

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

vs.

GLOBAL ONLINE DIRECT, INC.,
BRYANT E. BEHRMANN and LARRY
"BUCK" E. HUNTER,

Defendants.

Civil Action No. 1:07-CV-0767-WSD

**DECLARATION OF MICHAEL A. GRASSMUECK IN SUPPORT OF MOTION
FOR ORDER CLOSING CASE AND DISCHARGING THE RECEIVER
FOLLOWING COMPLETION OF THE FINAL CLOSING TASKS AND FOR
OTHER RELATED RELIEF**

I, Michael A. Grassmueck, declare:

1. I am the duly appointed receiver (the "Receiver") for Global Online Direct, Inc. ("Global") and its subsidiaries Global Online Depository, Global Online SPIP, Global Online Auction Stores, Triple Diamond B, Bodaga Bay, Bodaga Bay Trucking, Inc., Catherine Crick Riders, Double B Broadcasting, Inc., The AM Show, Double B MPG, Global Online Direct, U Loan We Pay, and Bargain Hunter, Inc., and their subsidiaries and affiliates and any entities controlled by them (collectively referred to as the "Receivership Entities").

2. I submit this declaration (the "Declaration") in support of the motion for order closing the receivership and discharging the receiver and for other related relief following the completion of the final closing tasks, as set forth below (the "Motion"). I

have personal knowledge of the facts stated in this Declaration as to which I could and would personally and competently testify if called upon to do so.

The SEC Action and Investigation of Global's Business Operations

3. On April 25, 2007, the Securities and Exchange Commission ("SEC") commenced an action against the Defendants for violations of various federal securities laws. According to the SEC, the Defendants were involved in the fraudulent offer and sale of approximately \$45 million of unregistered securities, beginning in October 2005. On June 4, 2007, I was appointed as permanent receiver, following my tenure as temporary receiver over the Receivership Entities.

The Receiver Order

4. The Receiver Order identified my duties and responsibilities as follows: (i) securing, protecting and recovering assets, including tangible and intangible assets and choses in action; (ii) preparing an accounting and investigating the basis for the receivership proceeding; (iii) analyzing claims and developing, with Court approval, a plan for allowing claims and the equitable distribution of assets to investors; (iv) liquidating assets; and (v) pursuing claims for the benefit of the receivership estate ("Estate").

The Estate's Initial Work

5. During the initial stages of the receivership, the Estate and its professionals worked diligently to investigate the business practices of the Receivership Entities and individual defendants, to locate and marshal assets, to ascertain what happened to over \$40 million dollars raised by the Defendants, and to value and sell Estate assets.

6. Additionally, during this period, the Estate, with the assistance of its forensic accountant, Financial Forensics ("Forensic Accountant"), focused on complying with the Estate's duties under the Order to prepare an accounting, to preserve the Estate assets' values, and to commence such litigation as may be required to recover Estate assets held by third parties, including any action for fraudulent conveyance needed to

recover real property and money given by the Receivership Entities to third parties. An Estate final accounting will be submitted as part of the Final Closing Tasks.

The Dismissal of Investor Lawsuits

7. A number of investors filed suits against the SEC and I, as receiver, asserting claims to funds held in the Estate, and also challenging the propriety of the SEC to take control and custody over the Receivership Entities and to appoint a receiver over such Entities. The Estate and SEC moved to dismiss such suits on the grounds that, among others, that proper leave was not obtained under applicable law, prior to suing the Estate for the relief requested, there were no cognizable and valid claims asserted, and the SEC was protected by the doctrine of sovereign immunity from such suits. The Court granted the motions to dismiss and entered orders dismissing these investor lawsuits on or about February 22, 2008.

The Accounting

8. The Forensic Accountant's Report was filed and completed on March 31, 2008. The forensic accounting involved the exhaustive recreation of over 20,000 financial transactions that occurred prior to entry of the Receivership Order.

The Sale of Personal Property Assets

9. The Estate employed an auctioneer which assisted in the sale of numerous personal property assets of the Estate, at an April, 2008 auction. The Estate auctioned these assets consisting primarily of the product inventory of Global and a number of its subsidiaries, which were all located in Oregon. The net return to the Estate after payment of auction and auction-related expenses, and the auctioneer's commission, was \$571,487.84.

