22 years, I have been employed with the Department of Homeland Security (formerly, U.S. Customs Service). I am currently the Director of Air Operations Customs & Border Protection in Jacksonville, Florida.
3. Some time around 1998, I attended a retirement planning training for the U.S. Customs Service held in Corpus Christi, Texas. One of the speakers at the conference was Kenneth Wayne McLeod ("McLeod"). In total, I have attended 5 such seminars given by McLeod and/or a representative of his company, Federal Employee Benefits Group, Inc. ("FEBG").
4. McLeod, through FEBG, also provided free personalized benefits analyses specific to government retirement plans. McLeod did one for me. He also offered to manage my Thrift Savings Plan ("TSP") account on-line. I agreed and provided him with my user name and password.
5. In late 2003, I sold my family residence and asked McLeod for advice as to where I should invest some of the proceeds. He recommended that I invest in the FEBG Bond Fund. Over the course of the last several years, McLeod told me that the FEBG Bond Fund was a 501(c)(3) nonprofit fund that invested in government bonds and guaranteed interest of 10% annually. He stated that the FEBG Bond Fund is "100% secured by US Gov't Securities and the principal is never touched until liquidated." See Exhibit A.

6. McLeod also told me that other investors in the FEBG Bond Fund included "exclusive clientele" including high ranking federal government officials, federal judges, and a U.S. Supreme Court Justice.
7. In early 2004, McLeod became my family's investment adviser and we rolled over our IRA and Roth accounts for him to manage. At or about the same time, I made my first investment of approximately \$85,000 in the FEBG Bond Fund. In 2006, I made an additional investment of approximately \$90,000. I have never redeemed any funds, including interest payments. *See Exhibit B.*
8. In 2007, based in large part on what I believed to be a very profitable investment in the FEBG Bond Fund and because I trusted McLeod as a friend, my elderly father invested in the FEBG Bond Fund. That year, my father made four separate investments for a total of \$599,728. *See Exhibit C. (Notations on original).*
9. On June 18, 2010, I received an e-mail from McLeod stating, among other things, that he was terminating the FEBG Bond Fund and that regulators would be contacting me shortly. *See Exhibit D.* When McLeod did not answer my reply e-mail, I immediately removed his access to my TSP account. Subsequently, on June 22, 2010, I terminated McLeod as my investment adviser.
10. As of today, including interest, my current investment in the FEBG Bond Fund totals \$275,481. *See Exhibit B.*

11. As of today, including interest, my father's current investment in the FEBG Bond Fund totals \$897,493. See Exhibit E (Notations on original).

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

Executed on: June 23, 2010

  
Douglas K. Garner



*Professionalism, Experience, Integrity*

FEDERAL EMPLOYEE BENEFITS GROUP, INC.

From the desk of:

K. Wayne McLeod  
President / CEO

Attn: FEBG Special Fund Investors...

Please find attached the F&S Asset Management Group, Inc., annual statement for your investment portfolio. Please note that this mailing does not include the FEBG Special Fund. I will be sending under separate mailing an updated FEBG Special Fund statement for your review and file. I will also start mailing out current statements each quarter starting the end of the first quarter 2009.

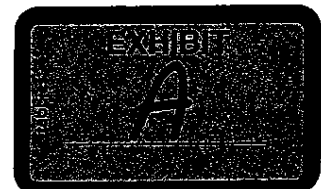
Please remember that all communications with regards to this fund is to be made to me as I'm the only one who has access to your file and account due to the confidentiality agreement for this fund. All email communications should be directed to [wayne.mcleod@febfg.com](mailto:wayne.mcleod@febfg.com) should you wish to contact me with questions regarding any of your investment accounts.

With all of the Ponzi Scams going on around the world I wanted to insure you that this account is 100% secured by US Gov't Securities and the principal is never touched until liquidated.

Should you wish to further discuss this fund please feel free to contact me at your convenience.

Sincerely,

841 Prudential Dr., Suite 1500 • Jacksonville, FL 32207 • Office: 904-398-1001 • Fax: 904-398-0091

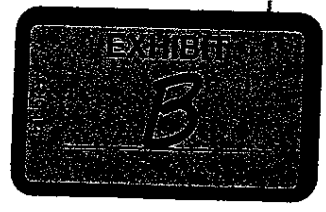


Statement of Financial Position  
 as of 12/31/2010  
 Page 1 of 1

Account Number: FEBG108  
 Statement as of: 2/8/2007

Douglas & Laurie Garner  
 584 Battersae Drive  
 St. Augustine, FL 32085

| FEBO Bond Activity | Transaction Date | Deposit Amount | Change in Account Value | New Balance |
|--------------------|------------------|----------------|-------------------------|-------------|
| Deposit            | 12/28/2006       | 197,000.00     |                         | 197,000.00  |
| Interest Earned    | 3/28/2007        | 197,000.00     | 4,925.00                | 201,925.00  |
| Interest Earned    | 6/28/2007        | 197,000.00     | 9,850.00                | 208,850.00  |
| Interest Earned    | 9/28/2007        | 197,000.00     | 14,775.00               | 211,775.00  |
| Interest Earned    | 12/28/2007       | 197,000.00     | 19,700.00               | 216,700.00  |
| Interest Earned    | 3/28/2008        | 197,000.00     | 25,117.50               | 222,117.50  |
| Interest Earned    | 6/28/2008        | 197,000.00     | 30,670.44               | 227,670.44  |
| Interest Earned    | 9/28/2008        | 197,000.00     | 36,362.20               | 233,362.20  |
| Interest Earned    | 12/28/2008       | 197,000.00     | 41,370.00               | 238,370.00  |
| Interest Earned    | 3/28/2009        | 197,000.00     | 47,329.25               | 244,329.25  |
| Interest Earned    | 6/28/2009        | 197,000.00     | 53,437.48               | 250,437.48  |
| Interest Earned    | 9/28/2009        | 197,000.00     | 59,698.42               | 256,698.42  |
| Interest Earned    | 12/28/2009       | 197,000.00     | 65,207.00               | 262,207.00  |
| Interest Earned    | 3/28/2010        | 197,000.00     | 71,762.18               | 268,762.18  |
| Interest Earned    | 6/28/2010        | 197,000.00     | 78,481.23               | 275,481.23  |
| Interest Earned    | 9/28/2010        | 197,000.00     | 85,368.26               | 282,368.26  |
| Interest Earned    | 12/28/2010       | 197,000.00     | 91,427.70               | 288,427.70  |
| Interest Earned    | 3/28/2011        | 197,000.00     | 98,638.39               | 295,638.39  |
| Interest Earned    | 6/28/2011        | 197,000.00     | 106,029.35              | 303,029.35  |
| Interest Earned    | 9/28/2011        | 197,000.00     | 113,605.09              | 310,605.09  |
| Interest Earned    | 12/28/2011       | 197,000.00     | 120,270.47              | 317,270.47  |



Attachment #1 GARNER, Harold

3664  
WACHOVIA BANK  
FEB 6, INC  
Routing # [REDACTED]  
Account # [REDACTED]

1. WACHOVIA BANK, NA  
STATE ROAD 312  
SAINT AUGUSTINE

DEPOSIT TO ACCT# 2xxxxxxx1117  
AMOUNT \$50,000.00  
02/23/07 00363 1025 # 0000047

Time: 11:45 AM

Calendar Date: 02/23/07

Deposit Effective Date: 02/23/07

2.

DEPOSIT TO ACCT# 2xxxxxxx1117  
AMOUNT \$251,728.00  
03/13/07 00294 1127 # 0000029

Time: 11:12 AM

Calendar Date: 03/13/07

Deposit Effective Date: 03/13/07

3

WACHOVIA BANK, NA  
STATE ROAD 312  
SAINT AUGUSTINE

DEPOSIT TO ACCT# 2xxxxxxx1117  
AMOUNT \$85,000.00  
03/23/07 00000 1025 # 0000034

Time: 10:10 AM

Calendar Date: 03/23/07

Deposit Effective Date: 03/23/07

WACHOVIA BANK, NA  
STATE ROAD 312  
SAINT AUGUSTINE

DEPOSIT TO ACCT# 2xxxxxxx1117  
AMOUNT \$213,000.00  
07/11/07 00303 0217 # 0000153

Time: 11:19 AM

Calendar Date: 07/11/07

Deposit Effective Date: 07/11/07

Thank You For Your Business  
Wachovia



FEBG Fund

From:

SRS0=aTiShs=N2=att.blackberry.net=wayne.mcleod@srs.bis.na.blackberry.com  
on behalf of Wayne McLeod [wayne.mcleod@att.blackberry.net]

Sent: Friday, June 18, 2010 4:19 PM

To: K. Wayne McLeod

Subject: FEBG Fund...

Greetings Everyone...

I hope this email finds you all doing well.

After more then 20 years I have deemed it necessary to terminate the FEBG Fund effective immediately. This process will take time so I ask for your patience during the process.

while this decision may cause some of you a temporary hardship, it is not my intention and I'm truly sorry from the bottom of my heart.

I also want to sincerely apologize in advance for any inconvenience this may cause. I Pray that at some point in time you can and will forgive me.

