

**RECEIVER' STATEMENT REGARDING
REAL PROPERTY SEIZED FROM DEFENDANT HOEGELS**

The Receiver is well-aware of the real property owned by the Hoegels. In addition to the Lincoln, California home discussed in a motion filed with the Court on May 22 and granted on June 22, the Hoegels actually own three pieces of real property. In total, the Hoegels own(ed) the "Lincoln" property, the "Vallejo" property, the "American Canyon" property, and a vacant plot of land in Washington state.

Lincoln Property

Several investors questioned the rationale behind the Receiver's request – and the Court's approval – to release the Lincoln property back to the holders of a promissory note under which the Hoegels purchased the home. Simply put, the Lincoln property is worth well less than the amount owed on it by the Hoegels. The Hoegels failed to make timely payments on the note and, as a result, were in default and breach of their contract on the house. The note-holders were within their rights to initiate a foreclosure action. Rather than incur the costs related with a foreclosure proceeding and in light of the fact that the Lincoln property could not be sold in a manner that would return any value to the Receivership Estate, the Receiver determined that the most cost and time-efficient course of conduct would be to deed the Lincoln property back to the note-holders in lieu of their pursuit of any foreclosure action. The Court has authorized this approach.

Vallejo Property

The property in Vallejo, California is subject to a first-lien mortgage. It is clear from a review of pertinent records and interviews of the note holders and others that the amount outstanding on the note is far in excess of the home's actual, current value. A tenant who had been renting the property from the Hoegels failed to pay rent and vacated the premises *before* the SEC filed suit. The Hoegels are not earning any income from rental of this property; it has been seized and locked. Further, there is *no value* to be recognized by the Receivership Estate from the Vallejo property.

American Canyon Property

The Receiver seized the American Canyon property on the date the SEC filed its civil suit. The Receiver's team immediately locked down the property and all assets contained therein including furniture, computers, electronics, vehicles, and an extensive baseball memorabilia collection. The Hoegels are restrained, under Court order and as a result of changed locks, from entering the property and have been allowed access on only one occasion, during which they were supervised by the Receiver's team. The Hoegels are not receiving money from the rental or prior rental of this property, despite statements otherwise made by Mr. Scott Christopher, the ex-husband of Kristi Hoegel.

The American Canyon property is subject to two mortgage liens. The lenders are aware of the Receivership but have nevertheless made demand for the arrearages. The property is

currently being marketed by real estate professionals seeking a swift, profitable offer and closing. If that is successful, the Receivership Estate will benefit. If a timely sale does not close, the Estate will be forced to abandon the property as it will return no benefit to the Estate or, ultimately, its creditors. Nonetheless, the Hoegels' personal property has been seized by the Receiver (or foreclosed on or repossessed by lenders). The personal property is being marketed and sold for benefit of the Estate, on an ongoing basis.

Washington State Property

A vacant lot in Washington state owned by the Hoegels will also be marketed for sale by the Receiver.

Other

In addition to the above-described and already-seized real estate, the Hoegels also own one luxury RV. However, the amount owed to the lender on the vehicle *far exceeds* its current value. Hence, it will also be abandoned if a swift, profitable sale cannot be accomplished. The Receiver is discussing a possible sale of the vehicle with the lender and luxury vehicle specialists.