

- Maintaining the LLCs' business relationships with monetizers (who are the LLCs' main sources of revenue) and the domain names' registrar and registrant; and
- Responding to complaints against the LLCs' domain names alleging trademark infringement.

[See Docket Nos. 372, 436, 496, 511, 629 at Ex. A, 650 at Ex. 1, 658 at Ex. C, 678 at Ex. B, 700 at Ex. A, 713 at Ex. C, 750 at Ex. C, 781 at Ex. C, 828 at Ex. B, 840 at Ex. E, 879 at Ex. C.]

Without Mr. Nelson's daily time and attention to these specific tasks and anything else related to the LLCs, the LLCs would cease to function as ongoing businesses. Furthermore, Mr. Nelson has negotiated domain name sales whose proceeds will provide most of the revenue necessary to fund the Receivership's liabilities. [See Docket Nos. 694, 709, 743, 779, 839, 852, 872.]

iii. Outstanding Fees.

Mr. Nelson has not received any payment for his services rendered as the LLCs' manager from September 1, 2011 through April 20, 2012, and seven fee applications filed on Mr. Nelson's behalf for that time period are currently pending before the Court (summarized by the chart in Section II.A.4 below). [Docket Nos. 700 at Ex. A, 713 at Ex. C, 750 at Ex. C, 781 at Ex. C, 828 at Ex. B, 840 at Ex. E, 879 at Ex. C.] The Receiver requests that the Court grant Mr. Nelson's pending fee applications and grant the Receiver the authority to fund the applications.

b. *James Eckels.*

i. Engagement as Receivership Professional.

Prior to the Receivership, Quantec, LLC hired Mr. Eckels to serve as its attorney. Mr. Eckels continued in his position after the Receiver's appointment so that the LLCs' operations would not suffer disruption. On or about December 29, 2010, the Receiver engaged Mr. Eckels as a Receivership Professional. [Docket No. 189.] Since then, Mr. Eckels has continued

providing important services to the LLCs as a Receivership Professional. [See Docket Nos. 196, 314, 494, 512, 678, at Ex. A, 840 at Ex. B, 879 at Ex. D.]

ii. Duties.

Mr. Eckels' duties include (without limitation) the following:

- Representing Quantec, LLC at all court hearings
- Responding to claims against the LLC domain names for trademark infringement;
- Assisting in the renewal and non-renewal of the domain names' registrations;
- Maintaining the LLCs' business relationships with the domain names' registrant and registrar; and
- Negotiating with a new registrar to maintain the LLCs' domain names.

[*Id.*]

iii. Outstanding Fees.

Mr. Eckels has not received any payment for his services rendered as a Receivership Professional from September 1, 2011 through April 20, 2012, and two fee applications filed on Mr. Eckels' behalf for that time period are currently pending before the Court (summarized by the chart in Section II.A.4 below). [Docket No. 840 at Ex. B, 879 at Ex. D.] The Receiver requests that the Court grant Mr. Eckels' pending fee applications and grant the Receiver the authority to fund the applications.

c. *Josh Cox.*

i. Engagement as Receivership Professional.

Prior to the Receivership, Novo Point, LLC hired Mr. Cox to serve as its attorney. Mr. Cox continued in his position after the Receiver's appointment so that the LLCs' operations would not suffer disruption. On or about December 29, 2010, the Receiver engaged Mr. Cox as

a Receivership Professional. [Docket No. 188.] Since then, Mr. Cox has continued providing important services to the LLCs as a Receivership Professional. [See Docket Nos. 190, 217, 256, 266, 346, 446, 488, 547, 603, 658 at Ex. A, 678 at Ex. E., 701 at Ex. A, 771 at Ex. B, 798 at Ex. A, 840 at Ex. A, 879 at Ex. E.]

ii. Duties.

Mr. Cox's duties include (without limitation) the following:

- Representing Novo Point, LLC at all court hearings;
- Responding to claims against the LLCs' domain names for trademark infringement;
- Assisting in the renewal and non-renewal of the domain names' registrations; and
- Maintaining the LLCs' business relationships with the domain names' registrants and registrar.

[*Id.*]

iii. Outstanding Fees.

Mr. Cox has not received any payment for his services rendered as a Receivership Professional from September 1, 2011 through April 20, 2012, and five fee applications filed on Mr. Cox's behalf for that time period are currently pending before the Court (summarized by the chart in Section II.A.4 below). [Docket Nos. 701 at Ex. A, 771 at Ex. B, 798 at Ex. A, 840 at Ex. A, 879 at Ex. E.] The Receiver requests that the Court grant Mr. Cox's pending fee applications and grant the Receiver the authority to fund the applications.

d. *Grant Thornton.*

i. Engagement as Receivership Professionals.

On or about February 14, 2011, the Receiver engaged the accounting firm of Grant Thornton LLP as Receivership Professionals. [Docket No. 313.] Since then, Grant Thornton has

provided important services to certain Receivership Parties as a Receivership Professional. [*See* Docket Nos. 505, 648 at Ex. C, 658 at Ex. B, 687 at Ex. A, 725 at Ex. B, 828 at Ex. A, 879 at Ex. F.]

ii. Duties.

Grant Thornton has provided consultation to the Receiver in the form of advice regarding the tax liability of all Receivership Parties and, in particular, the LLCs. Additionally, Grant Thornton has provided audit services on a monthly basis regarding the financial operations of the LLCs. [*Id.*; *see also* Docket Nos. 479 at pp. 53-54, 97-10; 647 at pp. 64-65, 129-30; 675 at pp. 76, 143-45; 709 at pp. 11-12, 67, 92; 839 at pp. 190-93.]

iii. Outstanding Fees.

Grant Thornton has not received any payment for its services rendered as Receivership Professionals from May 1, 2011 through April 20, 2012. Six fee applications filed on Grant Thornton's behalf for that time period are currently pending before the Court (summarized by the chart in Section II.A.4 below). [Docket Nos. 648 at Ex. C, 658 at Ex. B, 687 at Ex. A, 725 at Ex. B, 828 at Ex. A, 879 at Ex. F.] The Receiver requests that the Court grant Grant Thornton's pending fee applications and grant the Receiver the authority to fund the applications.

e. *Local Counsel.*

i. Engagement as Receivership Professional.

Certain Receivership Parties and Receivership Assets are located outside the Northern District of Texas. In order to extend his jurisdiction over these Receivership Parties and Receivership Assets, the Receiver had to file miscellaneous actions in the foreign districts where they are located. (*See* 28 U.S.C. § 754.) In order to make the necessary filings, the Receiver engaged local counsel in the relevant foreign jurisdictions. [*See* Docket Nos. 230 at pp. 4-5; 321

at pp. 17-18; 343.] One such local counsel is the law firm of David C. Skinner LLC in the Northern District of Alabama. [Docket No. 343.]

ii. Work Performed.

Local counsel retained by the Receiver, including David C. Skinner LLC, have received compensation for their services relating to the filing of miscellaneous actions and the extension of the Receiver's jurisdiction in their respective foreign districts. [See Docket Nos. 368, 538.] Since then, however, Davis C. Skinner LLC has performed additional work in the Northern District of Alabama related to the Receivership. [See Docket No. 725 at Ex. A.] Specifically, in October 2011, the United States District Court for the Northern District of Alabama requested that David C. Skinner LLC provide a report regarding the status of the Receivership. David C. Skinner, LLC complied with the Court's request and, in doing so, incurred additional fees. [Id.]

iii. Outstanding Fees.

David C. Skinner LLC has not received payment for its services described above and one fee application filed on David C. Skinner LLC's behalf for those services is currently pending before the Court (summarized by the chart in Section II.A.4 below). [Id.] The Receiver requests that the Court grant David C. Skinner LLC's pending fee application and grant the Receiver the authority to fund the application.

4. Summary of the Administrative Costs.

A total of 51 fee applications are pending for work performed by the Receiver, his counsel, and the Receivership Professionals since as early as January 2011 (the "51 Fee Applications"). Each fee application describes in detail the work performed fees incurred by these parties during the relevant time periods. The Receiver seeks approval to pay the amounts

sought in the 51 Fee Applications, which total \$1,084,336.36. The chart below provides further details on the 51 Fee Applications:

Applicant	Fee Applications	Dkt. No(s).	Time Periods Covered in Applications	Amount of Application	Response Dkt. No.
Receiver	3rd Fee App.	323, 387	Jan. 1 – 31, 2011	\$13,822.27 (25% unpaid)	Dkt. No. 373
	4th Fee App.	417, 429	Feb. 1 – 28, 2011	\$20,881.25 (25% unpaid)	None Timely Filed
	5th Fee App.	490, 532	Mar. 1 – 31, 2011	\$13,068.90 (25% unpaid)	None Timely Filed
	6th Fee App.	492, 534	Apr. 1 – 22, 2011	\$7,087.50 (25% unpaid)	None Timely Filed
	7th Fee App.	605, 807	Apr. 23 – May 31, 2011	\$13,510.00 (25% unpaid)	Dkt. No. 627
	8th Fee App.	648-A,807	June 1 – July 15, 2011	\$10,570.12 (25% unpaid)	5th Cir. #511600278
	9th Fee App.	678-C,807	July 16 – Aug. 31, 2011	\$13,027.86 (25% unpaid)	5th Cir. #511600278
	10th Fee App.	698-A,807	Sep. 1 – 30, 2011	\$6,058.00 (25% unpaid)	5th Cir. #511653120
	11th Fee App.	713-A,807	Oct. 1 – 31, 2011	\$6,860.00 (25% unpaid)	5th Cir. #511677957
	12th Fee App.	750-A,807	Nov. 1 – Dec. 15, 2011	\$17,325.00 (25% unpaid)	5th Cir. #511712612
	13th Fee App.	781-A,807	Dec. 16 – 31, 2011	\$4,392.50 (25% unpaid)	5th Cir. #511734073
	14th Fee App.	840-C	Jan.1 – Feb. 21, 2012	\$55,090.00	5th Cir. #511779650
	15th Fee App.	853-A	Feb. 22 – 29, 2012	\$11,970.00	5th Cir. #511810836
	16th Fee App.	877-A	Mar. 1 – 31, 2012	\$31,290.00	5th Cir. #511837065
	17th Fee App.	879-A	Apr. 1 – 20, 2012	\$21,687.49	5th Cir. #511837065
	TOTAL:		Jan. 1, 2011–Apr. 20, 2012	\$246,640.89	
Counsel for Receiver	3rd Fee App.	324, 386	Jan. 1 – 31, 2011	\$30,838.66 (25% unpaid)	Dkt. No. 373
	4th Fee App.	418, 427	Feb. 1 – 28, 2011	\$40,860.05 (25% unpaid)	None Timely Filed
	5th Fee App.	491, 533	Mar. 1 – 31, 2011	\$38,748.97 (25% unpaid)	None Timely Filed
	6th Fee App.	493, 535	Apr. 1 – 22, 2011	\$19,955.60 (25% unpaid)	None Timely Filed
	7th Fee App.	606, 807	Apr. 23 – May 31, 2011	\$45,389.01 (25% unpaid)	Dkt. No. 627
	8th Fee App.	648-B,807	June 1 – July 15, 2011	\$27,120.94 (25% unpaid)	5th Cir. #511600278
	9th Fee App.	678-D,807	July 16 – Aug. 31, 2011	\$40,938.55 (25% unpaid)	5th Cir. #511600278
	10th Fee App.	698-B,807	Sep. 1 – 30, 2011	\$19,253.51 (25% unpaid)	5th Cir. #511640727
	11th Fee App.	713-B,807	Oct. 1 – 31, 2011	\$18,205.94 (25% unpaid)	5th Cir. #511677957
	12th Fee App.	750-B,807	Nov. 1 – Dec. 15, 2011	\$40,522.45 (25% unpaid)	5th Cir. #511712612
	13th Fee App.	781-B,807	Dec. 16 – 31, 2011	\$11,698.18 (25% unpaid)	5th Cir. #511734073
	14th Fee App.	840-D	Jan. 1 – Feb.15, 2012	\$126,287.08	5th Cir. #511779650
	15th Fee App.	853-B	Feb. 1 – 29, 2012	\$32,599.99	5th Cir. #511810836

Applicant	Fee Applications	Dkt. No(s).	Time Periods Covered in Applications	Amount of Application	Response Dkt. No.
Counsel for Receiver <i>(cont'd)</i>	16th Fee App.	877-B	Mar. 1 – 31, 2012	\$66,324.60	5th Cir. #511837065
	17th Fee App.	879-B	Apr. 1 – 20, 2012	\$50,906.10	5th Cir. #511837065
	TOTAL:		Jan. 1, 2011–Apr. 20, 2012	\$609,649.63	
Damon Nelson	9th Fee App.	700-A	Sep. 1 – 30, 2011	\$15,100.00	5th Cir. #511647389
	10th Fee App.	713-C	Oct. 1 – 31, 2011	\$13,225.00	5th Cir. #511677960
	11th Fee App.	750-C	Nov. 1 – 30, 2011	\$14,050.00	5th Cir. #511712615
	12th Fee App.	781-C	Dec. 1 – 31, 2011	\$13,600.00	5th Cir. #511734076
	13th Fee App.	828-B	Jan. 1 – 31, 2012	\$13,325.00	5th Cir. #511769779
	14th Fee App.	840-E	Feb. 1 – 23, 2012	\$15,575.00	5th Cir. #511779647
	15th Fee App.	879-C	Feb. 24 – Apr. 20, 2012	\$28,975.00	5th Cir. #511837062
	TOTAL:		Sep. 1, 2011–Apr. 20, 2012	\$113,850.00	
James Eckels	6th Fee App.	840-B	Sep. 1, 2011 – Feb. 23, 2012	\$16,187.50	5th Cir. #511779644
	7th Fee App.	879-D	Feb. 24 – Apr. 20, 2012	\$5,475.00	5th Cir. #511837056
	TOTAL:		Sep. 1, 2011–Apr. 20, 2012	\$21,662.50	
Joshua Cox	12th Fee App.	701-A	Sep. 1 – 30, 2011	\$6,656.25	5th Cir. #511650815
	13th Fee App.	771-B	Oct. 1 – Nov. 30, 2011	\$9,187.50	5th Cir. #511728337
	14th Fee App.	798-A	Dec. 1 – 31, 2011	\$6,406.71	5th Cir. #511749490
	15th Fee App.	840-A	Jan. 1 – Feb. 23, 2012	\$6,072.50	5th Cir. #511779641
	16th Fee App.	879-E	Feb. 24 – Apr. 20, 2012	\$4,164.25	5th Cir. #511837053
	TOTAL:		Sep. 1, 2011–Apr. 20, 2012	\$32,487.21	
Grant Thornton	2nd Fee App.	648-C	May 1 – June 20, 2011	\$6,406.11	5th Cir. #511600278
	3rd Fee App.	658-B	June 21 – July 18, 2011	\$8,387.26	5th Cir. #511600278
	4th Fee App.	687-A	May 11 – Sep.19, 2011	\$5,365.14	None Timely Filed
	5th Fee App.	725-B	Sep. 19 – Oct.7, 2011	\$1,142.25	5th Cir. #511693029
	6th Fee App.	828-A	Oct. 8 – Jan.31, 2011	\$9,608.88	5th Cir. #511769782
	7th Fee App.	879-F	Feb. 1 – Apr. 20, 2012	\$27,718.99	5th Cir. #511837059
	TOTAL:		Sep. 1, 2011–Apr. 20, 2012	\$58,628.63	
David C. Skinner, LLC	3rd Fee App.	725-A	Mar. 11 – Oct. 18, 2011	\$1,417.50	5th Cir. #511693029
	TOTAL:		Mar. 11 – Oct. 18, 2011	\$1,417.50	
TOTAL OUTSTANDING FEES THROUGH APRIL 20, 2012				\$1,084,336.36	

THE RECEIVER'S SEALED EX PARTE MOTION FOR APPROVAL OF ADMINISTRATIVE COSTS AND TO DISBURSE CASH AND SELL DOMAIN NAMES TO FUND ADMINISTRATIVE COSTS

B. The Court Should Approve Disbursement of Cash and Sale of Domain Names.

The Receiver proposes paying the \$1,084,336.36 requested in the 51 Fee Applications through a combination of (1) proceeds from domain name sales (including sales that have already been consummated, are currently pending approval by the Court, and the Receiver is seeking approval for the first time), and (2) cash-on-hand.

1. Proceeds from Domain Name Sales.

a. Domain Name Sales to Date.

On February 2, 2012, this Court ordered that the Receiver (1) sell the domain names listed in *The Receiver's Sealed Motion to Approve Sale of Specific Domain Names and Confirm Propriety of Sales Protocol* [Docket Nos. 424-25] (the "First Sales Motion") and *The Receiver's Second Sealed Motion to Approve Sale of Specific Domain Names* [Docket Nos. 480-81] (the "Second Sales Motion") and (2) use the proceeds to fund certain fee applications. [Docket No. 820.] As of the date of this motion, the Receiver has not only received sufficient proceeds from these sales to fund the fee applications as ordered by this Court but has entered into contracts for additional ordered sales that will result in a surplus of \$62,108.85 (the "Revenue Surplus"). (*See the Declaration of Damon Nelson* (the "Nelson Declaration"), a true and correct copy of which is attached hereto as Exhibit 52, at ¶ 26.) The Receiver requests that this Court order the Receiver to use the Revenue Surplus to fund partially the 51 Fee Applications.

b. Domain Names Sales that Are Currently Pending.

The First and Second Sales Motions (and Mr. Nelson's declarations filed in support thereof) detail a protocol developed by Mr. Nelson for the valuing and selling of domain names (the "Protocol"). [Docket Nos. 424-25, 480-81; *see also* the Nelson Declaration, Ex. 52 at ¶¶ 6-18 (also describing the Protocol).] The Protocol employs two methods of valuation to determine

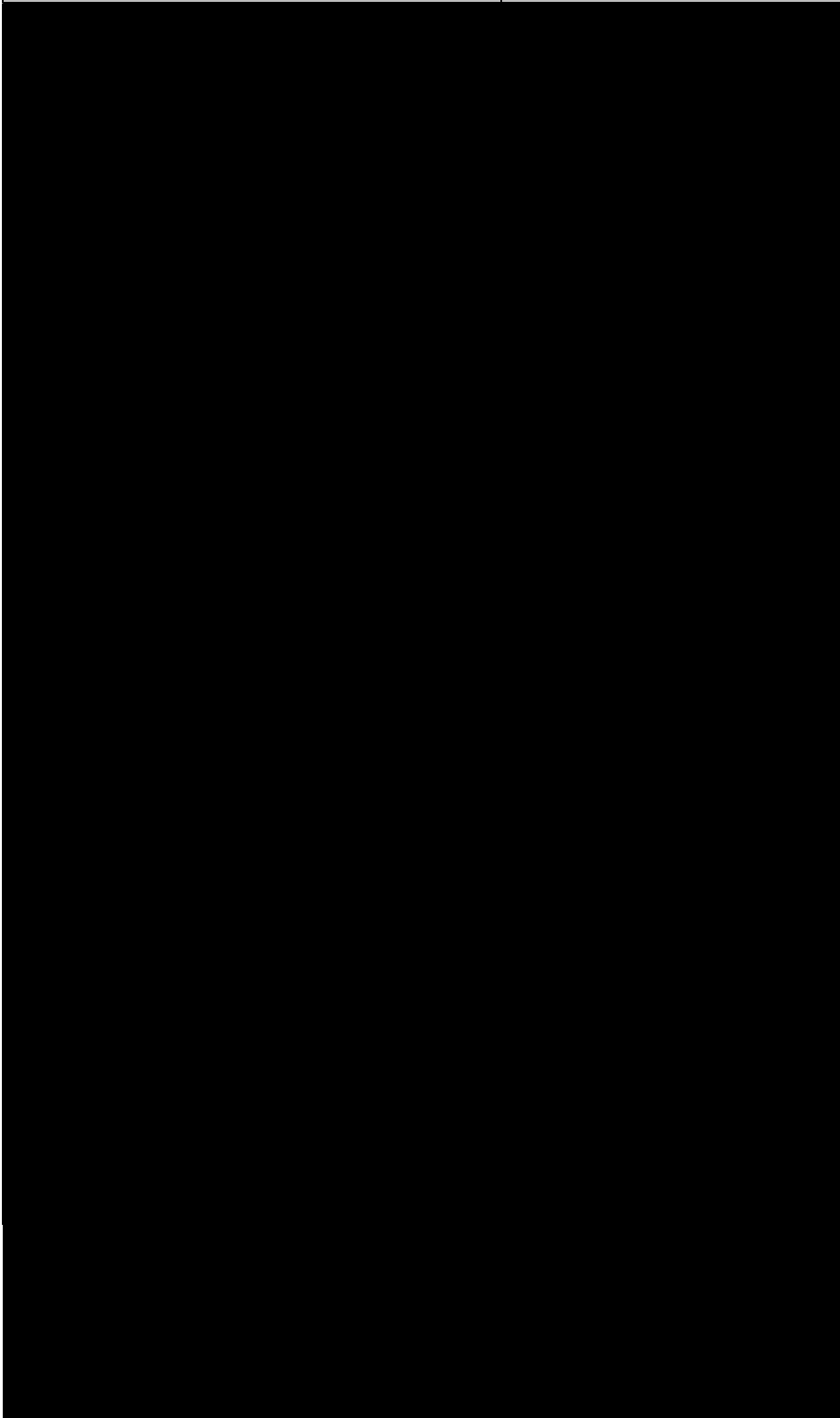
retails sales pricing—Income Valuation (employing a multiple of net annual earnings) and Market Valuation (employing computer generated and/or individually-performed appraisals). [Docket Nos. 424-25, 480-81.; *see also* the Nelson Declaration, Ex. 52 at ¶¶ 6-16.] By granting the First and Second Sales Motions, the Court approved of the use of the Protocol with respect to domain name sales. [Docket No. 820.]