For those who are receiving current income via the interest payments for the month of June and beyond, those payments have been suspended and nothing further will be sent.

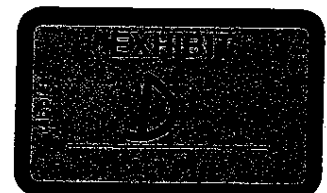
You should expect to be contacted in the coming days or weeks by the regulators charged with this termination/task.

I have spent the vast majority of my adult life helping tens of thousand federal employee's become better prepared for their financial future and I am proud of that legacy.

Respectfully,

Wayne

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#4 Garner, Harold

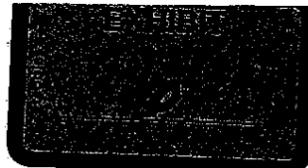
Harold Garner  
584 Batterssea Drive  
St. Augustine, FL 32086

Account Number: FEBG238  
Statement as of: 7/18/2007 →

| FEBG Bond Activity |  | Transaction Date | Deposit Amount | Change in Account Value | New Balance |
|--------------------|--|------------------|----------------|-------------------------|-------------|
| Deposit            |  | 7/11/2007        | 613,000.00     |                         | 613,000.00  |
| Interest Earned    |  | 10/11/2007       |                | 15,326.00               | 628,326.00  |
| Interest Earned    |  | 1/11/2008        |                | 30,650.00               | 643,650.00  |
| Interest Earned    |  | 4/11/2008        |                | 45,976.00               | 658,975.00  |
| Interest Earned    |  | 7/11/2008        |                | 61,300.00               | 674,300.00  |
| Interest Earned    |  | 10/11/2008       |                | 76,625.00               | 691,157.50  |
| Interest Earned    |  | 1/11/2009        |                | 91,950.00               | 708,436.44  |
| Interest Earned    |  | 4/11/2009        |                | 107,273.25              | 726,147.35  |
| Interest Earned    |  | 7/11/2009        |                | 122,598.08              | 741,730.00  |
| Interest Earned    |  | 10/11/2009       |                | 137,922.88              | 760,273.25  |
| Interest Earned    |  | 1/11/2010        |                | 153,247.35              | 779,280.08  |
| Interest Earned    |  | 4/11/2010        |                | 168,571.88              | 798,782.08  |
| Interest Earned    |  | 7/11/2010        |                | 183,896.41              | 815,803.00  |
| Interest Earned    |  | 10/11/2010       |                | 199,220.94              | 836,300.58  |
| Interest Earned    |  | 1/11/2011        |                | 214,545.47              | 857,208.09  |
| Interest Earned    |  | 4/11/2011        |                | 229,869.99              | 878,638.29  |
| Interest Earned    |  | 7/11/2011        |                | 245,194.52              | 897,483.30  |
| Interest Earned    |  | 10/11/2011       |                | 260,519.05              | 919,930.63  |
| Interest Earned    |  | 1/11/2012        |                | 275,843.57              | 942,828.90  |
| Interest Earned    |  | 4/11/2012        |                | 291,168.10              | 966,502.12  |
| Interest Earned    |  | 7/11/2012        |                | 306,492.63              | 987,242.63  |

10%

# EXHIBIT "6"



**DECLARATION OF TONYA TULLIS**

Pursuant to 28 U.S.C. § 1746, the undersigned states as follows:

1. My name is Tonya Tullis. I am over 21 years of age, and I have personal knowledge of the matters set forth herein. I am a Certified Public Accountant ("CPA") licensed in the State of Florida.
2. I am employed as a Staff Accountant with the Miami Regional Office of the United States Securities and Exchange Commission (the "Commission"). My office is located at 801 Brickell Avenue, Suite 1800, Miami, Florida, 33131.
3. I was assigned to assist in the Commission's investigation regarding F&S Asset Management Group, Inc. ("FSAMG"). As part of my duties, I reviewed Federal Employee Benefits Group, Inc.'s ("FEBG") general ledger reports for the period from January 1, 2005 to June 16, 2010, and a FEBG Bond Fund investor list prepared by the Miami Regional Office Examination Staff (the "Examination Staff") during its examination of FSAMG. I also reviewed FEBG Quickbook accounting data files for the period from January 1, 2005 to April 30, 2010, provided by FEBG's CPA, Steve Tilley.
4. The statements below are based upon my review of the above referenced documents and records.

**Monies Raised by FEBG**

5. Based on my review of FEBG's investor list described in paragraph 3, I added the "deposit amount" column and calculated at least \$34 million was deposited into FEBG. I counted the number of investors in the investor list and eliminated duplicate names. Based on this calculation, I determined FEBG raised at least \$34 million from 139 investors.

### **Entertainment Expenditures of FEBG**

6. From the FEBG general ledger reports described in Paragraph 3, I reviewed the Promotional Expense account for entertainment expenditures related to the Jacksonville Jaguars' stadium suites and Superbowl trips. I searched the internet for the promotional expense descriptions found in the general ledgers such as "Events XL" and "Quint Events" and determined both are companies that organize sports trips for individuals and corporate groups. Also, I searched the internet for an expense description of "Quality Coach" and found it is a charter bus and limousine service company. Based on my internet searches, I determined that Events XL, Quint Events, and Quality Coach are related to Superbowl trips. I summed all expenses in the promotional expense account with descriptions such as Jags, Jacksonville Jaguars, suites, arena boxes, Superbowl, Events XL, Quint Events, and Quality Coach and calculated total entertainment expenditures of \$1,064,184. See Exhibit A.

### **Profitability of FEBG**

7. From the FEBG Quickbook data files described in paragraph 3, I created a Profit & Loss Report for the years ended 2005, 2006, 2007, 2008, 2009, and the period ended April 30, 2010 and exported the Profit & Loss Reports to an Excel spreadsheet. The Profit & Loss Reports showed FEBG did not have a profit in 2005 but was profitable in the years 2006 through 2009 and in the period ending April 30, 2010.


8. The Examination Staff informed me that the "Misc. Income" account was only FEBG Bond Fund investor monies. In my review of the "Misc. Income" account in the general ledgers, I observed that the "Misc. Income" account contained both FEBG Bond Fund investor deposits and payments to FEBG Bond Fund investors. Therefore, to

calculate the profitability of FEBG business activity, I eliminated the "Misc. Income" amount in the Excel spreadsheet for the years 2006 through 2009 and in the period ending April 30, 2010. FEBG's 2005 Profit & Loss Report did not have a "Misc. Income" account.

9. By eliminating Misc. Income from the Profit & Loss Report, FEBG actual business activity was unprofitable for the years 2006 through 2009 and in the period ending April 30, 2010. Therefore, I determined FEBG was not profitable for the years 2005 through 2009 and in the period ending April 30, 2010. See Exhibit B.

I declare under penalty of perjury that the foregoing is true and correct.

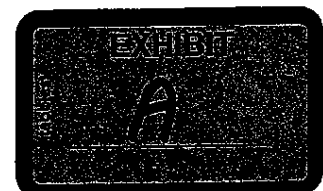
Executed: June 23, 2010

  
\_\_\_\_\_  
Tonya Tullis

## FEBG, Inc.

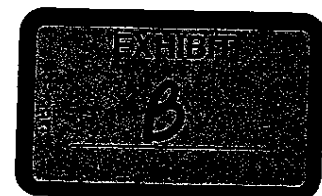
## Promotional Expense - Jacksonville Jaguars &amp; Superbowl Trips