The Sale of Real Property Assets

10. The Estate employed a real estate broker which assisted the Estate in the sale of over thirteen (13) Estate real properties ("Estate Real Properties") which were all located in Oregon. The Estate netted from the sale of the Estate Real Properties, after payment of applicable commissions, taxes and liens, the amount of \$2,046,617.35.

The Claw-Back Litigation for Real Property Recoveries from Third Parties

11. The Estate also worked diligently during the receivership to trace the transfer of investor proceeds for the purchase of numerous Oregon real properties with such proceeds. The Estate ultimately determined it necessary to file suit against numerous third parties who benefited from the purchase of the real properties ("Claw-Back Property Litigation"), in the action entitled, *Michael A. Grassmueck, Receiver v. Mary C. Hunter, et al.*, Case No. 1:07-CV-2532, pending before this Court.

12. Through various settlements the Estate was successful in recovery of title to several of the real properties from the third-party defendants. These properties were then liquidated. Two of the claw-back properties, one located at 2545 Chateau Clermont, Henderson, Nevada, and the other located at 511 E. Arch Street, Union, Oregon, were abandoned by the Estate as authorized under the Receiver Order, because there was no value in the properties to the Estate.

The Pursuit of Other Third Parties for Recoveries of Investor Proceeds

13. In addition to the Claw-Back Litigation, the Estate made a significant effort to investigate the viability of claims against third-party promoters and insiders who were the recipients of millions of dollars of cash from this enterprise ("Claw-Back Cash"). One of the individuals and entities which the Estate believed received Claw-Back Cash, was Pantera San Francisco Pure Trust Organization and Private Plan, of which Stephan L. Wakefield, was the trustee and/or principal (collectively, "Pantera and Wakefield"). The Estate spent substantial time in pursuing discovery as to Pantera and Wakefield.

Pantera and Wakefield

14. Due to repeated failures to comply with a Court order, issued by the U.S. Federal District Court, Northern District of California, Oakland Division, (Judge Sandra L. Armstrong) compelling compliance with discovery, the Estate successfully pursued a contempt citation against Pantera and Wakefield. It was only after issuance of the citation that Pantera and Wakefield agreed to produce documents and make themselves available for deposition. Ultimately, these efforts by the Estate ran up against the

recession and collapse of the real estate markets. That is, I determined that the financial condition of Pantera and Wakefield, and their real property interests, did not warrant further litigation. Accordingly, I determined that, under a cost-benefit analysis, the continued pursuit of discovery and potential litigation against Pantera and Wakefield were not economically justified.

The Claw-Back Cash Litigation

15. Other entities and individuals which the Estate believed may have received Claw-Back Cash, were entities affiliated with Doug Oberan and Yada Schneider, who had possible links to Global On-Line Direct Arizona, Inc. (the "Third Party Defendants"), as promoters and insiders. The Estate issued a number of subpoenas to financial institutions to obtain bank records on such entities, and analyzed the records produced to determine whether such entities received Claw-Back Cash and hold any assets of value.

16. Ultimately, the Estate sought approval from the Court to retain the law firm of Larkins Vacura LLP ("LV Firm"), to file litigation against the Third Party Defendants to recover the sums paid to these promoters and insiders ("Claw-Back Cash Litigation"). The LV Firm filed suit on behalf of the Estate against the Third Party Defendants on October 26, 2009, entitled *Grassmueck v. Bishop, et al.*, Case No. 09-CV-1257-HU, in the U.S. District Court, District of Oregon, and obtained entry of default judgments against many of these Third Party Defendants. However, collection on the default judgments was made difficult due to the triggering of a number of bankruptcy filings among the Third Party Defendants.

17. The Estate has elected to terminate the Claw-Back Cash Litigation. This determination was made based upon the cost of collecting on any judgments obtained in the litigation relative to (a) the unlikely prospect of assets available for collection and (b) the prospect of discharge of such judgments in bankruptcies filed by the judgment debtors.

Claims Process and Determinations

18. The Estate concluded the claims administration process in this case. The Court granted the Estate's omnibus motion for claims determination in this case ("Omnibus Motion"), which provided for, among other things, the distribution of a maximum of \$10.00 to those claimants (i) whose claims were less than \$2,000, and (ii) whose claims did not have sufficient back-up documentation, but still wanted a distribution, and their claims were verified against the Estate's records (collectively, "Convenience Class Claims").