On September 20, 2011, the Receiver filed *The Receiver’s Third Sealed Motion to Approve Sale of Specific Domain Names* (the “Third Sales Motion”). [Docket No. 685 at Ex. B.] As stated in the Third Sales Motion and exhibits thereto, Mr. Nelson, using the same Protocol, has contracted for the sale of a single domain name for a tentative/non-finals sales price of \$200,000.00. [*Id.*] The Receiver requests that the Court (1) grant the Third Sales Motion, (2) grant the Receiver the authority to sell the domain name described therein, and (3) instruct the Receiver to use funds from this sale to fund the 51 Fee Applications.

c. 39 Domain Names Sales Negotiated Pursuant to the Protocol.

Using the Protocol, Mr. Nelson has negotiated tentative/non-final sales prices for 39 additional domain names using the Protocol (the “39 Domains”). (Nelson Declaration, Ex. 52 at ¶¶ 6-22.) In his Declaration attached hereto as Exhibit 52, Mr. Nelson details his employment of the Protocol and conclusion that the sales are for reasonable prices. (*Id.* at ¶¶ 6-23.) The chart below documents the tentative sales prices for the 39 Domains.

The 39 Domains	Tentative Sale Price

The 39 Domains	Tentative Sale Price
	

The 39 Domains	Tentative Sale Price
[REDACTED]	
TOTAL:	\$443,740

d. Sale of 14 Domain Name Package Not Negotiated Pursuant to the Protocol But Which Mr. Nelson Has Deemed Reasonable.

Mr. Nelson has also negotiated the sale of a “package” of 14 domain names (the “14 Domain Package”) for a total tentative sales price of \$157,300—a price that, although not negotiated pursuant to the Protocol, Mr. Nelson has deemed reasonable based on his expertise and experience in the domain name industry. (Nelson Declaration, Ex. 52 at ¶¶ 24-25.) Below is a chart of the 14 Domain Package with a total tentative sales price negotiated by Mr. Nelson of \$157,300:

The 14 Domain Package
[REDACTED]

The 14 Domain Package
TOTAL "PACKAGE" PRICE: \$157,300

(*Id.* at ¶¶ 26-27.)

- e. Sale of 88 Domain Name Package Not Negotiated Pursuant to the Protocol But Which Mr. Nelson Has Deemed Reasonable.*

Mr. Nelson has also negotiated the sale of a “package” of 88 domain names (the “88 Domain Package”) for a total tentative sales price of \$500,000—a price that, although not negotiated pursuant to the Protocol, Mr. Nelson has deemed reasonable based on his expertise and experience in the domain name industry. (Nelson Declaration, Ex. 52 at ¶¶ 26-27.) Below is a chart of the 88 Domain Package with a total tentative sales price negotiated by Mr. Nelson of \$500,000:

The 88 Domain Package

The 88 Domain Package



**THE RECEIVER'S SEALED EX PARTE MOTION FOR APPROVAL
OF ADMINISTRATIVE COSTS AND TO DISBURSE CASH AND
SELL DOMAIN NAMES TO FUND ADMINISTRATIVE COSTS**

The 88 Domain Package



**THE RECEIVER'S SEALED EX PARTE MOTION FOR APPROVAL
OF ADMINISTRATIVE COSTS AND TO DISBURSE CASH AND
SELL DOMAIN NAMES TO FUND ADMINISTRATIVE COSTS**

The 88 Domain Package
TOTAL "PACKAGE" PRICE: \$500,000

(*Id.* at ¶¶ 26-27.)

2. Cash-on-Hand.

Taking into account the Revenue Surplus (\$62,108.85), the anticipated revenue from the sale of the domain name included in the Third Sales Motion (\$200,000), the anticipated revenue from the sale of the 39 Domains (\$443,740), the anticipated revenue from the sale of the 14 Domain Package (\$157,300), and the anticipated revenue from the sale of the 88 Domain Package (\$500,000), *i.e.*, \$1,363,148.85, the Receiver expects to acquire sufficient funds to pay the \$1,084,336.36 requested in the 51 Fee Applications. However, none of the domain sales anticipated above (nor their tentative sales prices) are certain or guaranteed. For example, some

of the sales were negotiated by Mr. Nelson months ago and there remains a possibility that the tentative purchasers will back out due to the delay.

As reported in *The Receiver's Notice of the Receivership's Projected Financial Picture as of April 30, 2012*, the Receivership estate currently has cash-on-hand totaling \$1,229,091.63 (the "Cash-On-Hand").⁵ [Docket No. 864 at § A.1.] To the extent that the Receiver does not acquire sufficient funds to pay the \$1,084,336.36 requested in the 51 Fee Applications from proceeds of domain name sales, the Receiver requests that the Court grant the Receiver the authority to use the Cash-On-Hand to fund any remaining balance of the 51 Fee Applications.

III. ARGUMENT AND AUTHORITIES.

The Supreme Court and the Fifth Circuit Court of Appeals have both held that fees incurred in working for a receivership are reimbursable regardless of whether the receivership is upheld on appeal. In *Palmer v. Texas*, a court ruled that a receivership was improper, but the Supreme Court allowed for the costs of the receivership, stating:

The receivership has gone on pending the proceedings upon appeal, and we are of opinion that justice will be done if the costs of the receivership are paid out of the fund realized in the Federal court, and it is so ordered.

Palmer, 212 U.S. 118, 132 (1909). In the present case, as in *Palmer*, "the receivership has gone on pending the proceedings upon appeal" since the Receivership Order was never superseded or stayed. Accordingly, the Receiver, his counsel, and the Receivership Professionals may recover

⁵ The Cash-On-Hand amount is comprised of (1) \$287,065.64 in accounts from Mr. Baron's personal accounts and funds obtained from Plaintiff Netsphere, Inc. under the global settlement agreement in this matter, (2) \$595,900.33 in an account belonging to Quantec, LLC, and (3) \$346,125.66 in an account belonging to Novo Point, LLC. [Docket No. 864 at § A.1.] These amounts (totaling \$1,229,091.63) reflect the account totals as of the date of the *The Receiver's Notice of the Receivership's Projected Financial Picture as of April 30, 2012*, i.e., April 13, 2012. [*Id.*] The account balances fluctuate regularly due to multiple factors including, but not limited to, (1) receipt of additional funds from Netsphere under the global settlement agreement, (2) payment of Receivership expenses [*see id.* at § B.5], (3) receipt of domain name revenue [*see id.* at § A.2], and (4) payment of domain name renewal fees and other operating expenses of the LLCs [*see id.* at §§ B.6-7.]

their costs and fees even though they were incurred while the Receivership Order was on appeal. *Id.*; see also *Speakman v. Bryan*, 61 F.2d 430, 431 (5th Cir. 1932) (finding that “the costs, expenses, and disbursements incurred by a receiver whose appointment was improvidently made, or who has taken wrongful possession of property, will, upon equitable principles, be charged by the court of jurisdiction against the property to the extent that they have inured to its benefit”).

As noted above in Section I.B, this Court has previously ordered similar payment during this matter, both prior to and since the date it ordered the Receivership was stayed pending Mr. Baron’s multiple appeals to the Fifth Circuit. [*See, e.g.*, Docket Nos. 534-35, 538, 540, 542-3, 573 (pre-stay orders for payment of fee applications filed on behalf of the Receiver, his counsel, and Receivership Professionals) and Nos. 734, 807, 820 (post-stay orders for payment of fee applications filed on behalf of the Receiver, his counsel, and Receivership Professionals).]

IV. CONCLUSION.

The Receiver respectfully requests that the Court enter an order that:

- (1) grants the 51 Fee Applications (100% payment for all applicants);
- (2) allows the Receiver to the use the Revenue Surplus to partially fund the 51 Fee Applications;
- (3) grants the Third Sales Motion, allows the Receiver to sell the domain name described in the Third Sales Motion, and instructs the Receiver to use funds from the sale to partially fund the 51 Fee Applications;
- (4) allows the Receiver to sell the 39 Domains (pursuant to the Protocol or in any manner that Mr. Nelson, as the Court-appointed permanent Manager of the LLCs, deems fit) and instructs the Receiver to use funds from the sales to partially fund the 51 Fee Applications;

- (5) allows the Receiver to sell the 14 Domain Package (in any manner that Mr. Nelson, as the Court-appointed permanent Manager of the LLCs, deems fit) and instructs the Receiver to use funds from the sales to partially fund the 51 Fee Applications;
- (6) allows the Receiver to sell the 88 Domain Package (in any manner that Mr. Nelson, as the Court-appointed permanent Manager of the LLCs, deems fit) and instructs the Receiver to use funds from the sales to partially fund the 51 Fee Applications; and
- (7) allows the Receiver to use the Cash-On-Hand to fund any remaining balance of the 51 Fee Applications.

Respectfully submitted,

/s/ Barry M. Golden

Barry M. Golden

Texas State Bar No. 24002149

Peter L. Loh

Texas Bar Card No. 24036982

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ATTORNEYS FOR THE RECEIVER

CERTIFICATE OF CONFERENCE

The undersigned certifies that on April 27, 2012, counsel for the Receiver attempted to confer via e-mail with counsel of record with regard to the foregoing motion. As of the date of this filing, only counsel for Plaintiff has responded, indicating that Plaintiff is not opposed to the foregoing motion. Other counsel have not stated a position as to this. Thus, the Receiver presents this motion to the Court for determination.

Peter L. Loh

Peter L. Loh

CERTIFICATE OF SERVICE

I hereby certify that, after being filed under seal and *ex parte* with this Court, a true and correct copy of the foregoing document was served on Jeff Baron, his counsel, Gary Schepps, and counsel for all other parties to this matter albeit with the domain names identified therein redacted due to (1) the confidential, proprietary, and sensitive nature of such information and (2) the very real possibility that, should Mr. Baron ascertain the identities of the relevant domain names, Mr. Baron (or his agents) will threaten and intimidate the potential purchasers of such domain names, thereby endangering the Receiver's ability to generate the funds necessary to pay Court-ordered disbursements and close out the Receivership.

Peter L. Loh

Peter L. Loh

DECLARATION OF DAMON NELSON

I, Damon Nelson, state and declare as follows:

1. I have over 20 years of experience in computer programming, web design, and Internet business.

2. I served 18 months as the registrar for the domain names at issue as part of the bankruptcy proceedings for Ondova Limited Company (“Ondova”). (*See In re: Ondova Limited Company*, Bankruptcy Case No. 09-34784-SGJ (Chapter 11), In the United States Bankruptcy Court for the Northern District of Texas, Dallas Division.) My duties at Ondova included responding to hundreds of Uniform Domain Name Dispute Resolution Policy (“UDRP”) actions, cease and desist demands, and complaints of trademark infringement.

3. I also manage my own domain name portfolio of over 400 domains containing websites for e-commerce, video, blogs, and “domain parking” and consult with clients concerning their online marketing campaigns.

4. I hold Bachelor of Science and Masters in Business Administration degrees from Texas A&M University with specific course emphasis in computer programming, marketing, and investing.

5. I am the Permanent Manager of Novo Point, LLC and Quantec, LLC (the “LLCs”), having been so appointed by the United States District Court for the Northern District of Texas in the matter styled *Netsphere, Inc., et al. v. Jeffrey Baron, et al.*, Civil Action No. 3:09-CV-0988-F.

6. I employed a technique I call “Income Valuation” to appraise the value of certain domains in the LLCs’ portfolios of domain names (the “Domains”).

7. The Income Valuation method uses a multiple of net annual earnings to determine a domain name's "Retail Sales Price." In other words, I arrived at a valuation of certain Domains by multiplying one year of earnings by a multiple number.

8. "Parked" domain names (*i.e.*, names which generate revenue through monetization like the ones in the LLCs' portfolios) are usually valued for retail sale at a multiple range of 4 to 10 times net annual earnings. However, the LLCs have many names with valuable words/phrases in the name, multiple uses as a website, consistent evidence of visits to the sites, and earned revenue going back several years. Thus, I treated these Domains as being even more valuable than the typical "Parked" domain name and assigned a multiple of 20 or two times the highest multiple.

9. I also used another method to value certain Domains called the "Market Valuation" approach to determine a domain name's "Retail Sales Price." Market Valuation employs computer generated and/or individually performed appraisals to determine marketable value.

10. The first step I used in valuing a Domain through Market Valuation was to obtain an appraisal through a website named Estibot.com. Estibot.com is a widely used and accepted domain name appraisal website.

11. Estibot.com provides free, fast appraisals for internet domain names. Estibot uses a vast amount of data including, but not limited, to previous sales data, keyword data, cost-per-click data, type-in data, and a statistically generated algorithm to arrive at the most accurate domain value derived solely from computer-driven automated analysis. Estibot.com's appraisals typically are within 20% (either above or below) of the eventual sale price based upon my

experience participating in and/or observing numerous domain name sales involving an Estibot.com appraisal.

12. Domains which received an appraisal of less than \$5,000 on Estibot.com did not merit another appraisal which most likely cost money and not yield a significantly different result.

13. Any Domain receiving an Estibot.com appraisal of more than \$5,000 deserved a second appraisal through DomainAppraisal.org. DomainAppraisal.org is another widely used and accepted domain name appraisal website service which provides professional appraisals from a minimum of 2 industry experts. DomainAppraisal.org's industry experts use information from auctions and private sales of similar domain names as factors as well as 25 key models to determine a domain's value.

14. DomainAppraisal.org is not a free service with appraisals costing approximately \$79.99 to \$149.99 per domain, depending on the detail level of valuation. Appraisals from Estibot.com and DomainAppraisal.org will give a more comprehensive valuation using both computer and human valuation.

15. For a Domain that received an initial appraisal of more than \$50,000 from Estibot.com, I obtained a second and third appraisal from DomainAppraisal.org and Sedo.com. An initial Estibot.com valuation of more than \$50,000 indicates the domain name is most likely a short, "catchy," and commonly used word or phrase which would garner attention from corporations or other well-funded entities for purchase. Sedo.com and DomainAppraisal.org—in addition to using computer-generated calculations and information from sales and auctions—also employ individuals who will evaluate the domain name. Appraisals from Sedo.com and

DomainAppraisal.org can cost approximately \$50.00 to \$995.00 per domain depending on the detail level of valuation.

16. I compared the Market Valuation appraisals (whether they included an Estibot.com valuation, valuations from both Estibot.com and DomainAppraisal.org, or valuations from Estibot.com, DomainAppraisal.org, and Sedo.com) to the Income Valuation for all of the Domains I appraised to arrive at a starting value to price the Domain. I then started negotiations for the sale of a domain name at the higher of the Income Valuation or the average of the 2 highest Market Valuations **plus** 20%.

17. The Protocol represents the best case scenario for the value of a Domain. I created the Protocol to assume a domain name sales process involving a marketing campaign which may take 3-6 months. Marketing efforts would include the following:

- advertisements on industry websites and in print publications;
- press releases to domain investor publications, wire services, and national news publications;
- engaging brokers;
- participating in a live auction for premium domains; and
- establishing and maintaining a sales website.

18. Brokers and auction services also typically charge a 20% commission on any sale.

19. I appraised 39 of the Domains using the Protocol and negotiated tentative prices for their sale (the “39 Domains”).

20. The chart represents calculations I performed of the Income Valuation for the 39 Domains:

Domain Name	Annual Net Earnings	20x 12-Annual Net Earnings
		

Domain Name	Annual Net Earnings	20x 12-Annual Net Earnings
[REDACTED]		

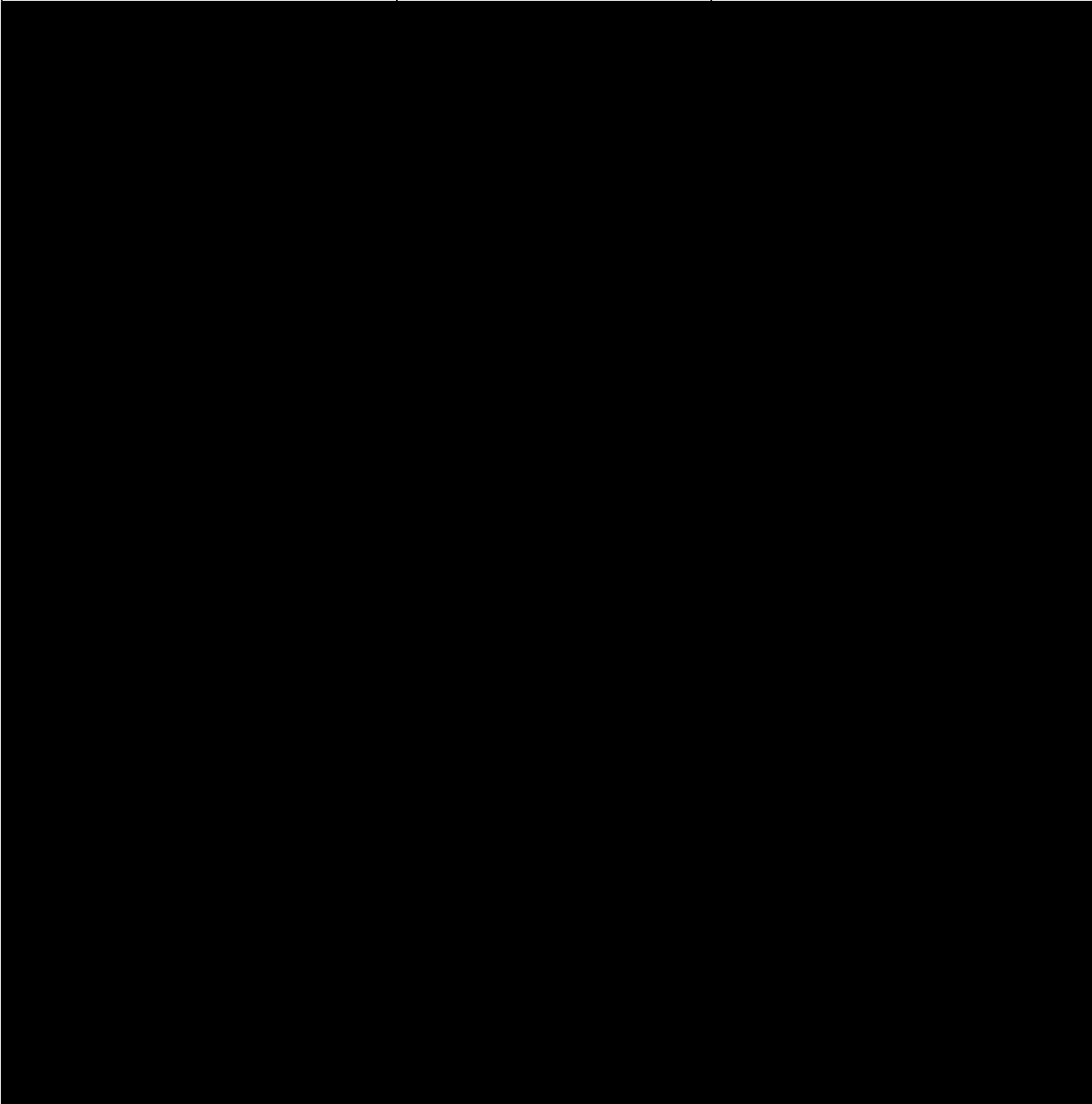
21. The chart below demonstrates the calculations I performed of the Market Valuations for the 39 Domains:

Domain Name	Estibot.com	DomainAppraisal.org	Sedo.com	Average of 2 highest appraisals plus 20%
[REDACTED]				

Domain Name	Estibot.com	DomainAppraisal.org	Sedo.com	Average of 2 highest appraisals plus 20%

22. The chart below reflects my final valuation per the Protocol and the tentative negotiated sale prices of the 39 Domains. Importantly, I did not engage in any specific marketing efforts with respect to the 39 Domains. All of the tentatively negotiated sales prices were a result of unsolicited purchase inquiries. So, the negotiated sales prices for many of the 39 Domains are substantially lower than their appraised values.