| Date              | Description                           | Amount                |
|-------------------|---------------------------------------|-----------------------|
| 1/6/2005          | Jacksonville Jaguars                  | \$ 150.00             |
| 1/7/2005          | Business Card - Jags                  | \$ 589.90             |
| 1/26/2005         | Jags Superbowl                        | \$ 42,000.00          |
| 2/1/2005          | Business Card - Jags                  | \$ 896.88             |
| 2/18/2005         | Susan Eason - Superbowl Dri...        | \$ 38.44              |
| 2/28/2005         | Business Card - Jags                  | \$ 4,250.00           |
| 3/3/2005          | Business Cards (superbowl va...)      | \$ 1,189.34           |
| 4/1/2005          | Jacksonville Jaguars (Jaguars Suite)  | \$ 29,975.45          |
| 5/2/2005          | Jacksonville Jaguars (Jaguars Suite)  | \$ 29,975.45          |
| 6/6/2005          | Jacksonville Jaguars (Jaguars Suite)  | \$ 29,975.45          |
| 7/5/2005          | Jacksonville Jaguars (Jaguars Suite)  | \$ 35,860.44          |
| 9/1/2005          | Business Cards (jags 1st order...)    | \$ 1,654.56           |
| 9/27/2005         | Business Card - Jags                  | \$ 2,736.90           |
| 9/27/2005         | Business Card - Jags                  | \$ (1,654.56)         |
| 10/24/2005        | Business Card - Jags                  | \$ 1,890.81           |
| 11/29/2005        | Business Card - Jags                  | \$ 2,099.68           |
| 11/30/2005        | Events XL                             | \$ 1,500.00           |
| 2005 Total        |                                       | <u>\$ 183,128.74</u>  |
| 1/4/2006          | Jacksonville...                       | \$ 2,569.77           |
| 1/30/2006         | Business Card - Jags                  | \$ 1,200.00           |
| 1/30/2006         | Jacksonville...                       | \$ 1,339.74           |
| 2/17/2006         | Events XL                             | \$ 4,590.00           |
| 3/1/2006          | Jacksonville...                       | \$ 1,096.20           |
| 7/19/2006         | Jacksonville Jaguars (Suite pmt)      | \$ 20,000.00          |
| 7/25/2006         | Jacksonville Jaguars (E-29)           | \$ 110,934.00         |
| 8/16/2006         | Jacksonville Jaguars (Suite pmt E30)  | \$ 10,000.00          |
| 9/15/2006         | Jacksonville Jaguars (Suite pmt E30)  | \$ 20,000.00          |
| 9/28/2006         | Quint Events                          | \$ 5,000.00           |
| 10/25/2006        | Jacksonville Jaguars (Suite pmt E30)  | \$ 20,000.00          |
| 10/25/2006        | Events XL                             | \$ 30,000.00          |
| 2006 Total        |                                       | <u>\$ 226,729.71</u>  |
| 1/24/2007         | Events XL                             | \$ 25,000.00          |
| 1/24/2007         | Events XL                             | \$ 14,882.00          |
| 2/10/2007         | Events XL                             | \$ 694.00             |
| 4/19/2007         | Jacksonville Jaguars (Suite)          | \$ 9,956.58           |
| 8/7/2007          | Jacksonville Jaguars (Suites 28 29)   | \$ 37,113.33          |
| 8/7/2007          | Events XL                             | \$ 25,000.00          |
| 9/25/2007         | Jacksonville Jaguars (Suites 28 29)   | \$ 37,113.33          |
| 10/3/2007         | Events XL                             | \$ 25,000.00          |
| 10/3/2007         | Jacksonville Jaguars (Suites 28 29)   | \$ 37,113.33          |
| 12/15/2007        | Events XL                             | \$ 25,000.00          |
| 12/17/2007        | Flo Smith (Suite attendant)           | \$ 2,500.00           |
| 12/18/2007        | Jacksonville Jaguars (Suites 28 29)   | \$ 37,113.33          |
| 2007 Total        |                                       | <u>\$ 276,475.90</u>  |
| 1/17/2008         | Business Card - Jags                  | \$ 2,800.00           |
| 1/28/2008         | Events XL                             | \$ 29,305.00          |
| 2/26/2008         | Events XL                             | \$ 10,908.95          |
| 3/5/2008          | Business Card - Jags                  | \$ 396.00             |
| 8/11/2008         | Jacksonville Jaguars                  | \$ 40,000.00          |
| 9/22/2008         | Jacksonville Jaguars (E28)            | \$ 24,680.19          |
| 10/23/2008        | Events XL                             | \$ 1,500.00           |
| 11/17/2008        | Flo Smith (Suite attendant)           | \$ 1,500.00           |
| 11/28/2008        | Jags purchase                         | \$ 12,000.00          |
| 12/23/2008        | Flo Smith (Suite attendant)           | \$ 2,000.00           |
| 12/23/2008        | Miami Dolphins (Suite National Ch...) | \$ 45,240.00          |
| 2008 Total        |                                       | <u>\$ 170,330.14</u>  |
| 1/22/2009         | Events XL                             | \$ 12,000.00          |
| 1/27/2009         | Events XL                             | \$ 19,475.00          |
| 2/10/2009         | Events XL                             | \$ 2,997.32           |
| 2/11/2009         | Quality Coach (bus)                   | \$ 8,100.00           |
| 2/19/2009         | SMG (new arena box)                   | \$ 17,164.00          |
| 5/27/2009         | Jacksonville Jaguars (E28 FEBG)       | \$ 19,148.27          |
| 10/5/2009         | Jacksonville Jaguars (2009 1 of 6)    | \$ 25,615.47          |
| 10/5/2009         | Flo Smith (Suite attendant)           | \$ 250.00             |
| 10/5/2009         | SMG (new arena box)                   | \$ 23,401.00          |
| 10/14/2009        | Jacksonville Jaguars (E29 GA/FL)      | \$ 14,000.00          |
| 10/15/2009        | Events XL                             | \$ 1,000.00           |
| 11/19/2009        | Jacksonville Jaguars (2009 2 of 6)    | \$ 25,615.47          |
| 11/24/2009        | Jacksonville Jaguars (E29 Purchase)   | \$ 26,147.00          |
| 12/12/2009        | Flo Smith (Suite attendant)           | \$ 2,000.00           |
| 2009 Total        |                                       | <u>\$ 196,913.53</u>  |
| 1/20/2010         | Business Card - Jags                  | \$ 2,000.00           |
| 4/7/2010          | Quality Coach (bus)                   | \$ 8,606.00           |
| 2010 Total        |                                       | <u>\$ 10,606.00</u>   |
| 2005 - 2010 Total |                                       | <u>\$1,064,184.02</u> |



**FEBG**  
**Profit & Loss**  
January through December 2005

|                                      | <u>Jan - Dec 05</u> |
|--------------------------------------|---------------------|
| <b>Ordinary Income/Expense</b>       |                     |
| <b>Income</b>                        |                     |
| Commission Income                    | 4,097.92            |
| Consulting Income                    | 1,690,263.23        |
| Government Contract Expenses         | -874,645.00         |
| Government contracts                 | <u>2,070,365.68</u> |
| Total Income                         | 2,890,081.83        |
| <b>Expense</b>                       |                     |
| Accounting fees                      | 10,679.14           |
| Advertising Expense                  | 143,431.70          |
| Automobile Expense                   |                     |
| Supplies in Limo                     | 15.86               |
| Automobile Expense - Other           | <u>10,424.56</u>    |
| Total Automobile Expense             | 10,440.42           |
| Bank Service Charges                 | 1,409.30            |
| Client Costs                         | 25,415.38           |
| Consulting                           | 143,719.22          |
| Continuing Education                 | 728.00              |
| Contributions                        | 34,136.50           |
| Dues and Subscriptions               | 2,493.85            |
| Equipment Maintenance                | 3,444.25            |
| Equipment Rental                     | 4,803.68            |
| Furniture Rental                     | 38,172.06           |
| Gifts                                | 952.04              |
| <b>Insurance</b>                     |                     |
| BAPP                                 | 2,625.42            |
| Commercial Auto                      | 1,918.07            |
| Dental Insurance                     | 10,175.59           |
| Health Insurance                     | 109,868.52          |
| Life                                 | 81.00               |
| Workers Comp                         | <u>20,729.54</u>    |
| Total Insurance                      | 145,398.14          |
| License & Fees                       | 5,788.31            |
| <b>Office Supplies &amp; Expense</b> |                     |
| Office Food                          | 7,714.69            |
| Office Parking                       | 20,001.20           |
| Office Supplies & Expense - Other    | <u>28,886.45</u>    |
| Total Office Supplies & Expense      | 56,602.34           |
| Outside Services                     | 28,989.50           |
| Payroll Expenses                     | 1,867,950.63        |
| Postage and Delivery                 | 17,768.64           |
| Printing and Reproduction            | 9,701.72            |
| Promotion                            | 234,314.06          |
| Publications                         | 1,992.03            |
| Relocation Expense                   | 5,860.04            |
| Rent                                 | 218,931.43          |
| Sign on Bonus not taxed              | 7,000.00            |



**FEBG**  
**Profit & Loss**  
January through December 2005

|                                 | <u>Jan - Dec 05</u>       |
|---------------------------------|---------------------------|
| Telephone                       |                           |
| Toll Free Phone Line            | 291.78                    |
| Wireless Phone                  | 36,391.51                 |
| Telephone - Other               | <u>13,550.64</u>          |
| Total Telephone                 | 50,233.93                 |
| Travel- Wayne - Airline         | 38,219.18                 |
| Travel- Wayne - Car Rental      | 4,422.01                  |
| Travel- Wayne - Food            | 4,178.73                  |
| Travel- Wayne - Hotel           | 21,563.31                 |
| Travel- Wayne - Parking         | 16.00                     |
| Travel- Wayne - Taxi            | 391.50                    |
| Travel- Wayne -tolls            | 34.88                     |
| Travel Expenses/FEBG Airline    | 5,239.19                  |
| Travel Expenses/FEBG car rental | 715.16                    |
| Travel Expenses/FEBG Food       | 2,597.63                  |
| Travel Expenses/FEBG Gas        | 841.00                    |
| Travel Expenses/FEBG Hotel      | 11,291.94                 |
| Travel Expenses/FEBG Mileage    | 1,825.89                  |
| Travel Expenses/FEBG Parking    | 390.64                    |
| Travel Expenses/Febg Taxi       | 309.00                    |
| Web Page                        | <u>1,824.15</u>           |
| Total Expense                   | <u>3,164,216.52</u>       |
| Net Ordinary Income             | <u>-274,134.69</u>        |
| Net Income                      | <u><u>-274,134.69</u></u> |