19. The Estate requested, and obtained, approval of such distribution amount to Convenience Class Claims, after determining that the administrative cost of processing each of these claims far exceeded the net percentage return for distribution on these Claims, and also that the administrative cost would also necessarily consume distribution amounts for those allowed claims greater than \$2,000. The Estate determined, and the Court approved that a distribution of \$10.00 to the Convenience Class Claims would be the most and fair equitable treatment for holders of these Claims.

20. Based on review of the claims, the Estate determined there were a total of 2,410 claims filed against the Estate in the amount of \$47,819,814.38. Of the 2,410 claims, the Estate objected to 274 claims in full, and allowed (or partially allowed) 2,136 claims. The total allowed amount in claims against the Estate is \$21,897,027.30.

21. These claims consist of 736 Convenience Class Claims, ("Allowed CC Claims"), and a remainder of 1,400 general unsecured allowed claims in the amount of \$21,889,667.30, which will share in the remaining Estate funds, following distribution to the Allowed CC Claims, on a *pro rata* basis ("Allowed GU Claims").

Distribution Motion and Plan

22. As set forth in the motion for approval of distribution and distribution plan ("Distribution Plan"), approved by the Court, the Allowed GU Claims will be paid at approximately 5% *pro rata*, and the Allowed CC Claims will receive a distribution of \$10 per claim. The Estate proposes that any post-receivership administrative claims

("Administrative Claims") for the Estate's and its professionals' fees and costs, also be paid in full, subject to Court approval. The Administrative Claims were capped at \$75,000 in connection with the Fourth and Final Fee Applications ("Fee Cap"). The total of the Fourth and Final Fee Applications of \$67,947.59 are below the Fee Cap. The details related to the Estate's and its professionals' claims for administrative expenses are set forth in the Fourth and Final Fee Applications, concurrently filed herewith.

Relief Requested

23. By this Motion, I request that the Court authorize the closing of the Estate and my discharge as Receiver, following: (i) the completion of the distribution of all Estate funds to investors and creditors holding allowed claims, pursuant to the Order approving the Motion to Approve Distribution and Distribution Plan, (ii) the destruction of Estate records, and (iii) the filing of a declaration confirming completion of (i) and (ii) above, and attaching the final accounting for the Estate, (collectively, the "Final Closing Tasks"). I estimate the completion of the Final Closing Tasks in approximately 120 days from the filing of this Motion. The 120 day period is necessitated by, among other things, the time to complete the distributions, to fully process any returned distribution checks (e.g., those checks returned as undeliverable to investors and creditors), and to incorporate the details concerning the status of distributions into the final accounting.

24. Once the Final Closing Tasks are completed, I request that the Court enter an Order closing the case and discharging me as receiver. Aside from the Final Closing Tasks to be completed, the Receiver has fulfilled all his duties under the Court's Order Appointing a Receiver, Freezing Defendants' Assets, and Ordering Other Ancillary Relief, entered on June 4, 2007, and completed all necessary work pursuant to the Receiver Order ("Receiver Order").

25. In connection with the Final Closing Tasks, I request as additional related relief that the Court approve the destruction of the Estate's records. I believe that destruction of the Estate's records is appropriate and prudent given that many of the records contain personal financial information of individual investors, and other

individuals. Destruction of these records ensures that this information cannot be compromised. Further, with the closing of the receivership, there would be no further need for the Estate to maintain the records, or incur storage fees and any administrative expenses associated with maintaining such records. The Estate has confirmed with the SEC that these records may be destroyed.

26. The Receiver Order provides at Section V.N that I may "abandon any asset that, in the exercise of his reasonable business judgment, will not provide benefit or value to the Receiver[ship] Estate". I have determined that the Estate records have no value, and that destruction of the records is in the best interest of investors, and other individuals, who may have personal financial information listed in these records. Therefore, on the same grounds for abandoning any asset of the Estate under the Receiver Order, I request Court approval to destroy the Estate records, as they provide no benefit or value to the Estate.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed this 30 day of September, 2010, at Portland, Oregon.



MICHAEL A. GRASSMUECK