Domain Name	Final Valuation (Higher of Income Valuation <u>or</u> average of 2 highest Market Valuations plus 20%)	Negotiated Sale Price

Domain Name	Final Valuation (Higher of Income Valuation <u>or</u> average of 2 highest Market Valuations plus 20%)	Negotiated Sale Price
		

23. It is possible that marketing efforts like the ones described above could result in higher sales prices. However, the costs of engaging in the marketing activities, in turn, could

severely diminish or completely negate whatever increases in the sales prices are eventually realized.

24. As Permanent Manager of the LLCs, I also negotiated a tentative sales price of \$157,300 for the sale of a “package” of the following 14 Domains (the “14 Domain Package”):

Domain Name
[REDACTED]

25. Based on my experience in the domain name industry, \$157,300 is a reasonable price for the sale of the 14 Domain Package. It is possible—but not likely—that each individual domain in the 14 Domain Package could be sold at prices which, in total, could exceed \$157,300. However, the time and expense associated with selling each individual domain name in the 14 Domain Package would most likely meet or exceed the additional money earned beyond the current sale price of \$157,300. Thus, a sales price of \$157,300 for the 14 Domain Package represents the most economically advantageous price at this time.

26. As Permanent Manager of the LLCs, I also negotiated a tentative sales price of \$500,000 for the sale of a “package” of the following 88 Domains (the “88 Domain Package”):

Domain Name
[REDACTED]

Domain Name
[REDACTED]

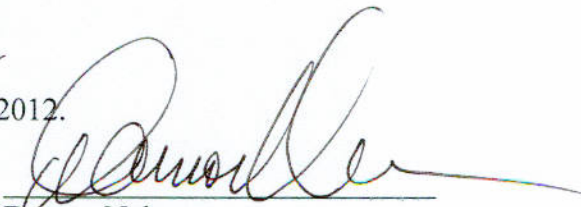
Domain Name
[REDACTED]

27. Based on my experience in the domain name industry, \$500,000 is a reasonable price for the sale of the 88 Domain Package. It is possible—but not likely—that each individual domain in the 88 Domain Package could be sold at prices which, in total, could exceed \$500,000. However, the time and expense associated with selling each individual domain name in the 88 Domain Package would most likely meet or exceed the additional money earned beyond the current sale price of \$500,000. Thus, a sales price of \$500,000 for the 88 Domain Package represents the most economically advantageous price at this time.

28. As Permanent Manager of the LLCs, I am handling the sales of domain names that the U.S. District Court for the Northern District of Texas ordered be sold in its *Order Granting in Part the Receiver's Motion to Liquidate Assets to Pay Certain of the Receiver's and His Counsels Fees* (the "Sales Order"), issued on January 31, 2012, in the matter styled *Netsphere, Inc. et al., v. Baron, et al.* (Civil Action No. 3:09-CV-0988-F). The Court ordered that funds from these sales be used to fund certain fee applications. To date, the Receiver has not only received sufficient proceeds from these sales to fund the fee applications as ordered by the Court, but has entered into contracts for additional ordered sales that will result in a surplus of \$62,108.85.

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

Executed on April 27, 2012.


Damon Nelson

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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

NETSPHERE, INC.,	§	
MANILA INDUSTRIES, INC., AND	§	
MUNISH KRISHAN	§	
	§	
PLAINTIFFS,	§	
	§	
V.	§	CIVIL ACTION NO. 3:09-CV-0988-F
	§	
JEFFREY BARON AND	§	
ONDOVA LIMITED COMPANY,	§	
	§	
DEFENDANTS.	§	

**ORDER GRANTING IN PART THE RECEIVER’S MOTION FOR APPROVAL
OF ADMINISTRATIVE COSTS AND TO DISBURSE CASH
AND SELL DOMAIN NAMES TO FUND ADMINISTRATIVE COSTS**

BEFORE THE COURT is *The Receiver’s Sealed Ex Parte Motion for Approval of Administrative Costs and to Disburse Cash and Sell Domain Names to Fund the Administrative Costs* (the “Motion”) (Doc. No. 883).¹ The Court, having considered the Motion, any response, and the other relevant pleadings and evidence, is of the opinion that the Motion is well-taken and should be in **GRANTED IN PART**.

THEREFORE, it is ORDERED, ADJUDGED, and DECREED that the Motion is GRANTED and this Court’s *Order Regarding Baron’s Notice of Appeal to the United States Court of Appeals for the Fifth Circuit* [Docket No. 586], dated May 24, 2011, is

¹ After being filed under seal and *ex parte* with this Court, a true and correct copy of the foregoing document was served on Jeff Baron, his counsel, Gary Schepps, and counsel for all other parties to this matter albeit with the domain names identified therein redacted.

MODIFIED and the **STAY** lifted with regard to the Motion as well as the motions and fee applications described in the Motion and in this Order.

A. Third Motion to Approve Sale of Domain Names.

It is further ORDERED, ADJUDGED, and DECREED that *The Receiver's Third Sealed Motion to Approve Sale of Specific Domain Names* [Docket No. 685 at Ex. B] (the "Third Motion to Approve Sale") is GRANTED.

It is further ORDERED, ADJUDGED and DECREED that the Receiver Peter S. Vogel, and his agents or representatives, are hereby ORDERED to sell the domain name listed in the Third Motion to Approve Sale pursuant to the Protocol (as that term is defined in the Motion) or in any manner that Damon Nelson, the Court-appointed permanent Manager of Quantec, LLC and Novo Point, LLC, deems fit.

B. Additional Domain Names Sales.

1. The 39 Domains.

It is further ORDERED, ADJUDGED, and DECREED that the Receiver Peter S. Vogel, and his agents or representatives, are hereby ORDERED to sell the domain names (listed in the Motion) pursuant to the "Protocol" (as that term is defined in the Motion) or in any manner that Damon Nelson, the Court-appointed permanent Manager of Quantec, LLC and Novo Point, LLC, deems fit.

2. The 14 Domain Package.

It is further ORDERED, ADJUDGED, and DECREED that the Receiver Peter S. Vogel, and his agents or representatives, are hereby ORDERED to sell the domain names

(listed in the Motion) in any manner that Mr. Nelson, as the Court-appointed permanent Manager of Quantec, LLC and Novo Point, LLC, deems fit.

3. *The 88 Domain Package.*

It is further ORDERED, ADJUDGED, and DECREED that the Receiver Peter S. Vogel, and his agents or representatives, are hereby ORDERED to sell the domain names (listed in the Motion) in any manner that Mr. Nelson, as the Court-appointed permanent Manager of Quantec, LLC and Novo Point, LLC, deems fit.

C. Use of the Sales Proceeds, Revenue Surplus, and Cash-On-Hand to Fund Fee Applications.

It is further ORDERED, ADJUDGED and DECREED that the Receiver Peter S. Vogel, and his agents or representatives, are to use (1) the proceeds from the above-ordered domain names sales (totaling 141 sales, the proceeds from which are hereafter collectively referred to as the “Sales Proceeds”), (2) the “Revenue Surplus” (as that term is defined in the Motion), and (3) the “Cash-On-Hand” (as as that term is defined in the Motion) to pay as (soon as practicable) the outstanding amounts of the fee applications described below.

D. The Receiver’s Fee Applications.

It is further ORDERED, ADJUDGED, and DECREED that *The Receiver’s Fourteenth Receiver Fee Application* [Docket No. 840 at Ex. C], *The Receiver’s Fifteenth Receiver Fee Application* [Docket No. 853 at Ex. A], *The Receiver’s Sixteenth Receiver Fee Application* [Docket No. 877 at Ex. A], and *The Receiver’s Seventeenth Receiver*

Fee Application [Docket No. 879 at Ex. A], (collectively, the “Fully-Unpaid Receiver Fee Applications”) are **PARTIALLY GRANTED**.

Therefore, it is further ORDERED, ADJUDGED, and DECREED that the Receiver Peter S. Vogel, and his agents or representatives, are to pay (as soon as practicable) the Receiver Peter S. Vogel **\$90,028.12** (75% of the amount requested in the Fully-Unpaid Receiver Fee Applications) using the Sale Proceeds, Revenue Surplus, and (to the extent necessary) Cash-On-Hand, as follows:

- **\$41,317.50** pursuant to *The Receiver’s Fourteenth Receiver Fee Application* [Docket No. 840 at Ex. C];
- **\$8,977.50** pursuant to *The Receiver’s Fifteenth Receiver Fee Application* [Docket No. 853 at Ex. A];
- **\$23,467.50** pursuant to *The Receiver’s Sixteenth Receiver Fee Application* [Docket No. 877 at Ex. A]; and
- **\$16,265.62** pursuant to *The Receiver’s Seventeenth Receiver Fee Application*. [Docket No. 879 at Ex. A.]

Therefore, the Receiver Peter S. Vogel, and his agents or representatives, are ORDERED to pay (as soon as practicable) the Receiver Peter S. Vogel a total amount of **\$90,028.12**. At the conclusion of the Receivership, the Court will reconsider whether there are sufficient funds to pay the remaining 25% of the requested fees.

E. Gardere’s Fee Applications.

It is further ORDERED, ADJUDGED, and DECREED that *The Receiver’s Fourteenth Gardere Fee Application* [Docket No. 840 at Ex. D], *The Receiver’s Fifteenth Gardere Fee Application* [Docket No. 853 at Ex. B], *The Receiver’s Sixteenth Gardere Fee Application* [Docket No. 877 at Ex. B], and *The Receiver’s Seventeenth Gardere*

Fee Application [Docket No. 879 at Ex. B], (collectively, the “Fully-Unpaid Gardere Fee Applications”) are **PARTIALLY GRANTED**.

Therefore, it is further ORDERED, ADJUDGED, and DECREED that the Receiver Peter S. Vogel, and his agents or representatives, are to pay (as soon as practicable) Gardere \$**207,133.32** (75% of the amount requested in the Fully-Unpaid Gardere Fee Applications) using the Sale Proceeds, Revenue Surplus, and (to the extent necessary) Cash-On-Hand, as follows:

- **\$94,715.31** pursuant to *The Receiver’s Fourteenth Gardere Fee Application* [Docket No. 840 at Ex. D];
- **\$24,449.99** pursuant to *The Receiver’s Fifteenth Gardere Fee Application* [Docket No. 853 at Ex. B];
- **\$46,743.45** pursuant to *The Receiver’s Sixteenth Gardere Fee Application* [Docket No. 877 at Ex. B]; and
- **\$38,179.58** pursuant to *The Receiver’s Seventeenth Gardere Fee Application*. [Docket No. 879 at Ex. B.]

Therefore, the Receiver Peter S. Vogel, and his agents or representatives, are ORDERED to pay (as soon as practicable) Gardere a total amount of \$**207,133.32**. At the conclusion of the Receivership, the Court will reconsider whether there are sufficient funds to pay the remaining 25% of the requested fees.

F. Damon Nelson’s Fee Applications.

It is further ORDERED, ADJUDGED, and DECREED that *The Receiver’s Ninth Application for Reimbursement of Fees Incurred by Damon Nelson* [Docket No. 700 at Ex. A], *The Receiver’s Tenth Application for Reimbursement of Fees Incurred by Damon Nelson* [Docket No. 713 at Ex. C], *The Receiver’s Eleventh Application for*

Reimbursement of Fees Incurred by Damon Nelson [Docket No. 750 at Ex. C], *The Receiver's Twelfth Application for Reimbursement of Fees Incurred by Damon Nelson* [Docket No. 781 at Ex. C], *The Receiver's Thirteenth Application for Reimbursement of Fees Incurred by Damon Nelson* [Docket No. 828 at Ex. B], *The Receiver's Fourteenth Application for Reimbursement of Fees Incurred by Damon Nelson* [Docket No. 840 at Ex. E], and *The Receiver's Fifteenth Application for Reimbursement of Fees Incurred by Damon Nelson* [Docket No. 879 at Ex. C], (collectively, the "Nelson Fee Applications") are **GRANTED IN FULL**.

Therefore, it is further ORDERED, ADJUDGED, and DECREED that the Receiver Peter S. Vogel, and his agents or representatives, are to pay (as soon as practicable) Damon Nelson \$113,850.00 (the total amount requested in the Nelson Fee Applications) using the Sale Proceeds, Revenue Surplus, and (to the extent necessary) Cash-On-Hand, as follows:

- \$15,100.00 pursuant to *The Receiver's Ninth Application for Reimbursement of Fees Incurred by Damon Nelson* [Docket No. 700 at Ex. A];
- \$13,225.00 pursuant to *The Receiver's Tenth Application for Reimbursement of Fees Incurred by Damon Nelson* [Docket No. 713 at Ex. C];
- \$14,050.00 pursuant to *The Receiver's Eleventh Application for Reimbursement of Fees Incurred by Damon Nelson* [Docket No. 750 at Ex. C];
- \$13,600.00 pursuant to *The Receiver's Twelfth Application for Reimbursement of Fees Incurred by Damon Nelson* [Docket No. 781 at Ex. C];

- \$13,325.00 pursuant to *The Receiver's Thirteenth Application for Reimbursement of Fees Incurred by Damon Nelson* [Docket No. 828 at Ex. B];
- \$15,575.00 pursuant to *The Receiver's Fourteenth Application for Reimbursement of Fees Incurred by Damon Nelson* [Docket No. 840 at Ex. E]; and
- \$28,975.00 pursuant to *The Receiver's Fifteenth Application for Reimbursement of Fees Incurred by Damon Nelson*. [Docket No. 879 at Ex. C.]

G. James Eckels' Fee Applications.

It is further ORDERED, ADJUDGED, and DECREED that *The Receiver's Sixth Eckels Fee Application* [Docket No. 840 at Ex. B] and *The Receiver's Seventh Eckels Fee Application* [Docket No. 879 at Ex. D], (collectively, the "Eckels Fee Applications") are **GRANTED IN FULL**.

Therefore, it is further ORDERED, ADJUDGED, and DECREED that the Receiver Peter S. Vogel, and his agents or representatives, are to pay (as soon as practicable) James Eckels \$21,662.50 (the total amount requested in the Eckels Fee Applications) using the Sale Proceeds, Revenue Surplus, and (to the extent necessary) Cash-On-Hand, as follows:

- \$16,187.50 pursuant to *The Receiver's Sixth Eckels Fee Application* [Docket No. 840 at Ex. B]; and
- \$5,475.00 pursuant to *The Receiver's Seventh Eckels Fee Application* [Docket No. 879 at Ex. D]

H. Joshua Cox's Fee Applications.

It is further ORDERED, ADJUDGED, and DECREED that *The Receiver's Twelfth Cox Fee Application* [Docket No. 701 at Ex. A], *The Receiver's Thirteenth Cox*

Fee Application [Docket No. 771 at Ex. B], *The Receiver's Fourteenth Cox Fee Application* [Docket No. 798 at Ex. A], *The Receiver's Fifteenth Cox Fee Application* [Docket No. 840 at Ex. A], and *The Receiver's Sixteenth Cox Fee Application* [Docket No. 879 at Ex. E], (collectively, the "Cox Fee Applications") are **GRANTED IN FULL**.

Therefore, it is further ORDERED, ADJUDGED, and DECREED that the Receiver Peter S. Vogel, and his agents or representatives, are to pay (as soon as practicable) Josh Cox \$32,487.21 (the total amount requested in the Cox Fee Applications) using the Sale Proceeds, Revenue Surplus, and (to the extent necessary) Cash-On-Hand, as follows:

- \$6,656.25 pursuant to *The Receiver's Twelfth Cox Fee Application* [Docket No. 701 at Ex. A];
- \$9,187.50 pursuant to *The Receiver's Thirteenth Cox Fee Application* [Docket No. 771 at Ex. B];
- \$6,406.71 pursuant to *The Receiver's Fourteenth Cox Fee Application* [Docket No. 798 at Ex. A];
- \$6,072.50 pursuant to *The Receiver's Fifteenth Cox Fee Application* [Docket No. 840 at Ex. A]; and
- \$4,164.25 pursuant to *The Receiver's Sixteenth Cox Fee Application*. [Docket No. 879 at Ex. E.]

I. Grant Thornton's Fee Applications.

It is further ORDERED, ADJUDGED, and DECREED that *The Receiver's Second Grant Thornton Fee Application* [Docket No. 648 at Ex. C], *The Receiver's Third Grant Thornton Fee Application* [Docket No. 658 at Ex. B], *The Receiver's Fourth Grant Thornton Fee Application* [Docket No. 687 at Ex. A], *The Receiver's Fifth Grant*

Thornton Fee Application [Docket No. 725 at Ex. B], *The Receiver's Sixth Grant Thornton Fee Application* [Docket No. 828 at Ex. A], and *The Receiver's Seventh Grant Thornton Fee Application* [Docket No. 879 at Ex. F], (collectively, the "Grant Thornton Fee Applications") are **GRANTED IN FULL**.

Therefore, it is further ORDERED, ADJUDGED, and DECREED that the Receiver Peter S. Vogel, and his agents or representatives, are to pay (as soon as practicable) Grant Thornton LLP \$58,628.63 (the total amount requested in the Grant Thornton Fee Applications) using the Sale Proceeds, Revenue Surplus, and (to the extent necessary) Cash-On-Hand, as follows:

- \$6,406.11 pursuant to *The Receiver's Second Grant Thornton Fee Application* [Docket No. 648 at Ex. C];
- \$8,387.26 pursuant to *The Receiver's Third Grant Thornton Fee Application* [Docket No. 658 at Ex. B];
- \$5,365.14 pursuant to *The Receiver's Fourth Grant Thornton Fee Application* [Docket No. 687 at Ex. A];
- \$1,142.25 pursuant to *The Receiver's Fifth Grant Thornton Fee Application* [Docket No. 725 at Ex. B];
- \$9,608.88 pursuant to *The Receiver's Sixth Grant Thornton Fee Application* [Docket No. 828 at Ex. A]; and
- \$27,718.99 pursuant to *The Receiver's Seventh Grant Thornton Fee Application*. [Docket No. 879 at Ex. F.]

J. David C. Skinner, LLC's Fee Application.

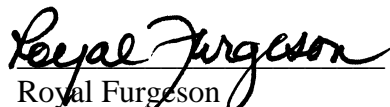
It is further ORDERED, ADJUDGED, and DECREED that *The Receiver's Third Local Counsel Fee Application* [Docket No. 725 at Ex. A] (the "Skinner Fee Application") is **GRANTED IN FULL**.

Therefore, it is further ORDERED, ADJUDGED, and DECREED that the Receiver Peter S. Vogel, and his agents or representatives, are to pay (as soon as practicable) David C. Skinner, LLC \$1,417.50 (the total amount requested in the Skinner Fee Application) using the Sale Proceeds, Revenue Surplus, and (to the extent necessary) Cash-On-Hand.

Finally, it is FURTHER ORDERED that the Receiver immediately withdraw the pending motions in the Fifth Circuit that relate to the instant order.

IT IS SO ORDERED.

SIGNED this 3rd day of May, 2012.


Royal Furgeson
Senior United States District Judge

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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

NETSPHERE, INC.,	§	
MANILA INDUSTRIES, INC., AND	§	
MUNISH KRISHAN	§	
	§	
PLAINTIFFS,	§	
	§	
V.	§	CIVIL ACTION NO. 3:09-CV-0988-F
	§	
JEFFREY BARON AND	§	
ONDOVA LIMITED COMPANY,	§	
	§	
DEFENDANTS.	§	

**THE RECEIVER’S MOTION TO RELEASE RECEIVER FROM OBLIGATION
OF FILING TAX RETURNS FOR CERTAIN RECEIVERSHIP PARTIES¹**

The Receiver determined that certain of the Receivership Parties might need to file separate tax returns, depending on certain information in the sole possession of Mr. Baron. The Receiver asked Mr. Baron and his personal attorney, Gary Schepps, to provide the Receiver with that information, but they have refused. The Receiver, therefore, cannot determine whether he needs to file separate tax returns for those Receivership Parties (let alone what financial information to include in those returns), and he is, therefore, not planning on filing the separate returns. The Receiver seeks an order releasing him from the obligation of filing such tax returns.