**FEBG**  
**Profit & Loss**  
January through December 2006

|                                   | <u>Jan - Dec 06</u> | <u>Jan - Dec 06</u> |
|-----------------------------------|---------------------|---------------------|
| Ordinary Income/Expense           |                     |                     |
| Income                            |                     |                     |
| Aetna - lan commissions           | 7,518.35            | 7,518.35            |
| Commission Income                 | 0.00                | 0.00                |
| Consulting Income                 | 14,367.00           | 14,367.00           |
| Government contracts              | -22,000.00          | -22,000.00          |
| Misc. Income                      | 3,257,250.57        | 0.00                |
| Seminar Income                    | 106,998.00          | 106,998.00          |
| Total Income                      | <u>3,364,133.92</u> | <u>106,883.35</u>   |
| Expense                           |                     |                     |
| Accounting fees                   | 12,499.75           | 12,499.75           |
| Advertising Expense               | 46,577.39           | 46,577.39           |
| Automobile Expense                | 19,142.55           | 19,142.55           |
| Bank Service Charges              | 4,452.27            | 4,452.27            |
| Client Costs                      | 22,766.68           | 22,766.68           |
| Computer Expense                  | 1,489.44            | 1,489.44            |
| Consulting                        | 103,306.06          | 103,306.06          |
| Continuing Education              | 2,000.00            | 2,000.00            |
| Contributions                     | 40,225.00           | 40,225.00           |
| Depreciation Expense              | 3,926.00            | 3,926.00            |
| Dues and Subscriptions            | 7,596.70            | 7,596.70            |
| Equipment Maintenance             | 1,800.93            | 1,800.93            |
| Equipment Rental                  | 5,153.09            | 5,153.09            |
| Furniture Rental                  | 43,599.29           | 43,599.29           |
| Gifts                             | 1,593.72            | 1,593.72            |
| Insurance                         |                     |                     |
| BAPP                              | 2,987.42            | 2,987.42            |
| Commercial Auto                   | 1,174.20            | 1,174.20            |
| Dental Insurance                  | 7,273.39            | 7,273.39            |
| Health Insurance                  | 82,158.90           | 82,158.90           |
| Life                              | 1,148.60            | 1,148.60            |
| Workers Comp                      | 16,652.41           | 16,652.41           |
| Insurance - Other                 | -32.00              | -32.00              |
| Total Insurance                   | <u>111,362.92</u>   | <u>111,362.92</u>   |
| License & Fees                    | 6,219.64            | 6,219.64            |
| Office Supplies & Expense         |                     |                     |
| Office Food                       | 5,150.38            | 5,150.38            |
| Office Parking                    | 9,041.03            | 9,041.03            |
| Office Supplies & Expense - Other | 12,928.93           | 12,928.93           |
| Total Office Supplies & Expense   | <u>27,120.34</u>    | <u>27,120.34</u>    |
| Outside Services                  | 66,666.64           | 66,666.64           |
| Payroll Expenses                  | 1,232,995.12        | 1,232,995.12        |
| Postage and Delivery              | 12,982.71           | 12,982.71           |
| Printing and Reproduction         | 4,266.65            | 4,266.65            |
| Promotion                         | 244,933.14          | 244,933.14          |
| Publications                      | 1,008.61            | 1,008.61            |
| Rent                              | 213,031.12          | 213,031.12          |
| Telephone                         |                     |                     |

**FEBG**  
**Profit & Loss**  
January through December 2006

|                                 | <u>Jan - Dec 06</u> | <u>Jan - Dec 06</u>  |
|---------------------------------|---------------------|----------------------|
| Wireless Phone                  | 33,829.74           | 33,829.74            |
| Telephone - Other               | 12,776.42           | 12,776.42            |
| <b>Total Telephone</b>          | <b>46,606.16</b>    | <b>46,606.16</b>     |
| <br>                            |                     |                      |
| Travel- Wayne - Airline         | 47,814.46           | 47,814.46            |
| Travel- Wayne - Car Rental      | 5,248.53            | 5,248.53             |
| Travel- Wayne - Food            | 2,765.14            | 2,765.14             |
| Travel- Wayne - Hotel           | 18,710.30           | 18,710.30            |
| Travel- Wayne - Parking         | 37.42               | 37.42                |
| Travel- Wayne - Taxi            | 819.00              | 819.00               |
| Travel- Wayne -tolls            | 18.75               | 18.75                |
| Travel Expenses/FEBG Airline    | 7,357.95            | 7,357.95             |
| Travel Expenses/FEBG car rental | 666.31              | 666.31               |
| Travel Expenses/FEBG Food       | 1,595.18            | 1,595.18             |
| Travel Expenses/FEBG Gas        | 30.90               | 30.90                |
| Travel Expenses/FEBG Hotel      | 7,500.21            | 7,500.21             |
| Travel Expenses/FEBG Mileage    | 1,124.07            | 1,124.07             |
| Travel Expenses/FEBG Parking    | 233.00              | 233.00               |
| Travel Expenses/Febg Taxi       | 187.00              | 187.00               |
| Web Page                        | 767.10              | 767.10               |
| <b>Total Expense</b>            | <b>2,378,197.24</b> | <b>2,378,197.24</b>  |
| <br>                            |                     |                      |
| <b>Net Ordinary Income</b>      | <b>985,936.68</b>   | <b>-2,271,313.89</b> |
| <br>                            |                     |                      |
| <b>Net Income</b>               | <b>985,936.68</b>   | <b>-2,271,313.89</b> |

**FEBG**  
**Profit & Loss**  
January through December 2007

|  | <u>Jan - Dec 07</u> | <u>Jan - Dec 07</u> |
|--|---------------------|---------------------|
| <b>Ordinary Income/Expense</b>             |                     |                     |
| <b>Income</b>                              |                     |                     |
| Aetna - lan commissions                    | 1,969.24            | 1,969.24            |
| Commission Income                          | 6,193.24            | 6,193.24            |
| Consulting Income                          | 256,816.31          | 256,816.31          |
| Government contracts                       | -5,000.00           | -5,000.00           |
| Income-other                               | 515.14              | 515.14              |
| Misc. Income                               | 3,702,163.01        | 0.00                |
| Product Revenue                            | -80.22              | -80.22              |
| Reimbursed Expenses                        | -5.00               | -5.00               |
| Seminar Income                             | 111,250.00          | 111,250.00          |
| <b>Total Income</b>                        | <u>4,073,821.72</u> | <u>371,658.71</u>   |
| <b>Expense</b>                             |                     |                     |
| Accounting fees                            | 19,975.81           | 19,975.81           |
| Advertising Expense                        | 59,358.72           | 59,358.72           |
| Automobile Expense                         | 34,151.39           | 34,151.39           |
| Bank Service Charges                       | 3,255.86            | 3,255.86            |
| Casual Labor                               | 240.00              | 240.00              |
| Client Costs                               | 31,956.07           | 31,956.07           |
| Computer Expense                           | 373.86              | 373.86              |
| Consulting                                 | 188,342.77          | 188,342.77          |
| Contributions                              | 155,782.00          | 155,782.00          |
| Credit Reports                             | 154.44              | 154.44              |
| Depreciation Expense                       | 10,584.00           | 10,584.00           |
| Dues and Subscriptions                     | 7,097.05            | 7,097.05            |
| Equipment Maintenance                      | 1,782.18            | 1,782.18            |
| Equipment Rental                           | 3,426.80            | 3,426.80            |
| Expense Reimbursement                      | -165.00             | -165.00             |
| Furniture Rental                           | 58,472.31           | 58,472.31           |
| Gifts                                      | 1,658.99            | 1,658.99            |
| Insurance                                  |                     |                     |
| BAPP                                       | 3,118.92            | 3,118.92            |
| Commercial Auto                            | 2,082.27            | 2,082.27            |
| Dental Insurance                           | 10,383.92           | 10,383.92           |
| Health Insurance                           | 96,163.20           | 96,163.20           |
| Life                                       | 321.60              | 321.60              |
| Professional Liability                     | 371.37              | 371.37              |
| Workers Comp                               | 9,661.92            | 9,661.92            |
| <b>Total Insurance</b>                     | <u>122,103.20</u>   | <u>122,103.20</u>   |
| Interest Expense                           | 34,643.05           | 34,643.05           |
| License & Fees                             | 28,344.28           | 28,344.28           |
| Marketing                                  | 1,300.00            | 1,300.00            |
| Miscellaneous                              | -375.00             | -375.00             |
| Office Supplies & Expense                  |                     |                     |
| Office Food                                | 3,496.84            | 3,496.84            |
| Office Parking                             | 13,672.10           | 13,672.10           |
| Office Supplies & Expense - Other          | 16,317.77           | 16,317.77           |
| <b>Total Office Supplies &amp; Expense</b> | <u>33,486.71</u>    | <u>33,486.71</u>    |

**FEBG**  
**Profit & Loss**  
January through December 2007

|                                 | <u>Jan - Dec 07</u>        | <u>Jan - Dec 07</u>         |
|---------------------------------|----------------------------|-----------------------------|
| Outside Services                | 2,291.67                   | 2,291.67                    |
| Payroll Expenses                | 890,497.39                 | 890,497.39                  |
| Postage and Delivery            | 12,249.25                  | 12,249.25                   |
| Printing and Reproduction       | 6,563.40                   | 6,563.40                    |
| Promotion                       | 324,413.09                 | 324,413.09                  |
| Publications                    | 8,926.67                   | 8,926.67                    |
| Rent                            | 175,850.84                 | 175,850.84                  |
| Telephone                       |                            |                             |
| Wireless Phone                  | 32,111.16                  | 32,111.16                   |
| Telephone - Other               | 15,671.65                  | 15,671.65                   |
| Total Telephone                 | <u>47,782.81</u>           | <u>47,782.81</u>            |
| Travel- Wayne - Airline         | 90,393.17                  | 90,393.17                   |
| Travel- Wayne - Car Rental      | 2,609.40                   | 2,609.40                    |
| Travel- Wayne - Food            | 9,879.14                   | 9,879.14                    |
| Travel- Wayne - Hotel           | 25,853.56                  | 25,853.56                   |
| Travel- Wayne - Parking         | 393.00                     | 393.00                      |
| Travel- Wayne - Taxi            | 3,561.00                   | 3,561.00                    |
| Travel- Wayne -tolls            | 37.95                      | 37.95                       |
| Travel Expenses/FEBG Airline    | 16,165.70                  | 16,165.70                   |
| Travel Expenses/FEBG car rental | 594.31                     | 594.31                      |
| Travel Expenses/FEBG Food       | 72.02                      | 72.02                       |
| Travel Expenses/FEBG Gas        | 272.37                     | 272.37                      |
| Travel Expenses/FEBG Hotel      | 2,061.52                   | 2,061.52                    |
| Travel Expenses/FEBG Mileage    | 537.12                     | 537.12                      |
| Travel Expenses/FEBG Parking    | 595.28                     | 595.28                      |
| Travel Expenses/Febg Taxi       | 230.85                     | 230.85                      |
| travel SEBG                     | 227.89                     | 227.89                      |
| Total Expense                   | <u>2,418,008.89</u>        | <u>2,418,008.89</u>         |
| Net Ordinary Income             | <u>1,655,812.83</u>        | <u>-2,046,350.18</u>        |
| Net Income                      | <u><u>1,655,812.83</u></u> | <u><u>-2,046,350.18</u></u> |

**FEBG**  
**Profit & Loss**  
January through December 2008

|  | <u>Jan - Dec 08</u> | <u>Jan - Dec 08</u> |
|--|---------------------|---------------------|
| <b>Ordinary Income/Expense</b>             |                     |                     |
| <b>Income</b>                              |                     |                     |
| Aetna - Jan commissions                    | 119.24              | 119.24              |
| Commission Income                          | -32,291.93          | -32,291.93          |
| Consulting Income                          | 23,583.96           | 23,583.96           |
| Misc. Income                               | 4,400,341.32        | 0.00                |
| Product Revenue                            | -2,000.00           | -2,000.00           |
| Reimbursed Expenses                        | 767.00              | 767.00              |
| Seminar Income                             | 104,520.00          | 104,520.00          |
| <b>Total Income</b>                        | <u>4,495,039.59</u> | <u>94,698.27</u>    |
| <b>Expense</b>                             |                     |                     |
| Accounting fees                            | 16,483.30           | 16,483.30           |
| Advertising Expense                        | 185,810.28          | 185,810.28          |
| Attorney Fees                              | 7,260.00            | 7,260.00            |
| Automobile Expense                         | 15,600.02           | 15,600.02           |
| Bank Service Charges                       | 3,976.70            | 3,976.70            |
| Client Costs                               | 18,753.68           | 18,753.68           |
| Commissions                                | 378.00              | 378.00              |
| Consulting                                 | 960,633.81          | 960,633.81          |
| Contributions                              | 93,800.87           | 93,800.87           |
| Depreciation Expense                       | 1,581.00            | 1,581.00            |
| Dues and Subscriptions                     | 14,796.74           | 14,796.74           |
| Equipment Maintenance                      | 1,675.02            | 1,675.02            |
| Expense Reimbursement                      | 938.87              | 938.87              |
| Gifts                                      | 295.87              | 295.87              |
| <b>Insurance</b>                           |                     |                     |
| BAPP                                       | 2,730.29            | 2,730.29            |
| Commercial Auto                            | 1,496.58            | 1,496.58            |
| Dental Insurance                           | 10,100.27           | 10,100.27           |
| Health Insurance                           | 143,191.81          | 143,191.81          |
| Life                                       | 553.20              | 553.20              |
| Professional Liability                     | 314.13              | 314.13              |
| Workers Comp                               | 9,611.62            | 9,611.62            |
| <b>Total Insurance</b>                     | <u>167,997.90</u>   | <u>167,997.90</u>   |
| License & Fees                             | 24,178.60           | 24,178.60           |
| Marketing                                  | 2,003.32            | 2,003.32            |
| <b>Office Supplies &amp; Expense</b>       |                     |                     |
| Office Food                                | 4,180.28            | 4,180.28            |
| Office Parking                             | 7,531.40            | 7,531.40            |
| Office Supplies & Expense - Other          | 18,561.53           | 18,561.53           |
| <b>Total Office Supplies &amp; Expense</b> | <u>30,273.21</u>    | <u>30,273.21</u>    |
| Payroll Expenses                           | 1,164,796.02        | 1,164,796.02        |
| Postage and Delivery                       | 22,684.89           | 22,684.89           |
| Printing and Reproduction                  | 6,925.67            | 6,925.67            |
| Promotion                                  | 356,305.71          | 356,305.71          |
| Publications                               | 530.86              | 530.86              |
| Rent                                       | 157,892.55          | 157,892.55          |
| Scholarship Fund                           | 11,722.00           | 11,722.00           |

**FEBG**  
**Profit & Loss**  
January through December 2008

|                                 | <u>Jan - Dec 08</u>        | <u>Jan - Dec 08</u>         |
|---------------------------------|----------------------------|-----------------------------|
| Subcontractor                   | 27,644.84                  | 27,644.84                   |
| Telephone                       |                            |                             |
| Wireless Phone                  | 1,596.66                   | 1,596.66                    |
| Telephone - Other               | 31,598.27                  | 31,598.27                   |
| Total Telephone                 | <u>33,194.93</u>           | <u>33,194.93</u>            |
| Travel- Wayne - Airline         | 80,390.55                  | 80,390.55                   |
| Travel- Wayne - Car Rental      | 4,674.84                   | 4,674.84                    |
| Travel- Wayne - Food            | 7,266.06                   | 7,266.06                    |
| Travel- Wayne - Hotel           | 13,366.91                  | 13,366.91                   |
| Travel- Wayne - Parking         | 200.00                     | 200.00                      |
| Travel- Wayne - Taxi            | 573.25                     | 573.25                      |
| Travel- Wayne -tolls            | 19.80                      | 19.80                       |
| Travel Expenses/FEBG Airline    | 28.26                      | 28.26                       |
| Travel Expenses/FEBG car rental | 181.31                     | 181.31                      |
| Travel Expenses/FEBG Food       | 1,723.69                   | 1,723.69                    |
| Travel Expenses/FEBG Gas        | 967.44                     | 967.44                      |
| Travel Expenses/FEBG Hotel      | 5,951.33                   | 5,951.33                    |
| Travel Expenses/FEBG Mileage    | -551.45                    | -551.45                     |
| Travel Expenses/FEBG Parking    | 68.00                      | 68.00                       |
| Travel Expenses/Febg Taxi       | -198.51                    | -198.51                     |
| Total Expense                   | <u>3,442,796.14</u>        | <u>3,442,796.14</u>         |
| Net Ordinary Income             | 1,052,243.45               | -3,348,097.87               |
| Other Income/Expense            |                            |                             |
| Other Expense                   |                            |                             |
| Gain/Loss on sale of equipment  | -1,925.00                  | -1,925.00                   |
| Total Other Expense             | <u>-1,925.00</u>           | <u>-1,925.00</u>            |
| Net Other Income                | <u>1,925.00</u>            | <u>1,925.00</u>             |
| Net Income                      | <u><u>1,054,168.45</u></u> | <u><u>-3,346,172.87</u></u> |