¹ Pursuant to this Court’s *Order Directing Parties to File Pending Motions with the U.S. Court of Appeals for the Fifth Circuit* [Docket No. 616], the Receiver previously filed this motion with the United States Court of Appeals for the Fifth Circuit on April 13, 2012 (the “Fifth Circuit Motion”). [See Docket No. 863 at Ex. B.] On April 26, 2012, Mr. Baron filed a response to the Fifth Circuit Motion, a true and correct copy of which is attached hereto as Exhibit 7. At a hearing on April 23, 2012, this Court requested that the Receiver re-file the present motion on this Court’s docket. Accordingly, the Receiver presents this motion for this Court’s consideration. To the extent this Court grants this motion, the Receiver will withdraw the Fifth Circuit Motion so as to avoid overlapping requests for relief pending before two different courts.

A. The Receiver Determines He Needs Certain Missing Information.

As part of his duties as the Receiver, Mr. Vogel (with the assistance of his designated accounting firm, Grant Thornton, LLP (“Grant Thornton”) [*see* Docket No. 313]), manages tax issues for all Receivership Parties—except that Mr. Baron, upon his own motion, is responsible for filing his own tax return. [Docket No. 442.]

With that in mind, Grant Thornton tried to determine whether the Receiver should file separate tax returns for The Village Trust, Novo Point, LLC, and Quantec, LLC (as opposed to having those entities included in Mr. Baron’s own return) for the 2011 tax year.² Grant Thornton detailed its conclusions in a memorandum (the “Memorandum”). (Exhibit 1.) In essence, the Memorandum concluded that Grant Thornton would need additional information in order to determine whether to advise the Receiver to file separate tax returns for The Village Trust and the LLCs (the “Missing Information”).³ (*Id.*) The Receiver asked Mr. Baron (through Mr. Schepps) to supply the Missing Information. (*Id.*)

B. Mr. Schepps Will Not Provide the Missing Information.

On April 1, 2012, Mr. Schepps informed the Receiver that he does not represent Mr. Baron regarding “tax issues” (the “Non-Representation Letter”). (Exhibit 2.) The Receiver responded to Mr. Schepps that, notwithstanding his specific role as Mr. Baron’s counsel, to the extent Mr. Schepps has the Missing Information, he must provide it to the Receiver. (Exhibit 3.) In response, Mr. Schepps claimed not to have the Missing Information. (Exhibit 4.) Mr.

² Novo Point, LLC and Quantec, LLC shall be referred to hereinafter as the “LLCs.”

³ So, the Receiver prepared—and Grant Thornton reviewed and approved—financial statements for the 2011 tax year for The Village Trust and the LLCs (the “Financial Statements”). (*See* Exhibit 1.) The Receiver provided the Financial Statements to Mr. Baron along with the Memorandum. (*Id.*)

Schepps then went on to accuse the Receiver and this Court of committing criminal misconduct and announced this Court's *Order Appointing Receiver* is comparable to "toilet paper." (*Id.*)

C. Mr. Baron Will Not Provide the Missing Information.

As a result of the Non-Representation Letter, the Receiver asked Mr. Baron (directly) to provide the Receiver with the Missing Information. (Exhibit 5.) Mr. Baron did not respond to the Receiver's request and, instead, demanded that the Receiver send Mr. Baron money. (Exhibit 6.)

D. Lacking the Missing Information, the Receiver Cannot Make Necessary Tax Determinations and Filings.

Because the Receiver has not received the Missing Information from Messrs. Schepps or Baron, the Receiver is unable to determine whether the Receiver should file separate tax returns for The Village Trust and the LLCs. Furthermore, even if the Receiver were to attempt to file the separate tax returns for The Village Trust and the LLCs, lacking the Missing Information would make it impossible to complete the returns accurately. Thus, the Receiver will not file anything on behalf of The Village Trust and the LLCs for the 2011 tax year.⁴

E. Relief Requested.

The Receiver seeks an order releasing the Receiver from any obligation to file separate tax returns for The Village Trust and the LLCs for the tax year ending December 31, 2011.

⁴ This is not the first time Mr. Baron's refusal to provide the Receiver with necessary tax information. Last year, in April 2011, the Receiver intended to file four separate versions of Form 7004 with both the U.S. Internal Revenue Service and the U.S. Virgin Islands Bureau of Internal Revenue on behalf of Receivership Parties The Village Trust, Daystar Trust, Belton Trust, and Royal Gable 3129 Trust (the "Baron Form 7004s"). [*See* Docket No. 447.] Similar to the present circumstances, Grant Thornton advised the Receiver in 2011 that it lacked certain key information necessary for accurate completion of the Baron Form 7004s and, accordingly, recommended not filing the Baron Form 7004s. [*Id.*] On April 18, 2011, this Court issued an order confirming the propriety of the Receiver's decision not to file the Baron Form 7004s "as a result of Jeffrey Baron's refusal to provide the Receiver with the information that is necessary for the accurate completion of tax forms." [Docket No. 459.]

Respectfully submitted,

/s/ Barry M. Golden
Barry M. Golden
Texas Bar No. 24002149
Peter L. Loh
Texas Bar No. 24036982
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Counsel for Peter S. Vogel, Receiver

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document was served via the Court's ECF system on all counsel of record on April 27, 2012.

/s/ Peter L. Loh
Peter L. Loh

CERTIFICATE OF CONFERENCE

The undersigned hereby certifies that he attempted to confer via email with counsel for Jeff Baron on April 13, 2012. The undersigned did not receive a response. Thus, the Receiver presents this motion to the Court for its consideration.

/s/ Peter L. Loh
Peter L. Loh

Exhibit 1

GARDERE

attorneys and counselors ■ www.gardere.com

Peter L. Loh
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ploh@gardere.com

March 30, 2012

Mr. Gary N. Schepps
5400 LBJ Freeway, Suite 1200
Dallas, TX 75240

Via Email & Regular Mail

Re: *Netsphere, Inc., et al. v. Jeffrey Baron, et al.*;
Civil Action No. 3:09-cv-0988, U.S. District Court, Northern District of Texas, Dallas
Division: Information concerning Mr. Baron's personal tax return for the 2011 tax year.

Dear Mr. Schepps (as counsel to Jeffrey Baron):

On behalf of the Receiver, I am writing with respect to tax returns for the year 2011 to be prepared and filed by Mr. Baron, and additional tax returns for the year 2011 to be prepared and filed by the Receiver:

A. Tax Returns for the Year 2011 to be Prepared and Filed by Mr. Baron.

1. Information the Receiver is providing to Mr. Baron.

If you recall, pursuant to the Court's Order Regarding Emergency Motion for Leave to File Motion to Stay Order to Disclose Attorney-Client Material dated April 7, 2011, Mr. Baron is responsible for the preparation and filing of his own personal tax returns. [Docket No. 442.] To facilitate Mr. Baron's preparation and filing of his own personal tax returns, I am enclosing with this correspondence two documents:

- The first document is an Opinion Letter from the accounting firm of Grant Thornton LLP (the "Grant Thornton Letter"). The Grant Thornton Letter concludes, among other things (and note that I am merely paraphrasing here—you should review the Grant Thornton Letter in its entirety), that Mr. Baron should report not only his own personal income and expenses, but also the income and expenses of (1) The Village Trust (because of its status as a grantor trust), and (2) Novo Point, LLC's and Quantec, LLC's (collectively, the "LLCs") (because their income and expenses flow through to The Village Trust).

Mr. Gary N. Schepps
March 30, 2012
Page 2

- The second document is a statement reflecting the 2011 income and expenses for The Village Trust and the LLCs (the "Financial Statements").

Before relying on the Grant Thornton Letter or the Financial Statements, however, please read the Grant Thornton Letter carefully, as well as the section below setting forth issues relating to the accuracy of the Financial Statements.

2. Information the Receiver is requesting from Mr. Baron.

Please note that the Receiver has attempted to classify all transactions characterized in the Financial Statements to the best of his ability during the year ending December 31, 2011 or other period as applicable. There is, however, information that the Receiver is missing. Because certain categories of items and their corresponding balances shown on the Financial Statements existed prior to the Receiver's appointment, the Receiver, to date, has been unable to complete a thorough investigation of such items and, thus, cannot make any representation on the existence or valuation of such items. Thus, there can be no assurance that the Financial Statements as a whole fairly present, materially or otherwise, the financial position of the applicable entities. Further, there is no assurance that the information on the Financial Statements pre-dating the Receiver's appointment was prepared in conformity with, or presented according to, generally accepted accounting principles, is fit for any particular purpose, or been subject to any audit, review or compilation procedures of any kind prepared by an external accounting firm. In short, as set forth in this paragraph, there might be information that the Receiver is missing that, if the Receiver were to obtain, might cause Grant Thornton to modify the Grant Thornton Letter or the Receiver to modify the Financial Statement (the "Missing Information for Mr. Baron's Own Return"). Accordingly, the Receiver makes the following requests:

- Please immediately provide the Receiver with all of the Missing Information for Mr. Baron's Own Return within Mr. Baron's possession, custody, or control.
- For any of the Missing Information for Mr. Baron's Own Return of which Mr. Baron is aware but which is outside of Mr. Baron's possession, custody, or control, please immediately provide the Receiver with the all information necessary for the Receiver to obtain the Missing Information (*e.g.*, substance of the Missing Information for Mr. Baron's Own Return; location of the Missing Information for Mr. Baron's Own Return; identities of individuals with possession, custody, or control over the Missing Information for Mr. Baron's Own Return, etc.).


Mr. Gary N. Schepps
March 30, 2012
Page 2

B. Tax Returns for the Year 2011 to be Prepared and Filed by the Receiver.

According to the Grant Thornton Letter, the Receiver might need to file separate tax filings for The Village Trust and the LLC (in addition to Mr. Baron's personal tax return that should, in Grant Thornton's opinion, report the income and expenses of The Village Trust and the LLCs). However, the Receiver lacks the information necessary to determine if such additional filings are required. This information, at a minimum, consists of confirmation as to whether the LLCs have ever elected to be "disregarded entities" under the Internal Revenue Code (the "Missing Information"). In short, as set forth in this paragraph, there might be information that the Receiver is missing that, if the Receiver were to obtain, might assist the Receiver in the preparation of tax returns for other Receivership Parties (the "Missing Information for Other Receiver Parties' Returns"). Accordingly, the Receiver makes the following requests:

- Please immediately provide the Receiver with all of the Missing Information for Other Receiver Parties' Returns within Mr. Baron's possession, custody, or control.
- For any of the Missing Information for Other Receiver Parties' Returns of which Mr. Baron is aware but which is outside of Mr. Baron's possession, custody, or control, please immediately provide the Receiver with the all information necessary for the Receiver to obtain the Missing Information for Other Receiver Parties' Returns (*e.g.*, substance of the Missing Information for Other Receiver Parties' Returns; location of the Missing Information for Other Receiver Parties' Returns; identities of individuals with possession, custody, or control over the Missing Information for Other Receiver Parties' Returns, etc.).

Please let me know if you have any questions.

Sincerely,

Peter L. Loh

PLL/kp
2227307.2



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Memorandum

To: The Files of the Jeff Baron Receivership
From: Mark Thorne
Date: 3/6/12
Re: Filing Requirements for the Receivership of Jeff Baron

FACTS

Grant Thornton, LLP, ("Grant" or "Grant Thornton") has been engaged to assist the Receivership of Jeff Baron ("Receivership") with certain U.S. tax questions. Most recently, Grant has been requested to comment on the U.S. filing requirements of the Receivership parties in general, and in respect to the Village Trust and those entities rolling up into the Village Trust in specific, namely Quantec, LLC and Novo Point, LLC.

To date, Jeff Baron and other certain parties subject to the Receivership Order have declined to cooperate with the Receivership. Accordingly, Grant has not been able to review sufficient evidence to independently verify certain facts.

Michelle Rosenblatt and Elizabeth Morgan (nee Elizabeth Morgan Schurig), formerly of Schurig Jetel Beckett Tackett, and now of its successor law firm, Morgan Adler Buxton Jetel, are former advisors of Jeff Baron, et. al. They have identified The Village Trust, ("Village Trust"), a Cook Islands trust, as being classified as a Grantor Trust for U.S. federal income tax purposes.

Although Grant has been unable to independently verify classification of the Trust, Grant has been requested to discuss the filing requirements of the parties based on the assumption that the Village Trust is, indeed, a Grantor Trust.

It is our understanding that Jeff Baron is both the Grantor and sole beneficiary of the Village Trust.

ISSUES

If the Village Trust is a foreign grantor trust, what are the US filing requirements for the Village Trust, and for its two immediate foreign subsidiaries, Novo Point, LLC and Quantec, LLC?

CONCLUSION



Mr. Jeff Baron, individually, should be responsible for filing any and all U.S. filings required for the Village Trust based on the representations of Mr. Baron's former advisors. The Village Trust return is due to be filed with Mr. Baron's individual return. Similarly, information returns for Quantec LLC and Novo Point LLC are required to be prepared and filed by Mr. Baron as part of his individual return, regardless of their status as either corporate entities or entities disregarded as being separate from their owner (foreign corporations and foreign DREs would have different filings, but a filing would still be required in either case).

There is a possibility of additional returns being required for Quantec LLC and Novo Point LLC. Although Grant does not have sufficient information to determine whether such a filing requirement exists due to Mr. Baron's refusal to cooperate, if Quantec, LLC, and Novo Point, LLC are corporate entities for US federal income tax purposes, and if, after a review of all facts and circumstances, Quantec LLC and Novo Point LLC were deemed to have a US trade or business¹, then the Receivership would need to file a Form 1120-F for these entities. At this time, Grant is not aware of any such filing having been made in prior years. The filing of a Form 1120-F would not relieve Mr. Baron of his requirement to file an information return for Quantec LLC or Novo Point LLC with his individual return.

DISCUSSION

In general, IRC Sec. 6048 requires that certain information to be filed on behalf of foreign trusts having specified contacts with the US. Briefly, there are three types of contacts with the US that would trigger these requirements: a US trade or business, a US grantor, or a US beneficiary. The Village Trust does not appear to have any US trade or business, and further discussion of this scenario is beyond the scope of this memorandum.

The next element of the analysis is to determine whether the foreign trust qualifies as a "grantor trust" under IRC Sec. 671-679. Generally speaking, a foreign grantor trust is disregarded as being separate from its US grantor, and all of its items of income and expense will be reported on the US grantor's tax return. Alternately, if the foreign trust is not a grantor trust, then its existence is respected and each of the grantor and the beneficiary are subject to requirements to file information returns with slightly different content.

The pertinent parts of IRC Sec. 671 essentially state that if a grantor or other person is treated as an owner of any portion of a trust identified in IRC Sec. 671 through Sec. 679, then that person will recognize such items of income, deductions or credits of the trust as are related to their ownership. This position is further strengthened by case law.²

IRC Sec. 679 in particular deals with foreign grantor trusts. Paraphrased, IRC Sec. 679 taxes the grantor as the owner of the foreign trust if he meets four requirements: the grantor is a US person, the transferor makes a direct or indirect transfer to the trust, the trust is foreign, and the trust has a US beneficiary. In the case of the Village Trust, Jeff Baron appears to meet all of the salient points.

In conjunction with certain changes to IRC Sec. 679 regarding foreign grantor trusts under the Taxpayer Relief Act of 1997, the IRS also published Notice 97-34³ to provide additional guidance. Essentially, the relevant parts of the Notice reiterate the required information reporting under IRC Sec. 6048, and also refers to the (at the time) newly revised Forms 3520, and 3520-A

¹ As noted in the Discussion section below, the definition of a US trade or business for federal income tax purposes is heavily based on a facts and circumstances analysis.

² See *Madorin v. Comm'r*, 84 T.C. 667 (1985). See also Rev. Rul. 85-13, 1985-1 C.B. 184, Rev. Rul. 87-61, 1987-2 C.B. 219, and Rev. Rul. 2004-86, 2004-33 I.R.B. 191 for additional guidance.

³ 1997-1 C.B. 422.



The instructions for Form 3520-A, Annual Information Return of a Foreign Trust with a U.S. Owner provide additional clarity. In the "Who Must File" section of the instructions for Form 3520-A, it states:

A foreign trust with a US owner must file Form 3520-A in order for the US owner to satisfy its annual information reporting requirements under section 6048(b). Each US person treated as an owner of any portion of a foreign trust under section 671 through 679 is responsible for ensuring that the foreign trust files Form 3520-A and furnishes the required annual statements to its US owners and US beneficiaries.

[...]

Grantor Trust

A grantor trust is any trust to the extent that the assets of the trust are treated as owned by a person other than the trust. See the grantor trust rules in sections 671 through 679 [of the IRC].

As noted in the facts section above, Grant has been unable to independently verify the status of the Village Trust. Grant has been asked by the receiver to assume that the Village Trust is a Grantor Trust, and to comment accordingly.

Under the assumption that the Village Trust is a grantor trust, the open elements to be shown are:

- 1) Village Trust is a foreign trust;
- 2) The grantor is a US person; and
- 3) The beneficiary is a US person.

After discussion with the attorneys for the Receiver and discussions with the former advisors, Morgan and Rosenblatt, Grant has been requested to assume that the Village Trust is a foreign trust; the entity is presumed to be a validly formed and existing trust, organized in the Cook Islands.

Jeff Baron is, to the best of our knowledge, both the beneficiary and the grantor for the Village Trust. Mr. Baron is also, to the best of our knowledge, a US citizen and resident.

By default, since we are assuming the Village Trust is a grantor trust, the Village Trust will be deemed to be owned by its grantor and beneficiary, Jeff Baron. Accordingly, Jeff Baron will be required to file a Form 3520-A, and report the assets, income, liabilities, expenses, and credits of the trust on his personal return.⁴ Note, this Form is a filing requirement for the individual owner to satisfy his informational filing requirements, and it is not a requirement of the foreign trust itself. It will be signed by Jeff Baron, not the Village Trust, as will Jeff's personal income tax return.

To the extent that there are other foreign entities under the Village Trust, these entities will be reported as if the Village Trust does not exist. Thus, the income, expense, and credits of any flow-through entity held directly by the Village Trust will roll to the US shareholder (Jeff Baron) and will be reported on the appropriate information return. Alternately, if there is a foreign corporate holding under the Village Trust, the entity will report as controlled foreign corporation held by Jeff Baron individually. Either Form 5471 Information Returns of U.S. Persons with Respect to Certain Foreign Corporations, Form 8865 Return of US Persons with Respect to Foreign Partnerships, or Form 8858 Information Return of US Persons with Respect to Foreign Disregarded Entities will apply. In each case, the U.S. shareholder, Mr. Jeff Baron, is responsible for filing the return to report the income in these foreign holdings.

⁴ Jeff Baron holds the Village Trust directly, and not through any other entities of which Grant is aware.



Mr. Baron has not provided the Receivership sufficient information for Grant to provide an independent assessment of the individual entities under the Village Trust. However, while Grant is unable to determine whether the individual entities in question are disregarded ("DREs"), partnerships, or corporation, the filing requirement still falls to Mr. Baron individually. Thus, for Quantec, LLC and Novo Point, LLC, regardless of their classification as a DRE, controlled foreign corporation, or partnership⁵, Jeff Baron personally would still bear the US filing responsibility for these entities.

The sole potential exception whereby one of these foreign entities might have its own filing requirement is in the instance that they have a US trade or business. To date, there are no such US trades or businesses of which Grant has been made aware. However, if Quantec LLC or Novo Point LLC were controlled foreign corporations ("CFCs"), and if the receiver-appointed manager were deemed to be a dependent agent, it is possible that these entities might be deemed to have a US trade or business and be required to file Form 1120-F, US Income Tax Return of a Foreign Corporation. Alternately, if Quantec LLC and Novo Point LLC have elected to be DREs rather than corporations, there would be no such requirement to file Form 1120-F as all of the income, deduction, and credits of these entities would be reported on Mr. Baron's individual return.