**FEBG**  
**Profit & Loss**  
January through December 2009

|  | <u>Jan - Dec 09</u> | <u>Jan - Dec 09</u> |
|--|---------------------|---------------------|
| <b>Ordinary Income/Expense</b>             |                     |                     |
| Income                                     |                     |                     |
| Commission Income                          | 57,281.00           | 57,281.00           |
| Consulting Income                          | 281,536.23          | 281,536.23          |
| Misc. Income                               | 1,892,004.67        | 0.00                |
| Reimbursed Expenses                        | 14.00               | 14.00               |
| Seminar Income                             | 10,050.00           | 10,050.00           |
| <b>Total Income</b>                        | <u>2,240,885.90</u> | <u>348,881.23</u>   |
| Expense                                    |                     |                     |
| Accounting fees                            | 26,373.16           | 26,373.16           |
| Advertising Expense                        | 74,512.29           | 74,512.29           |
| Attorney Fees                              | 1,567.25            | 1,567.25            |
| Automobile Expense                         | 12,985.85           | 12,985.85           |
| Bank Service Charges                       | 4,391.08            | 4,391.08            |
| Client Costs                               | 20,926.74           | 20,926.74           |
| Consulting                                 | 105,080.00          | 105,080.00          |
| Contributions                              | 65,975.00           | 65,975.00           |
| Depreciation Expense                       | 1,465.00            | 1,465.00            |
| Dues and Subscriptions                     | 7,419.14            | 7,419.14            |
| Equipment Maintenance                      | 1,938.55            | 1,938.55            |
| Gifts                                      | 116.75              | 116.75              |
| Insurance                                  |                     |                     |
| BAPP                                       | 2,464.98            | 2,464.98            |
| Commercial Auto                            | 1,997.53            | 1,997.53            |
| Dental Insurance                           | 9,241.68            | 9,241.68            |
| Health Insurance                           | 164,340.81          | 164,340.81          |
| Life                                       | 1,134.80            | 1,134.80            |
| Professional Liability                     | 287.21              | 287.21              |
| Workers Comp                               | 6,669.10            | 6,669.10            |
| <b>Total Insurance</b>                     | <u>186,136.11</u>   | <u>186,136.11</u>   |
| Interest Expense                           | -218.00             | -218.00             |
| License & Fees                             | 4,876.92            | 4,876.92            |
| Marketing                                  | 2,450.56            | 2,450.56            |
| Office Supplies & Expense                  |                     |                     |
| Office Food                                | 3,554.91            | 3,554.91            |
| Office Parking                             | 5,465.30            | 5,465.30            |
| Office Supplies & Expense - Other          | 8,453.30            | 8,453.30            |
| <b>Total Office Supplies &amp; Expense</b> | <u>17,473.51</u>    | <u>17,473.51</u>    |
| Payroll Expenses                           | 900,887.20          | 900,887.20          |
| Postage and Delivery                       | 10,528.06           | 10,528.06           |
| Printing and Reproduction                  | 4,062.10            | 4,062.10            |
| Promotion                                  | 381,474.80          | 381,474.80          |
| Publications                               | 229.51              | 229.51              |
| Rent                                       | 120,648.90          | 120,648.90          |
| Scholarship Fund                           | 14,930.93           | 14,930.93           |
| Telephone                                  |                     |                     |
| Wireless Phone                             | 15,027.77           | 15,027.77           |
| Telephone - Other                          | 21,080.21           | 21,080.21           |

**FEBG**  
**Profit & Loss**  
January through December 2009

|                                 | <u>Jan - Dec 09</u>      | <u>Jan - Dec 09</u>         |
|---------------------------------|--------------------------|-----------------------------|
| Total Telephone                 | 36,107.98                | 36,107.98                   |
| Travel- Wayne - Airline         | 28,100.67                | 28,100.67                   |
| Travel- Wayne - Car Rental      | 694.97                   | 694.97                      |
| Travel- Wayne - Food            | 10,124.97                | 10,124.97                   |
| Travel- Wayne - Hotel           | 2,985.56                 | 2,985.56                    |
| Travel- Wayne - Parking         | 365.00                   | 365.00                      |
| Travel- Wayne - Taxi            | 245.25                   | 245.25                      |
| Travel- Wayne -tolls            | 37.65                    | 37.65                       |
| Travel Expenses/FEBG Airline    | 19,639.18                | 19,639.18                   |
| Travel Expenses/FEBG car rental | 210.44                   | 210.44                      |
| Travel Expenses/FEBG Food       | 1,498.94                 | 1,498.94                    |
| Travel Expenses/FEBG Gas        | 630.77                   | 630.77                      |
| Travel Expenses/FEBG Hotel      | 3,423.85                 | 3,423.85                    |
| Travel Expenses/FEBG Mileage    | 69.30                    | 69.30                       |
| Travel Expenses/FEBG Parking    | 158.00                   | 158.00                      |
| Travel Expenses/Febg Taxi       | 111.00                   | 111.00                      |
| Total Expense                   | <u>2,070,634.94</u>      | <u>2,070,634.94</u>         |
| Net Ordinary Income             | <u>170,250.96</u>        | <u>-1,721,753.71</u>        |
| Net Income                      | <u><u>170,250.96</u></u> | <u><u>-1,721,753.71</u></u> |

**FEBG**  
**Profit & Loss**  
January through April 2010

|  | <u>Jan - Apr 10</u> | <u>Jan - Apr 10</u> |
|--|---------------------|---------------------|
| <b>Ordinary Income/Expense</b>             |                     |                     |
| Income                                     |                     |                     |
| Client Services                            | 360.00              | 360.00              |
| Commission Income                          | 1,618.62            | 1,618.62            |
| Consulting Income                          | -170.00             | -170.00             |
| Misc. Income                               | 341,359.09          | 0.00                |
| <b>Total Income</b>                        | <u>343,167.71</u>   | <u>1,808.62</u>     |
| Expense                                    |                     |                     |
| Advertising Expense                        | 10,214.45           | 10,214.45           |
| Attorney Fees                              | 10,105.55           | 10,105.55           |
| Automobile Expense                         | 5,209.37            | 5,209.37            |
| Bank Service Charges                       | 1,729.46            | 1,729.46            |
| Client Costs                               | 16,150.01           | 16,150.01           |
| Computer Expense                           | 160.45              | 160.45              |
| Consulting                                 | 9,500.00            | 9,500.00            |
| Contributions                              | 3,500.00            | 3,500.00            |
| Dues and Subscriptions                     | 3,434.38            | 3,434.38            |
| Equipment Maintenance                      | 401.96              | 401.96              |
| Expense Reimbursement                      | 12.95               | 12.95               |
| Insurance                                  |                     |                     |
| BAPP                                       | 489.90              | 489.90              |
| Commercial Auto                            | 528.41              | 528.41              |
| Dental Insurance                           | 711.09              | 711.09              |
| Health Insurance                           | 31,054.60           | 31,054.60           |
| Life                                       | 139.20              | 139.20              |
| Professional Liability                     | 56.06               | 56.06               |
| Workers Comp                               | 1,088.00            | 1,088.00            |
| <b>Total Insurance</b>                     | <u>34,067.26</u>    | <u>34,067.26</u>    |
| License & Fees                             | 337.34              | 337.34              |
| Miscellaneous                              | 5,006.00            | 5,006.00            |
| Office Supplies & Expense                  |                     |                     |
| Office Food                                | 895.02              | 895.02              |
| Office Parking                             | 1,024.80            | 1,024.80            |
| Office Supplies & Expense - Other          | 2,387.72            | 2,387.72            |
| <b>Total Office Supplies &amp; Expense</b> | <u>4,307.54</u>     | <u>4,307.54</u>     |
| Payroll Expenses                           | 199,030.27          | 199,030.27          |
| Postage and Delivery                       | 1,749.55            | 1,749.55            |
| Promotion                                  | 68,794.97           | 68,794.97           |
| Rent                                       | 26,068.76           | 26,068.76           |
| Scholarship Fund                           | 4,237.36            | 4,237.36            |
| Telephone                                  |                     |                     |
| Toll Free Phone Line                       | 572.18              | 572.18              |
| Wireless Phone                             | 7,202.22            | 7,202.22            |
| Telephone - Other                          | 16.84               | 16.84               |
| <b>Total Telephone</b>                     | <u>7,791.24</u>     | <u>7,791.24</u>     |
| Travel- Wayne - Airline                    | 863.33              | 863.33              |

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06/23/10  
Cash Basis

**FEBG**  
**Profit & Loss**  
January through April 2010

|                            | <u>Jan - Apr 10</u>      | <u>Jan - Apr 10</u>       |
|----------------------------|--------------------------|---------------------------|
| Travel- Wayne - Car Rental | <u>173.39</u>            | <u>173.39</u>             |
| Total Expense              | <u>412,845.59</u>        | <u>412,845.59</u>         |
| Net Ordinary Income        | <u>-69,677.88</u>        | <u>-411,036.97</u>        |
| Net Income                 | <u><u>-69,677.88</u></u> | <u><u>-411,036.97</u></u> |

# EXHIBIT "7"



## FEBG, Inc. Special Fund

\$70,000.00  
Special Fund Amount

Date: October 27, 2008

### SPECIAL FUND/PROMISSORY NOTE

For value received, the Borrower, as hereafter defined, promises to pay to [REDACTED] (the "Lender"), at [REDACTED] (or such other place as the Lender may designate in writing) the sum of \$70,000.00 with interest from October 27, 2008, on the unpaid principal at the rate of 10% per year, compounded annually. The interest is available at any time and can be paid in cash on a quarterly, semi-annual or annual basis via US Mail or direct deposit. Please allow two to three weeks for the interest to become available. This account cannot be liquidated for a minimum of eight years. Furthermore, this account cannot be liquated for the time period selected at the time the fund is opened. The current rate of return is guaranteed as follows: 10% for eight years.

The unpaid principal and any accrued interest, if applicable, shall be payable in full on October 27, 2016, (the "Due Date"). In some cases the fund can be continued on a one year term after the maturity date and will be determined on a case by case basis.