The analysis and determination of whether an entity has a US trade or business is heavily based on facts and circumstances. As noted above, Grant has not received sufficient information to conclude as to the status of the entities in question, or sufficient information to develop a facts and circumstances analysis to see if there was a US trade or business. To make this determination, at the very least Grant would need a copy of a valid previously-filed and approved Form 8832 Entity Classification Election for Novo Point LLC and Quantec LLC. Grant has not received any such Form from the Receiver, Mr. Baron's former tax advisors, i.e. Ms. Morgan, or Mr. Baron. Further, in the event that an 1120-F was required, Grant does not have enough information to file a sufficiently complete Form 1120-F under the paid preparer standards such that Grant would be able to file the return.⁶

As Mr. Baron has declined to provide sufficient information for the Receivership to file an annual income tax return on his behalf in prior years, the court previously granted a motion to sever the filing requirement of Mr. Baron's individual return from the responsibilities of the Receivership and place the burden back on Mr. Baron.

Accordingly, to assist Mr. Baron in the preparation of his taxes, the Receivership is providing Mr. Baron with copies of the statements of income and expense, and balance sheets of all of Quantec, LLC and Novo Point LLC, in addition to such information as the Receivership has available in regards to items of income and expense flowing into the trust.

Mr. Baron, individually, will be responsible for making the determination of his filing requirements and will be required to file such Form or Forms as needed.

Circular 230 Disclosure

This memorandum addresses certain US federal income tax issues only and does not address any state, local, or other foreign tax issues. Our discussion is based on the Internal Revenue Code of

⁵ With the Settlement Agreement in place, there is no evidence that either Quantec LLC or Novo Point LLC has a second owner such that they would qualify as a partnership. Absent some kind of nominee partner, these entities will likely be either DREs or CFCs.

⁶ In order to complete Form 1120-F, Grant would need (among other things) complete information on income and asset sourcing, the structure and financial information of any additional entities that are owned or partially owned by Quantec LLC and Novo Point LLC, as well as a complete list of any and all intercompany transactions. To date, Grant has only been able to gather the partial information available from the Receivership and Ms. Morgan. Mr. Baron has not provided any such information.



1986, as amended, the Treasury Regulations promulgated thereunder, and other relevant authorities. These authorities are all subject to change, and such change could have retroactive effect. Any such changes could thus have an effect on the validity of our conclusions. Unless specifically requested, we will not update this Memorandum for subsequent changes or modifications to these authorities. Further, this memorandum is based on our interpretation of these authorities; another knowledgeable party (such as the IRS or a court hearing the same facts) might reach different conclusions.

The advice expressed in the Memorandum is not an opinion as to the tax consequences of the transaction. We would need to perform a more thorough review and analysis before we could render an opinion.

Our conclusions are limited to the issues addressed in this Memorandum, and are based on facts, assumptions, documents and representations we have received from you, and on any assumptions stated herein. We have neither independently investigated nor verified these facts, representations, and assumptions, although we have considered their reasonableness. If any of the facts, representations or assumptions reflected in this Memorandum are not accurate, our conclusions are not applicable.

In accordance with applicable professional regulations, please understand that, unless expressly stated otherwise, any written advice contained in, forwarded with, or attached to this document is not intended or written by Grant Thornton LLP to be used, and cannot be used, by any person for the purpose of avoiding any penalties that may be imposed under the Internal Revenue Code.

The Village Trust Income and Expenses for 2011

Date	Transaction Type	Credit	Debit	Balance
1-Jan-11	Beginning Balance			\$100.00
5-Jan-11	Wire	\$15,000.00		\$15,100.00
5-Jan-11	Wire	\$6,449.21		\$21,549.21
13-Jan-11	Fees & Svc Chgs		\$16.50	\$21,532.71
3-Feb-11	Wire	\$8,308.23		\$29,840.94
8-Feb-11	Wire	\$3,000.00		\$32,840.94
11-Feb-11	Fees & Svc Chgs		\$33.00	\$32,807.94
4-Mar-11	Wire	\$10,725.86		\$43,533.80
7-Mar-11	Wire	\$18,000.00		\$61,533.80
11-Mar-11	Fees & Svc Chgs		\$16.50	\$61,517.30
1-Apr-11	Wire	\$15,000.00		\$76,517.30
5-Apr-11	Wire	\$29,165.97		\$105,683.27
13-Apr-11	Fees & Svc Chgs		\$33.00	\$105,650.27
5-May-11	Wire	\$14,485.89		\$120,136.16
11-May-11	Wire		\$19,217.69	\$100,918.47
11-May-11	Wire		\$12,475.00	\$88,443.47
11-May-11	Wire		\$5,000.00	\$83,443.47
10-May-11	Wire		\$50,000.00	\$33,443.47
12-May-11	Fees & Svc Chgs		\$33.00	\$33,410.47
6-Jun-11	Wire	\$8,505.77		\$41,916.24
13-Jun-11	Fees & Svc Chgs		\$100.00	\$41,816.24
1-Jul-11	Wire	\$15,000.00		\$56,816.24
5-Jul-11	Wire	\$9,462.46		\$66,278.70
14-Jul-11	Fees & Svc Chgs		\$16.50	\$66,062.20
2-Aug-11	Wire	\$21,400.69		\$87,462.89
8-Aug-11	Check no. 9002		\$39.00	\$87,423.89
11-Aug-11	Fees & Svc Chgs		\$35.00	\$87,390.89
2-Sep-11	Wire	\$38,056.39		\$125,447.28
14-Sep-11	Fees & Svc Chgs		\$16.50	\$125,430.78
19-Sep-11	Check no. 9001		\$5,000.00	\$120,430.78
19-Sep-11	Check no. 9003		\$5,000.00	\$115,430.78
21-Sep-11	Check no. 9006		\$358.90	\$115,071.88
23-Sep-11	Check no. 9004		\$972.84	\$114,099.04
23-Sep-11	Check no. 9005		\$165.78	\$113,933.26
3-Oct-11	Wire	\$29,085.34		\$143,018.60
3-Oct-11	Wire	\$15,000.00		\$158,018.60
14-Oct-11	Fees & Svc Chgs		\$16.50	\$158,002.10

Date	Transaction Type	Credit	Debit	Balance
14-Nov-11	Check no. 1001		\$5,000.00	\$153,002.10
14-Nov-11	Check no. 9007		\$5,000.00	\$148,002.10
14-Nov-11	Fees & Svc Chgs		\$33.00	\$147,969.10
16-Nov-11	Check no. 9009		\$822.80	\$147,146.30
5-Dec-11	Wire	\$41,320.37		\$188,466.67
12-Dec-11	Check no. 1002		\$775.75	\$187,690.92
12-Dec-11	Check no. 1003		\$183.60	\$187,507.32
13-Dec-11	Check no. 1005		\$972.84	\$186,534.48
16-Dec-11	Check no. 1006		\$144.75	\$186,389.73
27-Dec-11	Check no. 1007		\$395.28	\$185,994.45
TOTALS		\$297,866.18	\$111,871.73	\$185,994.45

Dallas #2304732x2

2:34 PM
 03/26/12
 Cash Basis

QUANTEC LLC
Profit & Loss
 January through December 2011

	Jan - Dec 11
Income	
Domain Name Sales	
Sedo.com (Commission)	-240.00
Sedo.com (Gross)	2,185.00
Total Domain Name Sales	1,945.00
Fees from Monetizers	
Above.com	2,708.37
NameDrive.com	80,308.64
New.net / Firstlook	12,524.35
Parked.com	11,000.37
Sedo.com Parking Revenue	160,884.67
Trellian Pty Ltd (Above.com)	47,608.74
Ventures (Hitfarm.com)	1,355,636.29
Total Fees from Monetizers	1,670,671.43
Total Income	1,672,616.43
Expense	
Bank Fees	
Wire Fees	1,982.00
Total Bank Fees	1,982.00
Domain Registration Fees	
Leases & Rentals	
Rent - Trinity Mills Office	7,503.90
Total Leases & Rentals	7,503.90
Legal & Professional	
Management Fees	98,896.91
Office Expense	94,514.17
Office Expense	1,236.77
Outside Services	
Appraisals	239.75
Programmer	141,633.00
Total Outside Services	141,872.75
Total Expense	1,566,718.95
Net Income	105,897.48

2:33 PM
 03/26/12
 Cash Basis

QUANTEC LLC
Balance Sheet
 As of December 31, 2011

	<u>Dec 31, 11</u>	<u>Dec 31, 10</u>
ASSETS		
Current Assets		
Checking/Savings		
BBVA Compass Bank 2521421323	445,868.89	288,782.33
Total Checking/Savings	<u>445,868.89</u>	<u>288,782.33</u>
Other Current Assets		
Suspense	909,302.79	909,302.79
Total Other Current Assets	<u>909,302.79</u>	<u>909,302.79</u>
Total Current Assets	<u>1,355,271.78</u>	<u>1,208,085.12</u>
TOTAL ASSETS	<u>1,355,271.78</u>	<u>1,208,085.12</u>
LIABILITIES & EQUITY		
Liabilities:		
Current Liabilities		
Other Current Liabilities		
Due to Novo Point LLC	61,941.85	20,652.67
Total Other Current Liabilities	<u>61,941.85</u>	<u>20,652.67</u>
Total Current Liabilities	<u>61,941.85</u>	<u>20,652.67</u>
Total Liabilities	<u>61,941.85</u>	<u>20,652.67</u>
Equity		
IOLA Trust for SJB	-215,761.98	-215,761.98
Members Equity	1,403,194.41	40,150.19
Net Income	105,897.48	1,363,044.22
Total Equity	<u>1,293,329.93</u>	<u>1,187,432.45</u>
TOTAL LIABILITIES & EQUITY	<u>1,355,271.78</u>	<u>1,208,085.12</u>

03/26/12

Novo Point, LLC
Profit & Loss
January through December 2011

	Jan - Dec 11
Income:	
Fees from Monetizers	
Domain Name Dynamics - Oversea	2,238.58
Parked.com	2,394.24
Sedo.com	5,302.42
Ventures (HitFarm.com)	341,609.97
Total Fees from Monetizers	351,545.21
Total Income	351,545.21
Expense	
Bank Fees	656.00
Contract Services	32,957.73
Domain Appraisals	5,880.92
Domain Registration	64,474.92
Legal Fees	76,437.09
Management Fees	37,278.26
Total Expense	217,684.92
Net Income	133,860.29

Novo Point, LLC
Balance Sheet
 As of December 31, 2011

03/26/12

	<u>Dec. 31, 11</u>	<u>Dec. 31, 10</u>
ASSETS		
Current Assets		
Checking/Savings		
Compass Bank	174,297.82	81,080.89
IOLTA Account - SJBT	192.40	192.40
Total Checking/Savings	<u>174,490.22</u>	<u>81,273.09</u>
Accounts Receivable		
Accounts Receivable	-589,201.73	-587,730.71
Total Accounts Receivable	<u>-589,201.73</u>	<u>-587,730.71</u>
Other Current Assets		
Account Receivable - Quasar LL	825.00	0.00
Entity formation	1,466.66	1,466.66
Loan Receivable - Quantec LLC	270,057.80	228,768.62
Total Other Current Assets	<u>272,349.46</u>	<u>230,235.28</u>
Total Current Assets	<u>-142,362.05</u>	<u>-276,222.34</u>
Fixed Assets		
Domain Names	<u>600,000.00</u>	<u>600,000.00</u>
Total Fixed Assets	<u>600,000.00</u>	<u>600,000.00</u>
TOTAL ASSETS	<u>457,637.95</u>	<u>323,777.66</u>
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Other Current Liabilities		
Due to Diamond Key LLC	120,760.22	120,760.22
Total Other Current Liabilities	<u>120,760.22</u>	<u>120,760.22</u>
Total Current Liabilities	<u>120,760.22</u>	<u>120,760.22</u>
Total Liabilities	<u>120,760.22</u>	<u>120,760.22</u>
Equity		
Members Draw	-21,049.47	-21,049.47
Members Equity	-375,933.09	-62,476.08
Unrealized Gain	600,000.00	600,000.00
Net Income	133,860.29	-313,457.03
Total Equity	<u>336,877.73</u>	<u>203,017.44</u>
TOTAL LIABILITIES & EQUITY	<u>457,637.95</u>	<u>323,777.66</u>

Exhibit 2

BLAKLEY, JOHN DAVID

From: LOH, PETER
Sent: Friday, April 13, 2012 5:02 PM
To: BLAKLEY, JOHN DAVID
Subject: FW: Notice of non-representation
Attachments: Baron--Notice of Non-representation to Vogel.pdf; Letter to Gary Schepps March 30.pdf

Peter L. Loh
214.999.4391 direct

From: Gary Schepps [<mailto:legal@schepps.net>]
Sent: Sunday, April 01, 2012 6:23 PM
To: LOH, PETER
Subject: Notice of non-representation

Peter,

Please find attached correspondence.

Yours truly,

Gary Schepps

GARY N. SCHEPPS

ATTORNEY & COUNSELOR

DRAWER 670804
DALLAS, TEXAS 75367

TELEPHONE 972-200-0000
FACSIMILE 972-200-0535

April 1, 2012

VIA Email to: ploh@gardere.com

Mr. Peter Vogel
c/o Peter Loh
Gardere Wynne Sewell, LLP
1601 Elm Street, Suite 3000
Dallas, Texas 75201-4761

RE: *Notice of non-representation*

Peter,

My acceptance of representation for Jeff has been limited to the specific appeals in which I represent him. I have not been retained to handle any tax issues. I have made a motion for allowing Jeff counsel for such matters, the motion was denied, and that ruling is currently on appeal.

If you would like me to represent Jeff on this matter, subject to his agreement, I will be happy to do so if retainer is paid. I will require \$15,000.00 as a non-refundable initial fee retainer, and \$25,000.00 as a refundable expense retainer (for an accountant to consult on the tax issues).

I am returning to you your PDF file. If you want me to represent Jeff on this matter it will need to be within a formal framework.

Yours Truly,

Gary Schepps

enclosure 1

Exhibit 3

BLAKLEY, JOHN DAVID

From: LOH, PETER
Sent: Tuesday, April 03, 2012 4:35 PM
To: 'Gary Schepps'
Cc: 'Jeff Baron'; GOLDEN, BARRY; VOGEL, PETER; LOH, PETER; BLAKLEY, JOHN DAVID
Subject: Netsphere et al. v. Jeffrey Baron et al.--Civil Action No. 3:09cv988, U.S. District Court for the Northern District of Texas
Attachments: Letter to Gary Schepps April 3.pdf

Mr. Schepps: Please find the attached correspondence.

Peter L. Loh | Partner
Gardere Wynne Sewell LLP
1601 Elm Street, Suite 3000 | Dallas, TX 75201
214.999.4391 direct
214.999.3391 fax
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attorneys and counselors ■ www.gardere.com

Peter L. Loh
Telephone: 214.999.4391
Direct Fax: 214.999.3391
ploh@gardere.com

April 3, 2012

Mr. Gary N. Schepps
5400 LBJ Freeway, Suite 1200
Dallas, TX 75240

Via Email & Regular Mail

Re: *Netsphere, Inc., et al. v. Jeffrey Baron, et al.*; Civil Action No. 3:09-cv-0988, U.S. District Court, Northern District of Texas, Dallas Division—Information concerning Mr. Baron's personal tax return and tax returns for certain Receivership Parties for the 2011 tax year.

Dear Mr. Schepps:

On behalf of the Receiver, I am writing with respect to 1) my letter to you dated March 30, 2012 (the "March 30 Letter") and 2) your letter to me dated April 1, 2012 (the "April 1 Letter"). (The March 30 Letter and the April 1 Letter are attached hereto respectively as Exhibits 1 and 2.) Pursuant to the District Court's Order Appointing Receiver (the "Receiver Order") dated November 24, 2010, the Receiver is entitled to your cooperation in locating and producing information which may be of assistance to the Receiver:

"The Defendants and all other persons or entities served with a copy of this Order shall fully cooperate with and assist the Receiver. This cooperation and assistance shall include, but not be limited to, providing any information to the Receiver that the Receiver deems necessary to exercising the authority and discharging the responsibilities of the Receiver."

(Exhibit 3 at p. 9.) As you may recall, the March 30 Letter was addressed to you as counsel for Mr. Baron and requested information pertaining to, among other things, the tax returns for The Village Trust, Novo Point, LLC, and Quantec, LLC for the 2011 tax year. In response, the April 1 Letter stated that you do not represent Mr. Baron with regard to "tax issues." (Exhibit 2.) Nevertheless, the Receiver is *not* seeking your legal services on behalf of Mr. Baron or anyone else but rather solely as someone who is obligated to cooperate with the Receiver per the Receiver Order.

Mr. Gary N. Schepps
April 3, 2012
Page 2


Specifically, the March 30 Letter discussed the Receiver's possible need to make separate tax filings for The Village Trust, Novo Point, LLC, and Quantec, LLC. However, the Receiver currently lacks the information necessary to determine if such additional filings are required (the "Missing Information"). If the Receiver were to obtain this Missing Information, it might assist the Receiver in the preparation of tax returns for other Receivership Parties (the "Missing Information for Other Receivership Parties' Returns").

Accordingly, in the March 30 Letter, the Receiver requested that Mr. Baron produce the Missing Information for Other Receivership Parties' Returns and/or information pertaining to it. The Receiver hereby re-iterates that request and modifies it to include Missing Information for Other Receivership Parties' Returns you may possess or be aware of as follows:

- Please immediately provide the Receiver with all of the Missing Information for Other Receivership Parties' Returns within Mr. Baron's or your possession, custody, or control.
- For any of the Missing Information for Other Receivership Parties' Returns of which Mr. Baron or you are aware of but which is outside of Mr. Baron's or your possession, custody, or control, please immediately provide the Receiver with all of the information necessary for the Receiver to obtain the Missing Information for Other Receivership Parties' Returns (e.g., substance of the Missing Information for Other Receivership Parties' Returns; location of the Missing Information for Other Receivership Parties' Returns; identities of individuals with possession, custody, or control over the Missing Information for Other Receivership Parties' Returns, etc.).

Please produce to the Receiver the foregoing information discussed and described herein no later than Friday April 6, 2012. The Receiver will advise the Court of any failure to cooperate.

Sincerely,



Peter L. Loh

PLL/kp
2227307.2

EXHIBIT 1

LOH, PETER

From: LOH, PETER
Sent: Friday, March 30, 2012 2:08 PM
To: 'Gary Schepps'
Cc: 'Jeff Baron'; VOGEL, PETER; GOLDEN, BARRY; LOH, PETER; BLAKLEY, JOHN DAVID
Subject: Netsphere, Inc. v. Baron et al.--Jeff Baron Personal Tax Return and Other Possible Tax Filings
Attachments: Letter to Gary Schepps March 30.pdf

Gary: Please find the attached correspondence. Thank you.

Peter L. Loh | Partner
Gardere Wynne Sewell LLP

1601 Elm Street, Suite 3000 | Dallas, TX 75201
214.999.4391 direct
214.999.3391 fax
[Gardere](#) | [Bio](#) | [vCard](#)

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attorneys and counselors ■ www.gardere.com

Peter L. Loh
Telephone: 214.999.4391
Direct Fax: 214.999.3391
ploh@gardere.com

March 30, 2012

Mr. Gary N. Schepps
5400 LBJ Freeway, Suite 1200
Dallas, TX 75240

Via Email & Regular Mail

Re: *Netsphere, Inc., et al. v. Jeffrey Baron, et al.*;
Civil Action No. 3:09-cv-0988, U.S. District Court, Northern District of Texas, Dallas
Division: Information concerning Mr. Baron's personal tax return for the 2011 tax year.

Dear Mr. Schepps (as counsel to Jeffrey Baron):

On behalf of the Receiver, I am writing with respect to tax returns for the year 2011 to be prepared and filed by Mr. Baron, and additional tax returns for the year 2011 to be prepared and filed by the Receiver:

A. Tax Returns for the Year 2011 to be Prepared and Filed by Mr. Baron.

1. Information the Receiver is providing to Mr. Baron.

If you recall, pursuant to the Court's Order Regarding Emergency Motion for Leave to File Motion to Stay Order to Disclose Attorney-Client Material dated April 7, 2011, Mr. Baron is responsible for the preparation and filing of his own personal tax returns. [Docket No. 442.] To facilitate Mr. Baron's preparation and filing of his own personal tax returns, I am enclosing with this correspondence two documents:

- The first document is an Opinion Letter from the accounting firm of Grant Thornton LLP (the "Grant Thornton Letter"). The Grant Thornton Letter concludes, among other things (and note that I am merely paraphrasing here—you should review the Grant Thornton Letter in its entirety), that Mr. Baron should report not only his own personal income and expenses, but also the income and expenses of (1) The Village Trust (because of its status as a grantor trust), and (2) Novo Point, LLC's and Quantec, LLC's (collectively, the "LLCs") (because their income and expenses flow through to The Village Trust).

Mr. Gary N. Schepps
March 30, 2012
Page 2

- The second document is a statement reflecting the 2011 income and expenses for The Village Trust and the LLCs (the "Financial Statements").

Before relying on the Grant Thornton Letter or the Financial Statements, however, please read the Grant Thornton Letter carefully, as well as the section below setting forth issues relating to the accuracy of the Financial Statements.

2. Information the Receiver is requesting from Mr. Baron.

Please note that the Receiver has attempted to classify all transactions characterized in the Financial Statements to the best of his ability during the year ending December 31, 2011 or other period as applicable. There is, however, information that the Receiver is missing. Because certain categories of items and their corresponding balances shown on the Financial Statements existed prior to the Receiver's appointment, the Receiver, to date, has been unable to complete a thorough investigation of such items and, thus, cannot make any representation on the existence or valuation of such items. Thus, there can be no assurance that the Financial Statements as a whole fairly present, materially or otherwise, the financial position of the applicable entities. Further, there is no assurance that the information on the Financial Statements pre-dating the Receiver's appointment was prepared in conformity with, or presented according to, generally accepted accounting principles, is fit for any particular purpose, or been subject to any audit, review or compilation procedures of any kind prepared by an external accounting firm. In short, as set forth in this paragraph, there might be information that the Receiver is missing that, if the Receiver were to obtain, might cause Grant Thornton to modify the Grant Thornton Letter or the Receiver to modify the Financial Statement (the "Missing Information for Mr. Baron's Own Return"). Accordingly, the Receiver makes the following requests:

- Please immediately provide the Receiver with all of the Missing Information for Mr. Baron's Own Return within Mr. Baron's possession, custody, or control.
- For any of the Missing Information for Mr. Baron's Own Return of which Mr. Baron is aware but which is outside of Mr. Baron's possession, custody, or control, please immediately provide the Receiver with the all information necessary for the Receiver to obtain the Missing Information (e.g., substance of the Missing Information for Mr. Baron's Own Return; location of the Missing Information for Mr. Baron's Own Return; identities of individuals with possession, custody, or control over the Missing Information for Mr. Baron's Own Return, etc.).

Mr. Gary N. Schepps
March 30, 2012
Page 2

B. Tax Returns for the Year 2011 to be Prepared and Filed by the Receiver:

According to the Grant Thornton Letter, the Receiver might need to file separate tax filings for The Village Trust and the LLC (in addition to Mr. Baron's personal tax return that should, in Grant Thornton's opinion, report the income and expenses of The Village Trust and the LLCs). However, the Receiver lacks the information necessary to determine if such additional filings are required. This information, at a minimum, consists of confirmation as to whether the LLCs have ever elected to be "disregarded entities" under the Internal Revenue Code (the "Missing Information"). In short, as set forth in this paragraph, there might be information that the Receiver is missing that, if the Receiver were to obtain, might assist the Receiver in the preparation of tax returns for other Receivership Parties (the "Missing Information for Other Receiver Parties' Returns"). Accordingly, the Receiver makes the following requests:

- Please immediately provide the Receiver with all of the Missing Information for Other Receiver Parties' Returns within Mr. Baron's possession, custody, or control.
- For any of the Missing Information for Other Receiver Parties' Returns of which Mr. Baron is aware but which is outside of Mr. Baron's possession, custody, or control, please immediately provide the Receiver with the all information necessary for the Receiver to obtain the Missing Information for Other Receiver Parties' Returns (e.g., substance of the Missing Information for Other Receiver Parties' Returns; location of the Missing Information for Other Receiver Parties' Returns; identities of individuals with possession, custody, or control over the Missing Information for Other Receiver Parties' Returns, etc.).

Please let me know if you have any questions.

Sincerely,



Peter L. Loh

PLL/kp
2227307.2



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Memorandum

To: The Files of the Jeff Baron Receivership
From: Mark Thorne
Date: 3/6/12
Re: Filing Requirements for the Receivership of Jeff Baron

FACTS

Grant Thornton, LLP, ("Grant" or "Grant Thornton") has been engaged to assist the Receivership of Jeff Baron ("Receivership") with certain U.S. tax questions. Most recently, Grant has been requested to comment on the U.S. filing requirements of the Receivership parties in general, and in respect to the Village Trust and those entities rolling up into the Village Trust in specific, namely Quantec, LLC and Novo Point, LLC.

To date, Jeff Baron and other certain parties subject to the Receivership Order have declined to cooperate with the Receivership. Accordingly, Grant has not been able to review sufficient evidence to independently verify certain facts.

Michelle Rosenblatt and Elizabeth Morgan (nee Elizabeth Morgan Schurig), formerly of Schurig Jetel Beckett Tackett, and now of its successor law firm, Morgan Adler Buxton Jetel, are former advisors of Jeff Baron, et. al. They have identified The Village Trust, ("Village Trust"), a Cook Islands trust, as being classified as a Grantor Trust for U.S. federal income tax purposes.

Although Grant has been unable to independently verify classification of the Trust, Grant has been requested to discuss the filing requirements of the parties based on the assumption that the Village Trust is, indeed, a Grantor Trust.

It is our understanding that Jeff Baron is both the Grantor and sole beneficiary of the Village Trust.

ISSUES

If the Village Trust is a foreign grantor trust, what are the US filing requirements for the Village Trust, and for its two immediate foreign subsidiaries, Novo Point, LLC and Quantec, LLC?

CONCLUSION



Mr. Jeff Baron, individually, should be responsible for filing any and all U.S. filings required for the Village Trust based on the representations of Mr. Baron's former advisors. The Village Trust return is due to be filed with Mr. Baron's individual return. Similarly, information returns for Quantec LLC and Novo Point LLC are required to be prepared and filed by Mr. Baron as part of his individual return, regardless of their status as either corporate entities or entities disregarded as being separate from their owner (foreign corporations and foreign DREs would have different filings, but a filing would still be required in either case).

There is a possibility of additional returns being required for Quantec LLC and Novo Point LLC. Although Grant does not have sufficient information to determine whether such a filing requirement exists due to Mr. Baron's refusal to cooperate, if Quantec, LLC, and Novo Point, LLC are corporate entities for US federal income tax purposes, and if, after a review of all facts and circumstances, Quantec LLC and Novo Point LLC were deemed to have a US trade or business¹, then the Receivership would need to file a Form 1120-F for these entities. At this time, Grant is not aware of any such filing having been made in prior years. The filing of a Form 1120-F would not relieve Mr. Baron of his requirement to file an information return for Quantec LLC or Novo Point LLC with his individual return.

DISCUSSION

In general, IRC Sec. 6048 requires that certain information to be filed on behalf of foreign trusts having specified contacts with the US. Briefly, there are three types of contacts with the US that would trigger these requirements: a US trade or business, a US grantor, or a US beneficiary. The Village Trust does not appear to have any US trade or business, and further discussion of this scenario is beyond the scope of this memorandum.

The next element of the analysis is to determine whether the foreign trust qualifies as a "grantor trust" under IRC Sec. 671-679. Generally speaking, a foreign grantor trust is disregarded as being separate from its US grantor, and all of its items of income and expense will be reported on the US grantor's tax return. Alternately, if the foreign trust is not a grantor trust, then its existence is respected and each of the grantor and the beneficiary are subject to requirements to file information returns with slightly different content.

The pertinent parts of IRC Sec. 671 essentially state that if a grantor or other person is treated as an owner of any portion of a trust identified in IRC Sec. 671 through Sec. 679, then that person will recognize such items of income, deductions or credits of the trust as are related to their ownership. This position is further strengthened by case law.²

IRC Sec. 679 in particular deals with foreign grantor trusts. Paraphrased, IRC Sec. 679 taxes the grantor as the owner of the foreign trust if he meets four requirements: the grantor is a US person, the transferor makes a direct or indirect transfer to the trust, the trust is foreign, and the trust has a US beneficiary. In the case of the Village Trust, Jeff Baron appears to meet all of the salient points.

In conjunction with certain changes to IRC Sec. 679 regarding foreign grantor trusts under the Taxpayer Relief Act of 1997, the IRS also published Notice 97-34³ to provide additional guidance. Essentially, the relevant parts of the Notice reiterate the required information reporting under IRC Sec. 6048, and also refers to the (at the time) newly revised Forms 3520, and 3520-A.

¹ As noted in the Discussion section below, the definition of a US trade or business for federal income tax purposes is heavily based on a facts and circumstances analysis.

² See *Madorin v. Commissioner*, 84 T.C. 667 (1985). See also Rev. Rul. 85-13, 1985-1 C.B. 184, Rev. Rul. 87-61, 1987-2 C.B. 219, and Rev. Rul. 2004-86, 2004-33 I.R.B. 191 for additional guidance.

³ 1997-1 C.B. 422.



The instructions for Form 3520-A, Annual Information Return of a Foreign Trust with a U.S. Owner provide additional clarity. In the "Who Must File" section of the instructions for Form 3520-A, it states:

A foreign trust with a US owner must file Form 3520-A in order for the US owner to satisfy its annual information reporting requirements under section 6048(b). Each US person treated as an owner of any portion of a foreign trust under section 671 through 679 is responsible for ensuring that the foreign trust files Form 3520-A and furnishes the required annual statements to its US owners and US beneficiaries.

[...]

Grantor Trust

A grantor trust is any trust to the extent that the assets of the trust are treated as owned by a person other than the trust. See the grantor trust rules in sections 671 through 679 [of the IRC].

As noted in the facts section above, Grant has been unable to independently verify the status of the Village Trust. Grant has been asked by the receiver to assume that the Village Trust is a Grantor Trust, and to comment accordingly.

Under the assumption that the Village Trust is a grantor trust, the open elements to be shown are:

- 1) Village Trust is a foreign trust;
- 2) The grantor is a US person; and
- 3) The beneficiary is a US person.

After discussion with the attorneys for the Receiver and discussions with the former advisors, Morgan and Rosenblatt, Grant has been requested to assume that the Village Trust is a foreign trust; the entity is presumed to be a validly formed and existing trust, organized in the Cook Islands.

Jeff Baron is, to the best of our knowledge, both the beneficiary and the grantor for the Village Trust. Mr. Baron is also, to the best of our knowledge, a US citizen and resident.

By default, since we are assuming the Village Trust is a grantor trust, the Village Trust will be deemed to be owned by its grantor and beneficiary, Jeff Baron. Accordingly, Jeff Baron will be required to file a Form 3520-A, and report the assets, income, liabilities, expenses, and credits of the trust on his personal return.⁴ Note, this Form is a filing requirement for the individual owner to satisfy his informational filing requirements; and it is not a requirement of the foreign trust itself. It will be signed by Jeff Baron, not the Village Trust, as will Jeff's personal income tax return.

To the extent that there are other foreign entities under the Village Trust, these entities will be reported as if the Village Trust does not exist. Thus, the income, expense, and credits of any flow-through entity held directly by the Village Trust will roll to the US shareholder (Jeff Baron) and will be reported on the appropriate information return. Alternately, if there is a foreign corporate holding under the Village Trust, the entity will report as controlled foreign corporation held by Jeff Baron individually. Either Form 5471 Information Returns of U.S. Persons with Respect to Certain Foreign Corporations, Form 8865 Return of US Persons with Respect to Foreign Partnerships, or Form 8858 Information Return of US Persons with Respect to Foreign Disregarded Entities will apply. In each case, the U.S. shareholder, Mr. Jeff Baron, is responsible for filing the return to report the income in these foreign holdings.

⁴ Jeff Baron holds the Village Trust directly, and not through any other entities of which Grant is aware.



Mr. Baron has not provided the Receivership sufficient information for Grant to provide an independent assessment of the individual entities under the Village Trust. However, while Grant is unable to determine whether the individual entities in question are disregarded ("DREs"), partnerships, or corporation, the filing requirement still falls to Mr. Baron individually. Thus, for Quantec, LLC and Novo Point, LLC, regardless of their classification as a DRE, controlled foreign corporation, or partnership⁵, Jeff Baron personally would still bear the US filing responsibility for these entities.

The sole potential exception whereby one of these foreign entities might have its own filing requirement is in the instance that they have a US trade or business. To date, there are no such US trades or businesses of which Grant has been made aware. However, if Quantec LLC or Novo Point LLC were controlled foreign corporations ("CFCs"), and if the receiver-appointed manager were deemed to be a dependent agent, it is possible that these entities might be deemed to have a US trade or business and be required to file Form 1120-F, US Income Tax Return of a Foreign Corporation. Alternately, if Quantec LLC and Novo Point LLC have elected to be DREs rather than corporations, there would be no such requirement to file Form 1120-F as all of the income, deduction, and credits of these entities would be reported on Mr. Baron's individual return.

The analysis and determination of whether an entity has a US trade or business is heavily based on facts and circumstances. As noted above, Grant has not received sufficient information to conclude as to the status of the entities in question, or sufficient information to develop a facts and circumstances analysis to see if there was a US trade or business. To make this determination, at the very least Grant would need a copy of a valid previously-filed and approved Form 8832 Entity Classification Election for Novo Point LLC and Quantec LLC. Grant has not received any such Form from the Receiver, Mr. Baron's former tax advisors, i.e. Ms. Morgan, or Mr. Baron. Further, in the event that an 1120-F was required, Grant does not have enough information to file a sufficiently complete Form 1120-F under the paid preparer standards such that Grant would be able to file the return.⁶

As Mr. Baron has declined to provide sufficient information for the Receivership to file an annual income tax return on his behalf in prior years, the court previously granted a motion to sever the filing requirement of Mr. Baron's individual return from the responsibilities of the Receivership and place the burden back on Mr. Baron.

Accordingly, to assist Mr. Baron in the preparation of his taxes, the Receivership is providing Mr. Baron with copies of the statements of income and expense, and balance sheets of all of Quantec, LLC and Novo Point LLC, in addition to such information as the Receivership has available in regards to items of income and expense flowing into the trust.

Mr. Baron, individually, will be responsible for making the determination of his filing requirements and will be required to file such Form or Forms as needed.

Circular 230 Disclosure

This memorandum addresses certain US federal income tax issues only and does not address any state, local, or other foreign tax issues. Our discussion is based on the Internal Revenue Code of

⁵ With the Settlement Agreement in place, there is no evidence that either Quantec LLC or Novo Point LLC has a second owner such that they would qualify as a partnership. Absent some kind of nominee partner, these entities will likely be either DREs or CFCs.

⁶ In order to complete Form 1120-F, Grant would need (among other things) complete information on income and asset sourcing, the structure and financial information of any additional entities that are owned or partially owned by Quantec LLC and Novo Point LLC, as well as a complete list of any and all intercompany transactions. To date, Grant has only been able to gather the partial information available from the Receivership and Ms. Morgan. Mr. Baron has not provided any such information.



1986, as amended, the Treasury Regulations promulgated thereunder, and other relevant authorities. These authorities are all subject to change, and such change could have retroactive effect. Any such changes could thus have an effect on the validity of our conclusions. Unless specifically requested, we will not update this Memorandum for subsequent changes or modifications to these authorities. Further, this memorandum is based on our interpretation of these authorities; another knowledgeable party (such as the IRS or a court hearing the same facts) might reach different conclusions.

The advice expressed in the Memorandum is not an opinion as to the tax consequences of the transaction. We would need to perform a more thorough review and analysis before we could render an opinion.

Our conclusions are limited to the issues addressed in this Memorandum, and are based on facts, assumptions, documents and representations we have received from you, and on any assumptions stated herein. We have neither independently investigated nor verified these facts, representations, and assumptions, although we have considered their reasonableness. If any of the facts, representations or assumptions reflected in this Memorandum are not accurate, our conclusions are not applicable.

In accordance with applicable professional regulations, please understand that, unless expressly stated otherwise, any written advice contained in, forwarded with, or attached to this document is not intended or written by Grant Thornton LLP to be used, and cannot be used, by any person for the purpose of avoiding any penalties that may be imposed under the Internal Revenue Code.

The Village Trust Income and Expenses for 2011

Date	Transaction Type	Credit	Debit	Balance
1-Jan-11	Beginning Balance	\$100.00		\$100.00
5-Jan-11	Wire	\$15,000.00		\$15,100.00
5-Jan-11	Wire	\$6,449.21		\$21,549.21
13-Jan-11	Fees & Svc Chgs		\$16.50	\$21,532.71
1-Feb-11	Wire	\$9,008.03		\$20,530.74
4-Feb-11	Wire	\$3,090.00		\$20,530.74
11-Feb-11	Fees & Svc Chgs		\$20.00	\$20,510.74
4-Mar-11	Wire	\$10,725.86		\$43,533.80
7-Mar-11	Wire	\$18,000.00		\$61,533.80
11-Mar-11	Fees & Svc Chgs		\$16.50	\$61,517.30
14-Apr-11	Wire	\$15,000.00		\$76,517.30
5-Apr-11	Wire	\$29,659.97		\$106,177.27
13-Apr-11	Fees & Svc Chgs		\$39.00	\$106,138.27
5-May-11	Wire	\$14,485.89		\$120,624.16
11-May-11	Wire		\$19,217.59	\$109,918.47
11-May-11	Wire		\$12,475.00	\$88,443.47
11-May-11	Wire		\$5,000.00	\$83,443.47
10-May-11	Wire		\$50,000.00	\$33,443.47
12-May-11	Fees & Svc Chgs		\$31.00	\$33,412.47
6-Jun-11	Wire	\$8,315.77		\$41,728.24
12-Jun-11	Fees & Svc Chgs		\$14.00	\$41,714.24
1-Jul-11	Wire	\$15,000.00		\$56,714.24
5-Jul-11	Wire	\$9,462.46		\$66,176.70
14-Jul-11	Fees & Svc Chgs		\$16.50	\$66,160.20
24-Aug-11	Wire	\$11,400.60		\$77,560.80
5-Sep-11	Fees & Svc Chgs		\$29.00	\$77,531.80
11-Sep-11	Fees & Svc Chgs		\$33.00	\$77,500.80
2-Sep-11	Wire	\$38,056.39		\$125,447.28
14-Sep-11	Fees & Svc Chgs		\$16.50	\$125,430.78
19-Sep-11	Check no. 9001		\$5,000.00	\$120,430.78
19-Sep-11	Check no. 9003		\$5,000.00	\$115,430.78
21-Sep-11	Check no. 9006		\$358.90	\$115,071.88
23-Sep-11	Check no. 9004		\$972.84	\$114,099.04
23-Sep-11	Check no. 9005		\$165.78	\$113,933.26
1-Oct-11	Wire	\$29,085.34		\$143,018.60
2-Oct-11	Wire	\$15,000.00		\$158,018.60
14-Oct-11	Fees & Svc Chgs		\$16.50	\$158,002.10

Date	Transaction Type	Credit	Debit	Balance
14-Nov-11	Check no. 1001		\$5,000.00	\$153,002.10
14-Nov-11	Check no. 9007		\$5,000.00	\$148,002.10
14-Nov-11	Fees & Svc Chas		\$33.90	\$147,968.10
16-Nov-11	Check no. 9009		\$822.80	\$147,145.30
15-Dec-11	Wire	\$41,820.37		\$188,965.67
12-Dec-11	Check no. 1002		\$772.75	\$188,192.92
12-Dec-11	Check no. 1003		\$189,600	\$187,502.73
13-Dec-11	Check no. 1005		\$972.84	\$186,529.88
16-Dec-11	Check no. 1006		\$124.75	\$186,405.13
27-Dec-11	Check no. 1007		\$305.28	\$185,999.85
	TOTALS	\$297,866.18	\$111,871.73	\$185,994.45

Dallas #2304732v2

2:34 PM
 03/26/12
 Cash Basis

QUANTEC LLC
Profit & Loss
 January through December 2011

Jan - Dec 11

Income	
Domain Name Sales	
Sedo.com (Commission)	-240.00
Sedo.com (Gross)	2,189.00
Total Domain Name Sales	1,949.00
Fees from Monetizers	
Above.com	2,708.37
NameDrive.com	80,308.64
New.net / Firstlook	12,524.35
Parkid.com	11,000.37
Sedo.com Parking Revenue	160,884.67
Triellan Fly Ltd (Above.com)	47,808.74
Ventures (Billfarm.com)	1,368,836.29
Total Fees from Monetizers	1,670,671.43
Total Income	1,672,620.43
Expense	
Bank Fees	
Wire Fees	1,982.00
Total Bank Fees	1,982.00
Domain Registration Fees	
Leases & Rentals	1,220,712.45
Rent - Trinity Mills Office	7,503.90
Total Leases & Rentals	7,503.90
Legal & Professional	
Management Fees	88,895.91
Office Expense	84,514.17
Outside Services	1,236.77
Appraisals	
Programmer	239.75
	141,633.00
Total Outside Services	141,872.75
Total Expense	1,586,718.95
Net Income	105,901.48