All payments on this Note shall be applied first in payment of accrued interest and any remainder in payment in principal.

### Use of Proceeds

The original proceeds from the Lender will be placed in an account secured by government securities and our government contracts which have more than a decade left before expiring. The interest represented by this Note shall be used by Federal Employee Benefits Group, Inc. ("FEBG") exclusively to fund the business model for the FEBG Family of Companies and to start-up and/or acquire additional companies deemed appropriate in our quest to solidify our presence in the federal and state employees marketplace. We will also use the interest for general corporate purposes as we deem appropriate. While the principal investment remains untouched in government securities, the spread on this fund is also used to pay all costs and expenses incurred in connection with such growth and acquisitions as we ("The Board") deem appropriate.

The FEBG Family of Companies is pleased to announce our new First Responder Program that we have created to cater to the nation's first responders. We also created our own FEBG Private Label insurance product for this marketplace. We will continue to provide this market with ongoing financial, investment, tax and estate planning opportunities to remain the industry leader in the law enforcement arena.

#### Borrower

The Borrower is FEBG, Inc.

#### Common Stock Conversion

From time to time, FEBG has been or will be approached by Institutional Investors, Venture Capitalist and other Corporations about acquiring our company or possibly going public. Should this occur, FEBG will make available the opportunity for you to participate in the Stock transaction or elect to receive the proceeds from the FUND as originally issued. We do anticipate this occurring in the future. We do however reserve the right to liquidate the FEBG Special Fund if it's in the best interest of our Investors (Special Fund Participant's), Officers, Directors, employees and K. Wayne McLeod, the Chairman, CEO and Owner of all said companies (as noted above).

#### Subordination

Outstanding principal and interest on this Note shall be subordinate to the obligations of the Borrower to (i) any and all banks, financial institutions and other lenders providing secured financing and (ii) All Bond Holders. The Payee and each holder hereof by its acceptance of this note agree to promptly execute such subordination agreement as any ~~Creditor~~ may require.

If any one or more of the provisions of this Note are determined to be unenforceable, in whole or in part, for any reason, the remaining provisions shall remain fully operative.

All payments of principal and interest on this Note shall be paid in legal currency of the United States. Borrower waives presentment for payment, protest, and notice of protest and nonpayment of this Note.

No renewal or extension of this Note, delay in enforcing any rights of the Lender under this Note, or assignment by the Lender of this Note shall affect the liability of the Borrower.

This Note shall be construed in accordance with the laws of the State of Florida.

This Note may only be assigned or transferred by the holder hereof if the holder and the assignee execute and deliver to the Borrower an Assignment in form and substance as attached to this Note.

Signed this 12<sup>th</sup> day of November, 2008 at Jacksonville, Florida.

  
K. Wayne McLeod  
For FEBG, Inc.

### Acceptance and Agreement of Lender

The Lender hereby accepts the Note and agrees to be bound by the provisions hereof, including, without limitation, the provisions in the paragraph hereof entitled "Subordination".

  
Name: 

\_\_\_\_\_  
Name:

# EXHIBIT "8"

**03-60648**

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF FLORIDA

Case No.

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

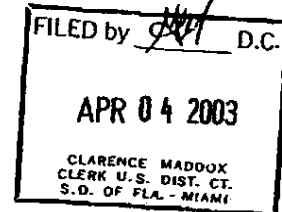
v.

BENJAMIN ROGATINSKY,

Defendant,

REUVEN ROGATINSKY,

Relief Defendant.

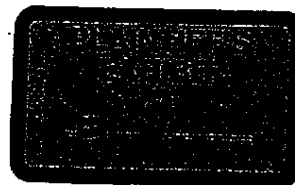
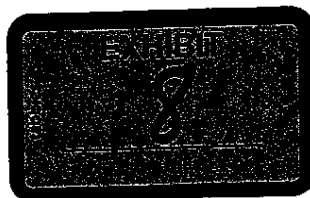


**TEMPORARY RESTRAINING ORDER FREEZING ASSETS**

This cause comes before the Court upon a Motion by Plaintiff Securities and Exchange Commission ("Commission") for the following orders with respect to Defendant Benjamin Rogatinsky ("Rogatinsky") and Relief Defendant Reuven Rogatinsky ("R. Rogatinsky"):

- 1) a Temporary Restraining Order Freezing Assets;
- 2) an Order to Show Cause why a Preliminary Injunction Freezing Assets Should Not Be Granted.

The Court has considered the Commission's Complaint, Memorandum of Law, and the declaration and exhibits filed in support thereof. Being fully advised in the premises, the Court finds that the Commission has made a sufficient and proper showing in support of the relief granted herein by presenting a *prima facie* case of securities laws violations and misappropriation of investor funds by Defendant Rogatinsky. The Court finds good cause to believe that, unless restrained and enjoined by Order of this Court, Rogatinsky and R. Rogatinsky will dissipate,



*[Handwritten signature]*

conceal or transfer from the jurisdiction of this Court assets, which could be subject to an Order of Disgorgement. Accordingly, the Court hereby orders as follows:

I.

**SHOW CAUSE HEARING**

IT IS HEREBY ORDERED that the Defendants show cause, if any, before the Honorable Jose E. Martinez of this Court, at 4:00 o'clock p.m., on the 8 day of May, 2003, in Courtroom 3 of the United States Courthouse, Miami, Florida, or as soon thereafter as the matter can be heard, why a Preliminary Injunction Freezing Assets should not be granted, as requested by the Commission.

II.

**TEMPORARY RESTRAINING ORDER FREEZING ASSETS**

IT IS HEREBY FURTHER ORDERED that, pending determination of the Commission's request for a Preliminary Injunction Freezing Assets:

A. Defendant Rogatinsky and Relief Defendant R. Rogatinsky, their directors, officers, agents, servants, employees, attorneys, depositories, banks, and those persons in active concert or participation with any one or more of them, and each of them, who receive notice of this order by personal service, mail, facsimile transmission or otherwise, be and hereby are, restrained from, directly or indirectly, transferring, setting off, receiving, changing, selling, pledging, assigning, liquidating or otherwise disposing of, or withdrawing any assets or property, including, but not limited to, cash, free credit balances, fully paid for securities, and/or property pledged or hypothecated as collateral for loans, owned by, controlled by, or in their possession.

B. That any financial or brokerage institution or other person or entity located within the jurisdiction of the United States courts and holding any such funds or other assets, in the name, for the benefit or under the control of Benjamin Rogatinsky or Reuven Rogatinsky and which receives actual notice of this order by personal service, facsimile or otherwise, shall hold and retain within its control and prohibit the withdrawal, removal, transfer, disposition, pledge, encumbrance, assignment, set off, sale, liquidation, dissipation, concealment, or other disposal of any such funds or other assets.

III.

**RETENTION OF JURISDICTION**

IT IS HEREBY FURTHER ORDERED that this Court shall retain jurisdiction over this matter, Rogatinsky and R. Rogatinsky in order to implement and carry out the terms of all Orders and Decrees that may be entered and/or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court, and will order other relief that this Court deems appropriate under the circumstances.

DONE AND ORDERED at Miami, Florida, this 4 day of April 2003.

  
UNITED STATES DISTRICT JUDGE

Copies to:

Alise Johnson  
Senior Trial Counsel  
Securities and Exchange Commission  
801 Brickell Avenue, Suite 1800  
Miami, Florida 33131  
Phone: (305) 982-6322  
Fax: (305) 536-4154



UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 02-22198-CIV-GRAHAM/GARBER

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

AMERICAN FINANCIAL GROUP OF AVENTURA, INC.,

and

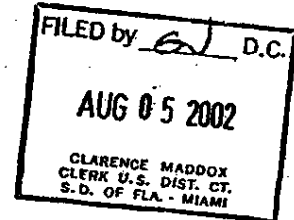
DAVID H. SIEGEL,

Defendants.

and

AMERICAN WEALTH MANAGEMENT OF AVENTURA,  
INC.,

Relief Defendant



**ORDER OF TEMPORARY ASSET FREEZE AND OTHER RELIEF**

This cause comes before the Court upon consent by the Defendant American Financial Group of Aventura, Inc. ("AFG"), by Martin D. Kahn, State Court-appointed Receiver for AFG, for the entry of an order freezing assets and other relief, titled "Consent of Defendant American Financial Group of Aventura, Inc. to Entry of Order of Temporary Asset Freeze and Other Relief." The Court previously ordered that a show cause hearing be held on August 5, 2002 with respect to the issue of an asset freeze, after granting the SEC's ex parte motion on July 25, 2002 for an asset freeze and other relief. The court therefore enters this Order with respect to the following:

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WC

I.