2:35 PM
 03/26/12
 Cash Basis

QUANTEC LLC
 Balance Sheet
 As of December 31, 2011

	Dec 31, 11	Dec 31, 10
ASSETS		
Current Assets		
Checking/Savings		
BBVA Compass Bank 2621421323	445,908.99	208,782.33
Total Checking/Savings	445,908.99	208,782.33
Other Current Assets		
Suspense	909,302.79	909,302.79
Total Other Current Assets	909,302.79	909,302.79
Total Current Assets	1,355,271.78	1,208,085.12
TOTAL ASSETS	1,355,271.78	1,208,085.12
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Other Current Liabilities		
Due to Novo Point LLC	61,841.85	20,652.67
Total Other Current Liabilities	61,841.85	20,652.67
Total Current Liabilities	61,841.85	20,652.67
Total Liabilities	61,841.85	20,652.67
Equity		
ICLA Trust for SJB	215,701.80	215,701.80
Members Equity	1,493,104.41	40,130.19
Net Income	109,097.48	1,363,044.22
Total Equity	1,283,320.93	1,187,432.46
TOTAL LIABILITIES & EQUITY	1,355,271.78	1,208,085.12

03/26/12

Novo Point, LLC
Profit & Loss
January through December 2011

	Jan - Dec 11
Income	
Fees from Monetizers	
Domain Name Dynamics - Overseo	2,238.68
Parked.com	2,394.24
Sedo.com	5,302.42
Ventures (HitFam.com)	341,609.07
Total Fees from Monetizers	351,545.21
Total Income	351,545.21
Expense	
Bank Fees	650.00
Contract Services	32,937.73
Domain Appraisals	6,880.92
Domain Registration	64,474.92
Legal Fees	76,437.09
Management Fees	37,278.26
Total Expense	217,684.92
Net Income	133,860.29

Novo Point, LLC
Balance Sheet
 As of December 31, 2011

05/20/12

	<u>Dec 31, 11</u>	<u>Dec 31, 10</u>
ASSETS		
Current Assets		
Checking/Savings	174,297.82	81,080.69
Compass Bank	192.40	192.40
ICITA Account - SJB	174,105.42	80,888.29
Total Checking/Savings	174,490.22	81,273.09
Accounts Receivable	-589,201.73	-587,700.71
Total Accounts Receivable	-589,201.73	-587,700.71
Other Current Assets		
Account Receivable - Quasar LL	825.00	0.00
Entity formation	1,465.66	1,466.66
Loan Receivable - Quanten LLC	270,057.60	220,766.62
Total Other Current Assets	272,348.26	222,233.28
Total Current Assets	-142,362.05	-276,222.34
Fixed Assets		
Domain Names	600,000.00	600,000.00
Total Fixed Assets	600,000.00	600,000.00
TOTAL ASSETS	457,537.96	323,777.66
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Other Current Liabilities	120,760.22	120,760.22
Due to Diamond Key LLC	120,760.22	120,760.22
Total Other Current Liabilities	120,760.22	120,760.22
Total Current Liabilities	120,760.22	120,760.22
Equity		
Members Draw	-21,049.47	-21,049.47
Members Equity	375,933.09	62,476.66
Unrealized Gain	600,000.00	600,000.00
Net Income	133,860.23	-313,457.03
Total Equity	338,877.73	203,017.44
TOTAL LIABILITIES & EQUITY	457,537.96	323,777.66

EXHIBIT 2

GARY N. SCHEPPS

ATTORNEY & COUNSELOR

DRAWER 670804
DALLAS, TEXAS 75367

TELEPHONE 972-200-0000
FACSIMILE 972-200-0535

April 1, 2012

VIA Email to: ploh@gardere.com

Mr. Peter Vogel
c/o Peter Loh
Gardere Wynne Sewell, LLP
1601 Elm Street, Suite 3000
Dallas, Texas 75201-4761

RE: Notice of non-representation

Peter,

My acceptance of representation for Jeff has been limited to the specific appeals in which I represent him. I have not been retained to handle any tax issues. I have made a motion for allowing Jeff counsel for such matters, the motion was denied, and that ruling is currently on appeal.

If you would like me to represent Jeff on this matter, subject to his agreement, I will be happy to do so if retainer is paid. I will require \$15,000.00 as a non-refundable initial fee retainer, and \$25,000.00 as a refundable expense retainer (for an accountant to consult on the tax issues).

I am returning to you your PDF file. If you want me to represent Jeff on this matter it will need to be within a formal framework.

Yours Truly,

Gary Schepps

enclosure 1

EXHIBIT 3

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

NETSPHERE INC.,
MANILA INDUSTRIES, INC.; and
MUNISH KRISHAN

Plaintiffs,

vs.

JEFFREY BARON and
ONDOVA LIMITED COMPANY,
Defendants

§
§
§
§
§
§
§
§

CIVIL ACTION NO. 3-09CV0988-F

ORDER APPOINTING RECEIVER

The Court hereby appoints a receiver and imposes an ancillary relief to assist the receiver as follows:

APPOINTMENT OF RECEIVER

IT IS HEREBY ORDERED that Peter S. Vogel is appointed Receiver for Defendant Jeffrey Baron with the full power of an equity receiver. The Receiver shall be entitled to possession and control over all Receivership Assets, Receivership Parties and Receivership Documents as defined herein, and shall be entitled to exercise all powers granted herein.

RECEIVERSHIP PARTIES, ASSETS, AND RECORDS

IT IS FURTHER ORDERED that the Court hereby takes exclusive jurisdiction over, and grants the Receiver exclusive control over, any and all "Receivership Parties", which term shall include Jeffrey Baron and the following entities:

- Village Trust, a Cook Islands Trust
- Equity Trust Company IRA 19471
- Daystar Trust, a Texas Trust
- Belton Trust, a Texas Trust
- Novo Point, Inc., a USVI Corporation
- Iguana Consulting, Inc., a USVI Corporation
- Quantec, Inc., a USVI Corporation
- Shiloh, LLC, a Delaware Limited Liability Company
- Novquant, LLC, a Delaware Limited Liability Company

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Manassas, LLC, a Texas Limited Liability Company
Domain Jamboree, LLC, a Wyoming Limited Liability Company
ID Genesis, LLC, a Utah Limited Liability Company

and any entity under the direct or indirect control of Jeffrey Baron, whether by virtue of ownership, beneficial interest, a position as officer, director, power of attorney or any other authority or right to act. The Court hereby enjoins any person from taking any action based upon any presently existing directive from any person other than the Receiver with regard to the affairs and business of the Receivership Parties, including but not limited to proceeding with the transfer of a portfolio of internet domain names ("Domain Names") for which Ondova Limited Company ("Ondova") acted as registrar. Specifically, but without limitation, VeriSign Inc and The Internet Corporation for Assigned Names and Numbers ("ICANN"), and any other entity connected to the transfer of the Domain Names, shall immediately cease such efforts and shall terminate any movement of the Domain Names.

IT IS FURTHER ORDERED that the Court hereby takes exclusive jurisdiction over, and grants the Receiver exclusive control over, any and all "Receivership Assets", which term shall include any and all legal or equitable interest in, right to, or claim to, any real or personal property (including "goods," "instruments," "equipment," "fixtures," "general intangibles," "inventory," "checks," or "notes" (as these terms are defined in the Uniform Commercial Code)), lines of credit, chattels, leaseholds, contracts, mail or other deliveries, shares of stock, lists of consumer names, accounts, credits, premises, receivables, funds, and all cash, wherever located, and further including any legal or equitable interest in any trusts, corporations, partnerships, or other legal entities of any nature, that are:

1. owned, controlled, or held by, in whole or in part, for the benefit of, or subject to access by, or belonging to, any Receivership Party;
2. in the actual or constructive possession of any Receivership Party; or
3. in the actual or constructive possession of, or owned, controlled, or held by, or subject to access by, or belonging to, any other corporation, partnership, trust, or any

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other entity directly or indirectly owned, managed, or controlled by, or under common control with, any Receivership Party, including, but not limited to, any assets held by or for any Receivership Party in any account at any bank or savings and loan institution, or with any credit card processing agent, automated clearing house processor, network transaction processor, bank debit processing agent, customer service agent, commercial mail receiving agency, or mail holding or forwarding company, or any credit union, retirement fund custodian, money market or mutual fund, storage company, trustee, or with any broker-dealer, escrow agent, title company, commodity trading company, precious metal dealer, or other financial institution or depository of any kind, either within or outside of the State of Texas.

IT IS FURTHER ORDERED that the Receiver shall be entitled to any document that any Receivership Party is entitled to possess as of the signing of this order ("Receivership Documents").

IT IS FURTHER ORDERED that all persons who receive actual notice of this Order by personal service or otherwise are hereby restrained and enjoined from:

A. Transferring, liquidating, converting, encumbering, pledging, loaning, selling, concealing, dissipating, disbursing, assigning, spending, withdrawing, granting a lien or security interest or other interest in, or otherwise disposing of any Receivership Assets.

B. Opening or causing to be opened any safe deposit boxes, commercial mail boxes, or storage facilities titled in the name of any Receivership Party, or subject to access by any Receivership Party or under any Receivership Party's control, without providing the Receiver prior notice and an opportunity to inspect the contents in order to determine that they contain no assets covered by this Section;

C. Cashing any checks or depositing any payments from customers or clients of a Receivership Party;

D. Incurring charges or cash advances on any credit card issued in the name, singly or jointly, of any Receivership Party; or

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E. Incurring liens or encumbrances on real property, personal property, or other assets in the name, singly or jointly, of any Receivership Party or of any corporation, partnership, or other entity directly or indirectly owned, managed, or controlled by any Receivership Party.

F. The funds, property, and assets affected by this Order shall include both existing assets and assets acquired after the effective date of this Order.

IT IS FURTHER ORDERED that any financial institution, business entity, or person maintaining or having custody or control of any account or other asset of any Receivership Party, or any corporation, partnership, or other entity directly or indirectly owned, managed, or controlled by, or under common control with any Receivership Party, which is served with a copy of this Order, or otherwise has actual or constructive knowledge of this Order, shall:

A. Hold and retain within its control and prohibit the withdrawal, removal, assignment, transfer, pledge, hypothecation, encumbrance, disbursement, dissipation, conversion, sale, liquidation, or other disposal of any of the assets, funds, documents, or other property held by, or under its control:

1. on behalf of, or for the benefit of, any Receivership Party;
2. in any account maintained in the name of, or for the benefit of, or subject to withdrawal by, any Receivership Party; and
3. that are subject to access or use by, or under the signatory power of, any Receivership Party.

B. Deny any person other than the Receiver or his designee access to any safe deposit boxes or storage facilities that are either:

1. titled in the name, individually or jointly, of any Receivership Party; or
2. subject to access by any Receivership Party.

C. Provide the Receiver an immediate statement setting forth:

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1. The identification number of each account or asset titled in the name, individually or jointly, of any Receivership Party, or held on behalf thereof, or for the benefit thereof, including all trust accounts managed on behalf of any Receivership Party or subject to any Receivership Party's control;

2. The balance of each such account, or a description of the nature and value of such asset;

3. The identification and location of any safe deposit box, commercial mail box, or storage facility that is either titled in the name, individually or jointly, of any Receivership Party, whether in whole or in part; and

4. If the account, safe deposit box, storage facility, or other asset has been closed or removed, the date closed or removed and the balance on said date.

D. Immediately provide the Receiver with copies of all records or other documentation pertaining to each such account or asset, including, but not limited to, originals or copies of account applications, account statements, corporate resolutions, signature cards, checks, drafts, deposit tickets, transfers to and from the accounts, all other debit and credit instruments or slips, currency transaction reports, 1099 forms, and safe deposit box logs; and

E. Immediately honor any requests by the Receiver with regard to transfers of assets to the Receiver or as the Receiver may direct.

DUTIES OF DEFENDANT'S REGARDING ASSETS AND DOCUMENTS

IT IS FURTHER ORDERED that Defendants shall:

A. Within three business days following service of this Order, take such steps as are necessary to turn over control to the Receiver and repatriate to the Northern District of Texas all Receivership Documents and Receivership Assets that are located outside of the Northern District of Texas and are held by or for the Receivership Parties or are under the Receivership Parties' direct or indirect control, jointly, severally, or individually;

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B. Within three business days following service of this Order, provide Plaintiff and the Receiver with a full accounting of all Receivership Documents and Receivership Assets wherever located, whether such Documents or Assets held by or for any Receivership Party or are under any Receivership Party's direct or indirect control, jointly, severally, or individually, including the addresses and names of any foreign or domestic financial institution or other entity holding the Receivership Documents and Receivership Assets, along with the account numbers and balances; and

D. Immediately following service of this Order, provide Plaintiff and the Receiver access to Defendants' records and Documents held by Financial Institutions or other entities, wherever located.

POWERS AND DUTIES OF RECEIVER

IT IS FURTHER ORDERED that the Receiver shall immediately present a sworn statement that he will perform his duties faithfully and shall post a cash deposit or bond in the amount of \$1,000.

IT IS FURTHER ORDERED that in addition to all powers granted in equity to receivers, the Receiver shall immediately have the following express powers and duties:

A. To have immediate access to any business premises of the Receivership Party, and immediate access to any other location where the Receivership Party has conducted business and where property or business records are likely to be located.

B. To assume full control of the Receivership Party by removing, as the Receiver deems necessary or advisable, any director, officer, independent contractor, employee or agent of the Receivership Party, including any Defendant, from control of, management of, or participation in, the affairs of the Receivership Party;

C. To take exclusive custody, control, and possession of all assets and documents of, or in the possession, custody or under the control of, the Receivership Party, wherever

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situated, including without limitation all paper documents and all electronic data and devices that contain or store electronic data including but not limited to computers, laptops, data storage devices, back-up tapes, DVDs, CDs, and thumb drives and all other external storage devices and, as to equipment in the possession or under the control of the Receivership Parties, all PDAs, smart phones, cellular telephones, and similar devices issued or paid for by the Receivership Party.

D. To act on behalf of the Receivership Party and, subject to further order of the Court, to have the full power and authority to take all corporate actions, including but not limited to, the filing of a petition for bankruptcy as the authorized responsible person as to the Receivership Party, dissolution of the Receivership Party, and sale of the Receivership Party.

E. To divert mail.

F. To sue for, collect, receive, take in possession, hold, and manage all assets and documents of the Receivership Party and other persons or entities whose interests are now held by or under the direction, possession, custody or control of the Receivership Party.

G. To investigate, conserve, hold, and manage all Receivership Assets, and perform all acts necessary or advisable to preserve the value of those assets in an effort to prevent any irreparable loss, damage or injury to consumers or to creditors of the Receivership Party including, but not limited to, obtaining an accounting of the assets, and preventing transfer, withdrawal or misapplication of assets.

H. To enter into contracts and purchase insurance as advisable or necessary.

I. To prevent the inequitable distribution of assets and determine, adjust, and protect the interests of creditors who have transacted business with the Receivership Party.

J. To manage and administer the business of the Receivership Party until further order of this Court by performing all incidental acts that the Receiver deems to be advisable or necessary, which include retaining, hiring, or dismissing any employees, independent contractors, or agents.

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K. To choose, engage, and employ attorneys, accountants, appraisers, and other independent contractors and technical specialists (collectively, "Professionals"), as each Receiver deems advisable or necessary in the performance of duties and responsibilities under the authority granted by this Order.

L. To make payments and disbursements from the receivership estate that are necessary or advisable for carrying out the directions of, or exercising the authority granted by, this Order.

M. To institute, compromise, adjust, defend, appear in, intervene in, or become party to such actions or proceedings in state, federal or foreign courts that each Receiver deems necessary and advisable to preserve or recover the assets of the Receivership Party or that each Receiver deems necessary and advisable to carry out the Receiver's mandate under this Order, including but not limited to, the filing of a petition for bankruptcy.

N. To conduct investigations and to issue subpoenas to obtain documents and records pertaining to, or in aid of, the receivership, and conduct discovery in this action on behalf of the receivership estate.

O. To consent to the dissolution of the receivership in the event that the Plaintiff may compromise the claim that gave rise to the appointment of the Receiver, provided, however, that no such dissolution shall occur without a motion by the Plaintiff and service provided by the Plaintiff upon all known creditors at least thirty days in advance of any such dissolution.

LIMITATION OF RECEIVER'S LIABILITY

IT IS FURTHER ORDERED that except for an act of gross negligence, the Receiver and the Professionals shall not be liable for any loss or damage incurred by any of the Receivership Parties, their officers, agents, servants, employees and attorneys or any other person, by reason of any act performed or omitted to be performed by the Receiver and the Professionals in connection with the discharge of his or her duties and responsibilities. Additionally, in the

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event of a discharge of the Receiver either by dissolution of the receivership or order of this Court, the Receiver shall have no further duty whatsoever.

PROFESSIONAL FEES

IT IS FURTHER ORDERED that each Receiver and his professionals, including counsel to the Receiver and accountants, are entitled to reasonable compensation for the performance of duties pursuant to this Order and for the cost of actual out-of-pocket expenses incurred by them, which compensation shall be derived exclusively from the assets now held by, or in the possession or control of, or which may be received by the Receivership Party or which are otherwise recovered by the Receiver, against which the Receiver shall have a first and absolute administrative expense lien. The Receiver shall file with the Court and serve on the parties a fee application with regard to any compensation to be paid to professionals prior to the payment thereof.

COOPERATION WITH RECEIVER

IT IS FURTHER ORDERED that the Defendants and all other persons or entities served with a copy of this Order shall fully cooperate with and assist the Receiver. This cooperation and assistance shall include, but not be limited to, providing any information to the Receiver that the Receiver deems necessary to exercising the authority and discharging the responsibilities of the Receiver under this Order; providing any password required to access any computer, electronic account, or digital file or telephonic data in any medium; turning over all accounts, files, and records including those in possession or control of attorneys or accountants; and advising all persons who owe money to the Receivership Party that all debts should be paid directly to the Receiver. Defendants are hereby temporarily restrained and enjoined from directly or indirectly:

- A. Transacting any of the business of the Receivership Party;

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B. Destroying, secreting, defacing, transferring, or otherwise altering or disposing of any documents of the Receivership Party including, but not limited to, books, records, accounts, writings, drawings, graphs, charts, photographs, audio and video recordings, computer records, and other data compilations, electronically-stored records, or any other papers of any kind or nature;

C. Transferring, receiving, altering, selling, encumbering, pledging, assigning, liquidating, or otherwise disposing of any assets owned, controlled, or in the possession or custody of, or in which an interest is held or claimed by, the Receivership Party or the Receiver;

D. Drawing on any existing line of credit available to Receivership Party;

E. Excusing debts owed to the Receivership Party;

F. Failing to notify the Receiver of any asset, including accounts, of the Receivership Party held in any name other than the name of any of the Receivership Party, or by any person or entity other than the Receivership Party, or failing to provide any assistance or information requested by the Receiver in connection with obtaining possession, custody or control of such assets;

G. Doing any act that would, or failing to do any act which failure would, interfere with the Receiver's taking custody, control, possession, or management of the assets or documents subject to this receivership; or to harass or interfere with the Receiver in any way; or to interfere in any manner with the exclusive jurisdiction of this Court over the assets or documents of the Receivership Party; or to refuse to cooperate with the Receiver or the Receiver's duly authorized agents in the exercise of their duties or authority under any Order of this Court; and

H. Filing, or causing to be filed, any petition on behalf of the Receivership Party for relief under the United States Bankruptcy Code, 11 U.S.C. §§ 101-1330 (2002), without prior permission from this Court.