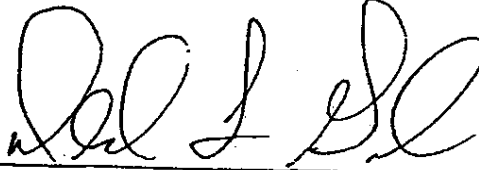
**TEMPORARY ASSET FREEZE**

**IT IS HEREBY ORDERED** that, pending the disposition of this case, or until further order of the court, Defendant AFG, their directors, officers, agents, servants, employees, attorneys, depositories, banks, and those persons in active concert or participation with them, and each of them, who receive notice of this order by personal service, mail, facsimile transmission or otherwise, except any Receiver that may be appointed by this Court, be and they hereby are, restrained from, directly or indirectly, transferring, setting off, receiving, changing, selling, pledging, assigning, liquidating or otherwise disposing of, or withdrawing any assets or property owned by, controlled by, or in the possession of them, or their agents, successors or assigns, including, but not limited to, cash, free credit balances, fully paid for securities, and/or property pledged or hypothecated as collateral for loans.

Nothing in this asset freeze order shall be deemed to preclude AFG from the opportunity to present a subsequent application to the Court for a modification of the asset freeze.

Nothing in this Order shall disturb or invalidate the other Orders of Repatriation, Accountings, Records Preservation, and Expedited Discovery and Answer in the Court's Order Granting Ex Parte Motion For Temporary Asset Freeze and Other Emergency Relief, dated July 25, 2002.

DONE AND ORDERED at 10:30 o'clock, a m. this 5<sup>th</sup> day of August, 2002 at  
Miami, Florida.



**DONALD S. GRAHAM**  
**UNITED STATES DISTRICT JUDGE**

Copies to:

John R. Teakell  
Senior Trial Counsel  
801 Brickell Avenue, Suite 200  
Miami, Florida 33131  
Counsel for Securities and Exchange Commission  
Phone: (305) 982-6322  
Fax: (305) 536-4154

Martin D. Kahn  
as State Court-appointed Receiver for American Financial Group of Aventura, Inc.  
9344 NW 48<sup>th</sup> Doral Terrace  
Miami, FL 33055



**01-7874**  
UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF FLORIDA

CASE NO.

**CIV. HURLEY**

**SECURITIES AND EXCHANGE COMMISSION,**

**Plaintiff,**

**v.**

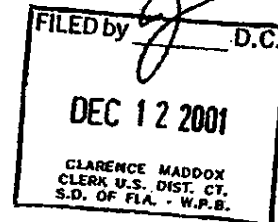
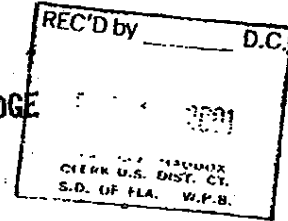
**PAUL R. JOHNSON,  
JOHN COOK,  
EMANUELE CARDACI, and  
SCOTT SCHOENBAUER,**

**Defendants,**

**J & J MANAGEMENT CONSULTING,  
A/K/A 1287769 ONTARIO INC., and  
CATERINA JOHNSON,**

**Relief Defendants.**

**MAJESTRATE JUDGE  
LYNCH**



**ORDER GRANTING EX PARTE MOTION FOR  
ASSET FREEZE AND OTHER EMERGENCY RELIEF**

This cause comes before the Court upon motion by Plaintiff Securities and Exchange Commission ("Commission") for the following orders with respect to Defendant Paul R. Johnson ("Johnson" or "Defendant") and Relief Defendants J&J Management Consulting ("J&J") and Caterina Johnson (collectively "Relief Defendants"):

- 1) an Order to Show Cause Why an Asset Freeze Pending the Adjudication of the Case on the Merits Should Not be Granted;
- 2) a Temporary Order Freezing Assets;
- 3) an Order Repatriating Assets;
- 4) an Order Requiring Accountings; and

*PA*  
*13*

5) an Order Prohibiting Destruction of Documents.

The Court has considered the Commission's Complaint, Memorandum of Law, and the declarations and exhibits filed in support of its motion.

Being fully advised in the premises, the Court finds that the Commission has made a sufficient and proper showing in support of the relief granted herein by presenting a prima facie case of securities laws violations by Johnson and showing a reasonable likelihood that there is a grave risk of further diversion or dissipation of investor funds.

I.

**SHOW CAUSE HEARING**

IT IS HEREBY ORDERED that Johnson, J&J and Caterina Johnson show cause, if any, before the Honorable Frank J. Lynch of this Court, at time to be set by Judge Lynch o'clock am. on the hynch day of 2001, in Courtroom of the United States Courthouse, Florida, or as soon thereafter as the matter can be heard, why a Preliminary Injunction ~~an Asset Freeze~~ should not be granted pending the outcome of the case on its merits, as requested by the Commission.

II.

**TEMPORARY ASSET FREEZE**

IT IS HEREBY FURTHER ORDERED that, pending determination of the Commission's request for an asset freeze until the adjudication of this case on its merits, Johnson, J&J and Caterina Johnson, their directors, officers, agents, servants, employees, attorneys, depositories, banks, and those persons in active concert or participation with any one or more of them, and each of them, who receive notice of this order by personal service, mail, facsimile transmission or otherwise, be and

they hereby are, restrained from, directly or indirectly, transferring, setting off, receiving, changing, selling, pledging, assigning, liquidating or otherwise disposing of, or withdrawing any assets or property owned by, controlled by, or in the possession of Johnson, J&J and Caterina Johnson including, but not limited to, cash, free credit balances, fully paid for securities, and/or property pledged or hypothecated as collateral for loans.

**III.**

**REPATRIATION ORDER**

**IT IS HEREBY FURTHER ORDERED** that, Johnson, J&J and Caterina Johnson, their directors, officers, agents, servants, employees, attorneys, depositories, banks, and those persons in active concert or participation with any one or more of them, and each of them, shall:

(a) take such steps as are necessary to repatriate to the territory of the United States all funds and assets of investors described in the Commission's Complaint in this action which are held by them or are under their direct or indirect control, jointly or singly, and deposit such funds into the registry of the United States District Court, Southern District of Florida; and

(b) provide the Commission and the Court a written description of the funds and assets so repatriated.

**IV.**

**ACCOUNTINGS**

**A. Accounting and Identification of Accounts by Johnson**

**IT IS HEREBY FURTHER ORDERED** that within five (5) business days of the issuance of this Order Johnson shall:

(a) make a sworn accounting to this Court and the Commission of all funds, whether in

the form of compensation, commissions, income (including payments for assets, shares or property of any kind), and other benefits (including the provision of services of a personal or mixed business and personal nature) received by him from Link Express Delivery Solutions, Inc.;

(b) make a sworn accounting to this Court and the Commission of all assets, funds, or other properties held by him, jointly or individually, or for his direct or indirect beneficial interest, or over which he maintains control, wherever situated, stating the location, value, and disposition of each such asset, fund, and other property; and

(c) provide to the Court and the Commission a sworn identification of all accounts (including, but not limited to, bank accounts, savings accounts, securities accounts and deposits of any kind) in which he (whether solely or jointly), directly or indirectly (including through a corporation, partnership, relative, friend or nominee), either has an interest or over which he has the power or right to exercise control.

**B. Accounting by Relief Defendants**

**IT IS HEREBY FURTHER ORDERED** that Relief Defendants, shall make a sworn accounting within five (5) business days of the issuance of this Order to this Court of all:

- (a) monies received that relate to any offering; held by Link Express Delivery Solutions, Inc.
- (b) compensation, income, (including payment for assets, shares or property of any kind), other benefits (including the provision of services of a personal or mixed business and personal nature) that J&J or Caterina Johnson received from Link Express Delivery Solutions, Inc.

V.

**RECORDS PRESERVATION**

IT IS HEREBY FURTHER ORDERED that Johnson, J&J and Caterina Johnson, their directors, officers, agents, servants, employees, attorneys, depositories, banks, and those persons in active concert or participation with any one or more of them, and each of them, be and they hereby are restrained and enjoined from, directly or indirectly, destroying, mutilating, concealing, altering, disposing of, or otherwise rendering illegible in any manner, any of the books, records, documents, correspondence, brochures, manuals, papers, ledgers, accounts, statements, obligations, files and other property of or pertaining to Defendants or Link Express Delivery Solutions, Inc. wherever located, until further Order of this Court.

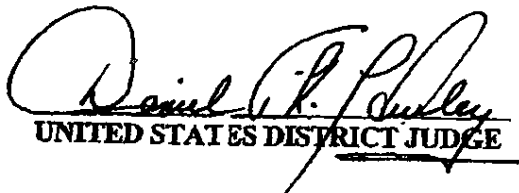
VI.

**RETENTION OF JURISDICTION**

IT IS HEREBY FURTHER ORDERED that this Court shall retain jurisdiction over this matter, Defendant and Relief Defendants in order to implement and carry out the terms of all Orders and Decrees that may be entered and/or to entertain any suitable application or motion for additional relief within the jurisdiction of this Court, and will order other relief that this Court deems appropriate under the circumstances.

DONE AND ORDERED at 5:21 o'clock, p.m. this 12<sup>th</sup> day of December, 2001, at

Mt. Plover, Fla. Florida.

  
UNITED STATES DISTRICT JUDGE

**Copies to:**

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**1401 Brickell Avenue, Suite 200**  
**Miami, Florida 33131**  
**Counsel for Securities and Exchange Commission**  
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**Fax: (305) 536-7465**