IT IS FURTHER ORDERED that:

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A. Immediately upon service of this Order upon them, or within such period as may be permitted by the Receiver, Defendants or any other person or entity shall transfer or deliver possession, custody, and control of the following to the Receiver:

1. All assets of the Receivership Party, including, without limitation, bank accounts, web sites, buildings or office space owned, leased, rented, or otherwise occupied by the Receivership Party;

2. All documents of the Receivership Party, including, but not limited to, books and records of accounts, legal files (whether held by Defendants or their counsel) all financial and accounting records, balance sheets, income statements, bank records (including monthly statements, canceled checks, records of wire transfers, and check registers), client lists, title documents, and other papers;

3. All of the Receivership Party's accounting records, tax records, and tax returns controlled by, or in the possession of, any bookkeeper, accountant, enrolled agent, licensed tax preparer or certified public accountant;

4. All loan applications made by or on behalf of Receivership Party and supporting documents held by any type of lender including, but not limited to, banks, savings and loans, thrifts or credit unions;

5. All assets belonging to members of the public now held by the Receivership Party; and

6. All keys and codes necessary to gain or secure access to any assets or documents of the Receivership Party including, but not limited to, access to their business premises, means of communication, accounts, computer systems or other property;

B. In the event any person or entity fails to deliver or transfer any asset or otherwise fails to comply with any provision of this Paragraph, the Receiver may file ex parte an Affidavit of Non-Compliance regarding the failure. Upon filing of the affidavit, the Court may authorize, without additional process or demand, Writs of Possession or Sequestration or other equitable

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writs requested by the Receivers. The writs shall authorize and direct the United States Marshal or any sheriff or deputy sheriff of any county, or any other federal or state law enforcement officer, to seize the asset, document or other thing and to deliver it to the Receivers.

IT IS FURTHER ORDERED that, upon service of a copy of this Order, all banks, broker-dealers, savings and loans, escrow agents, title companies, leasing companies, landlords, ISOs, credit and debit card processing companies, insurance agents, insurance companies, commodity trading companies or any other person, including relatives, business associates or friends of the Defendants, or their subsidiaries or affiliates, holding assets of the Receivership Party or in trust for Receivership Party shall cooperate with all reasonable requests of each Receiver relating to implementation of this Order, including freezing and transferring funds at his or her direction and producing records related to the assets of the Receivership Party.

STAY OF ACTIONS

IT IS FURTHER ORDERED that:

A. Except by leave of this Court, during the pendency of the receivership ordered herein, all other persons and entities aside from the Receiver are hereby stayed from taking any action to establish or enforce any claim, right, or interest for, against, on behalf of, in, or in the name of, the Receivership Party, any of their partnerships, assets, documents, or the Receiver or the Receiver's duly authorized agents acting in their capacities as such, including, but not limited to, the following actions:

1. Commencing, prosecuting, continuing, entering, or enforcing any suit or proceeding, except that such actions may be filed to toll any applicable statute of limitations;
2. Accelerating the due date of any obligation or claimed obligation; filing or enforcing any lien; taking or attempting to take possession, custody or control of any asset;

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attempting to foreclose, forfeit, alter or terminate any interest in any asset, whether such acts are part of a judicial proceeding or are acts of self-help or otherwise;

3. Executing, issuing, serving or causing the execution, issuance or service of, any legal process including, but not limited to, attachments, garnishments, subpoenas, writs of replevin, writs of execution, or any other form of process whether specified in this Order or not; and

4. Doing any act or thing whatsoever to interfere with the Receiver taking custody, control, possession, or management of the assets or documents subject to this receivership, or to harass or interfere with the Receiver in any way, or to interfere in any manner with the exclusive jurisdiction of this Court over the assets or documents of the Receivership Party;

B. This Order does not stay:

1. The commencement or continuation of a criminal action or proceeding;

and

2. Except as otherwise provided in this Order, all persons and entities in need of documentation from the Receiver shall in all instances first attempt to secure such information by submitting a formal written request to the Receiver, and, if such request has not been responded to within 30 days of receipt by the Receiver, any such person or entity may thereafter seek an Order of this Court with regard to the relief requested.

Case 3:09-cv-00988-F Document 130 Filed 11/24/10 Page 14 of 14 PageID 2154

JURISDICTION

IT IS FURTHER ORDERED that this Court shall retain jurisdiction of this matter for all purposes.

SO ORDERED, this th 24 day of November, 2010



JUDGE/PRESIDING

Exhibit 4

BLAKLEY, JOHN DAVID

From: LOH, PETER
Sent: Friday, April 13, 2012 5:02 PM
To: BLAKLEY, JOHN DAVID
Subject: FW: Response to April 3 letter
Attachments: Letter to Vogel + Loh in response to April 3, 2012 letter.pdf

Peter L. Loh
214.999.4391 direct

From: Gary Schepps [<mailto:legal@schepps.net>]
Sent: Friday, April 06, 2012 2:05 PM
To: LOH, PETER
Subject: Response to April 3 letter

Peter,

Please find the attached correspondence.

Gary Schepps

GARY N. SCHEPPS

ATTORNEY & COUNSELOR

DRAWER 670804
DALLAS, TEXAS 75367

TELEPHONE 972-200-0000
FACSIMILE 972-200-0535

April 6, 2012

Peter Vogel VIA Email to: ploh@gardere.com
c/o Peter Loh
Gardere Wynne Sewell, LLP
1601 Elm Street, Suite 3000
Dallas, Texas 75201-4761

Re: Your letter of April 3, 2012

Peter,

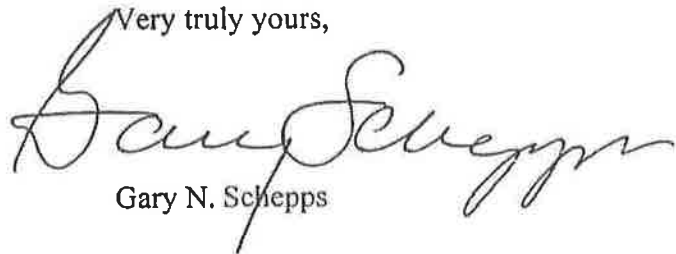
1. I do not represent Jeff with respect to tax matters.
2. To the best I can tell, you are still playing your same old pattern of fabricating groundless claims. We've just heard your ridiculous claims you can't pay the registration fees in the Cook Islands because Jeff is somehow responsible and somehow withholding 'secret' information from you that you just can't do without. Now you claim that somehow Jeff has some other secret information that you somehow need for the tax reports and returns you have flagrantly refused to file.
3. As far as I am aware, you and your partners at Gardere are in possession of all the necessary and relevant information relating to the multiple tax returns and reports you have failed and refused to file. To suggest that I personally would have that information is laughable.
4. With respect to your personally directed threats, in my legal opinion your receivership order has the value of toilet paper. To my understanding of the law, an order is void that is secured in gross violation of the requirements of Due Process, such as by you, Sherman, and your firms' concerted effort to deprive Jeff of his property and constitutional rights under color of federal law using secret, off the record, *ex parte* proceedings. To my understanding of the law, obtaining the *ex parte* "order" without a motion on file to support it, and without notice, opportunity to be heard, sworn affidavits, or bond to protect the rights of those adversely affected by the order, etc., resulted in an order fundamentally devoid of due process and void as a matter of law. Further, to my understanding of the law,

Peter Vogel
c/o Peter Loh
April 6, 2012
Page 2

the District Court lacks subject matter jurisdiction to support the receivership order, and the order is absolutely void also for that reason. While I have great respect for the U.S. District Court and the U.S. District Judge, I have zero respect for an *ex parte* order unsupported by evidence, affidavits, or findings, that was signed before a motion for the order was filed in secret, *ex parte*, off the record proceedings, which have then been the subject of a concerted denial and attempt to hide those proceedings and create the false impression that the order was signed [Doc 124] after the motion was filed [Doc 123].

5. Beyond the legal issue of the validity of the order, the secret conferences and concerted, fraudulent representations made to obtain the *ex parte* order followed by the concerted efforts to deny the secret *ex parte* proceedings, to my understanding of the law, appear to extend beyond mere violations of Due Process and cross the line into criminality. In that context, I find you and your firm's personally directed threats both offensive, and disturbingly inappropriate. I note your threats come in a context where you and your firm have used your official position to repeatedly harass me and, for example, to seize my bank records and to publish libelous material about me to third parties.
6. It may be, as you have told me, that you are the "true" judge and Hon. Judge Furgeson will do "whatever you tell him to do". I, however, have full faith that no matter how large a shadow you think you and your firm throw, the federal judicial system is larger than you, and in the end justice, in the true sense of the word as has been the tradition in this nation for hundreds of years, will be done.

Very truly yours,



Gary N. Schepps

Exhibit 5

BLAKLEY, JOHN DAVID

From: LOH, PETER
Sent: Monday, April 02, 2012 4:47 PM
To: 'Jeff Baron'
Cc: VOGEL, PETER; GOLDEN, BARRY; LOH, PETER; BLAKLEY, JOHN DAVID; 'Gary Schepps'
Subject: Netsphere, Inc. v. Baron et al.--Jeff Baron Personal Tax Return and Other Possible Tax Filings
Attachments: Letter to Jeff Baron April 2 2012.pdf

Mr. Baron: Please find the attached correspondence.

Peter L. Loh | Partner
Gardere Wynne Sewell LLP
1601 Elm Street, Suite 3000 | Dallas, TX 75201
214.999.4391 direct
214.729.9058 cell
214.999.3391 fax
[Gardere](#) | [Bio](#) | [vCard](#)

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GARDERE

attorneys and counselors ■ www.gardere.com

Peter L. Loh
Telephone: 214.999.4391
Direct Fax: 214.999.3391
ploh@gardere.com

April 2, 2012

Mr. Jeffrey D. Baron
2200 Trinity Mills Rd #106
Carrollton, TX 75006-7892

Via Email & Regular Mail

Re: *Netsphere, Inc., et al. v. Jeffrey Baron, et al.*;
Civil Action No. 3:09-cv-0988, U.S. District Court, Northern District of Texas, Dallas
Division: Information concerning your personal tax return for the 2011 tax year.

Dear Mr. Baron:

On behalf of the Receiver, I am writing with respect to tax returns for the year 2011 to be prepared and filed by you and additional tax returns for the year 2011 to be prepared and filed possibly by the Receiver. I am communicating directly with you because on April 1, 2012, your personal legal counsel, Mr. Gary N. Schepps notified the Receiver in writing that he did not represent you in connection with "tax issues." (A true and correct copy of Mr. Schepps' April 1, 2012, correspondence is attached as Exhibit A.)

A. Tax Returns for the Year 2011 to be Prepared and Filed by You.

1. Information the Receiver is providing to you.

If you recall, pursuant to the Court's Order Regarding Emergency Motion for Leave to File Motion to Stay Order to Disclose Attorney-Client Material dated April 7, 2011, you are responsible for the preparation and filing of your own personal tax returns. [Docket No. 442.] To facilitate your preparation and filing of your own personal tax returns, I am enclosing with this correspondence two documents:

- The first document is an Opinion Letter from the accounting firm of Grant Thornton LLP (the "Grant Thornton Letter"). (The Grant Thornton Letter is attached as Exhibit B.) The Grant Thornton Letter concludes, among other things (and note that I am merely paraphrasing here—you should review the Grant Thornton Letter in its entirety), that you should report not only your own personal income and expenses, but also the income and expenses of (1) The Village Trust (because of its status as a grantor trust),

Mr. Jeffrey D. Baron
April 2, 2012
Page 2

and (2) Novo Point, LLC's and Quantec, LLC's (collectively, the "LLCs") (because their income and expenses flow through to The Village Trust).

- The second document is a statement reflecting the 2011 income and expenses for The Village Trust and the LLCs (the "Financial Statements"). (The Financial Statements are attached as Exhibit C.)

Before relying on the Grant Thornton Letter or the Financial Statements, however, please read the Grant Thornton Letter carefully, as well as the section below setting forth issues relating to the accuracy of the Financial Statements.

2. Information the Receiver is requesting from you.

Please note that the Receiver has attempted to classify all transactions characterized in the Financial Statements to the best of his ability during the year ending December 31, 2011 or other period as applicable. There is, however, information that the Receiver is missing. Because certain categories of items and their corresponding balances shown on the Financial Statements existed prior to the Receiver's appointment, the Receiver, to date, has been unable to complete a thorough investigation of such items and, thus, cannot make any representation on the existence or valuation of such items. Thus, there can be no assurance that the Financial Statements as a whole fairly present, materially or otherwise, the financial position of the applicable entities. Further, there is no assurance that the information on the Financial Statements pre-dating the Receiver's appointment was prepared in conformity with, or presented according to, generally accepted accounting principles, is fit for any particular purpose, or been subject to any audit, review or compilation procedures of any kind prepared by an external accounting firm. In short, as set forth in this paragraph, there might be information that the Receiver is missing that, if the Receiver were to obtain, might cause Grant Thornton to modify the Grant Thornton Letter or the Receiver to modify the Financial Statement (the "Missing Information for Your Own Return"). Accordingly, the Receiver makes the following requests:

- Please immediately provide the Receiver with all of the Missing Information for Your Own Return within your possession, custody, or control.
- For any of the Missing Information for Your Own Return of which you are aware but which is outside of your possession, custody, or control, please immediately provide the Receiver with all the information necessary for the Receiver to obtain the Missing Information (e.g., substance of the Missing Information for Your Own Return; location of the Missing Information for Your Own Return; identities of individuals

Mr. Jeffrey D. Baron
April 2, 2012
Page 3

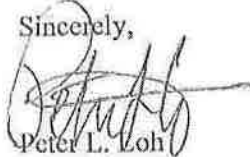
necessary for the Receiver to obtain the Missing Information (*e.g.*, substance of the Missing Information for Your Own Return; location of the Missing Information for Your Own Return; identities of individuals with possession, custody, or control over the Missing Information for Your Own Return, etc.).

B. Tax Returns for the Year 2011 to be Prepared and Filed by the Receiver.

According to the Grant Thornton Letter, the Receiver might possibly need to file separate tax filings for The Village Trust and the LLCs (in addition to your personal tax return that should, in Grant Thornton's opinion, report the income and expenses of The Village Trust and the LLCs). However, the Receiver lacks the information necessary to determine if such additional filings are required. This information, at a minimum, consists of confirmation as to whether the LLCs have ever elected to be "disregarded entities" under the Internal Revenue Code (the "Missing Information"). In short, as set forth in this paragraph, there might be information that the Receiver is missing that, if the Receiver were to obtain, might assist the Receiver in the preparation of tax returns for other Receivership Parties (the "Missing Information for Other Receiver Parties' Returns"). Accordingly, the Receiver makes the following requests:

- Please immediately provide the Receiver with all of the Missing Information for Other Receiver Parties' Returns within your possession, custody, or control.
- For any of the Missing Information for Other Receiver Parties' Returns of which you are aware but which is outside of your possession, custody, or control, please immediately provide the Receiver with all the information necessary for the Receiver to obtain the Missing Information for Other Receiver Parties' Returns (*e.g.*, substance of the Missing Information for Other Receiver Parties' Returns; location of the Missing Information for Other Receiver Parties' Returns; identities of individuals with possession, custody, or control over the Missing Information for Other Receiver Parties' Returns, etc.).

Please let me know if you have any questions.

Sincerely,

Peter L. Loh

PLL/kp
2227307.2

EXHIBIT A

LOH, PETER

From: Gary Schepps [legal@schepps.net]
Sent: Sunday, April 01, 2012 6:23 PM
To: LOH, PETER
Subject: Notice of non-representation
Attachments: Baron--Notice of Non-representation to Vogel.pdf; Letter to Gary Schepps March 30.pdf

Peter,

Please find attached correspondence.

Yours truly,

Gary Schepps

GARY N. SCHEPPS

ATTORNEY & COUNSELOR

DRAWER 670804
DALLAS, TEXAS 75367

TELEPHONE 972-200-0000
FACSIMILE 972-200-0535

April 1, 2012

VIA Email to: ploh@gardere.com

Mr. Peter Vogel
c/o Peter Loh
Gardere Wynne Sewell, LLP
1601 Elm Street, Suite 3000
Dallas, Texas 75201-4761

RE: Notice of non-representation

Peter,

My acceptance of representation for Jeff has been limited to the specific appeals in which I represent him. I have not been retained to handle any tax issues. I have made a motion for allowing Jeff counsel for such matters, the motion was denied, and that ruling is currently on appeal.

If you would like me to represent Jeff on this matter, subject to his agreement, I will be happy to do so if retainer is paid. I will require \$15,000.00 as a non-refundable initial fee retainer, and \$25,000.00 as a refundable expense retainer (for an accountant to consult on the tax issues).

I am returning to you your PDF file. If you want me to represent Jeff on this matter it will need to be within a formal framework.

Yours Truly,

Gary Schepps

enclosure 1

GARDERE

attorneys and counselors • www.gardere.com

Peter L. Loh
Telephone: 214.999.4391
Direct Fax: 214.999.3391
ploh@gardere.com

March 30, 2012

Mr. Gary N. Schepps
5400 LBJ Freeway, Suite 1200
Dallas, TX 75240

Via Email & Regular Mail

Re: *Netsphere, Inc., et al. v. Jeffrey Baron, et al.*;
Civil Action No. 3:09-cv-0988, U.S. District Court, Northern District of Texas, Dallas
Division: Information concerning Mr. Baron's personal tax return for the 2011 tax year.

Dear Mr. Schepps (as counsel to Jeffrey Baron):

On behalf of the Receiver, I am writing with respect to tax returns for the year 2011 to be prepared and filed by Mr. Baron, and additional tax returns for the year 2011 to be prepared and filed by the Receiver:

A. Tax Returns for the Year 2011 to be Prepared and Filed by Mr. Baron.

1. Information the Receiver is providing to Mr. Baron.

If you recall, pursuant to the Court's Order Regarding Emergency Motion for Leave to File Motion to Stay Order to Disclose Attorney-Client Material dated April 7, 2011, Mr. Baron is responsible for the preparation and filing of his own personal tax returns. [Docket No. 442.] To facilitate Mr. Baron's preparation and filing of his own personal tax returns, I am enclosing with this correspondence two documents:

- The first document is an Opinion Letter from the accounting firm of Grant Thornton LLP (the "Grant Thornton Letter"). The Grant Thornton Letter concludes, among other things (and note that I am merely paraphrasing here—you should review the Grant Thornton Letter in its entirety), that Mr. Baron should report not only his own personal income and expenses, but also the income and expenses of (1) The Village Trust (because of its status as a grantor trust), and (2) Novo Point, LLC's and Quantec, LLC's (collectively, the "LLCs") (because their income and expenses flow through to The Village Trust).

Mr. Gary N. Schepps
March 30, 2012
Page 2

- The second document is a statement reflecting the 2011 income and expenses for The Village Trust and the LLCs (the "Financial Statements").

Before relying on the Grant Thornton Letter or the Financial Statements, however, please read the Grant Thornton Letter carefully, as well as the section below setting forth issues relating to the accuracy of the Financial Statements.

2. Information the Receiver is requesting from Mr. Baron.

Please note that the Receiver has attempted to classify all transactions characterized in the Financial Statements to the best of his ability during the year ending December 31, 2011 or other period as applicable. There is, however, information that the Receiver is missing. Because certain categories of items and their corresponding balances shown on the Financial Statements existed prior to the Receiver's appointment, the Receiver, to date, has been unable to complete a thorough investigation of such items and, thus, cannot make any representation on the existence or valuation of such items. Thus, there can be no assurance that the Financial Statements as a whole fairly present, materially or otherwise, the financial position of the applicable entities. Further, there is no assurance that the information on the Financial Statements pre-dating the Receiver's appointment was prepared in conformity with, or presented according to, generally accepted accounting principles, is fit for any particular purpose, or been subject to any audit, review or compilation procedures of any kind prepared by an external accounting firm. In short, as set forth in this paragraph, there might be information that the Receiver is missing that, if the Receiver were to obtain, might cause Grant Thornton to modify the Grant Thornton Letter or the Receiver to modify the Financial Statement (the "Missing Information for Mr. Baron's Own Return"). Accordingly, the Receiver makes the following requests:

- Please immediately provide the Receiver with all of the Missing Information for Mr. Baron's Own Return within Mr. Baron's possession, custody, or control.
- For any of the Missing Information for Mr. Baron's Own Return of which Mr. Baron is aware but which is outside of Mr. Baron's possession, custody, or control, please immediately provide the Receiver with the all information necessary for the Receiver to obtain the Missing Information (e.g., substance of the Missing Information for Mr. Baron's Own Return; location of the Missing Information for Mr. Baron's Own Return; identities of individuals with possession, custody, or control over the Missing Information for Mr. Baron's Own Return, etc.).

Mr. Gary N. Schepps
March 30, 2012
Page 2

B. Tax Returns for the Year 2011 to be Prepared and Filed by the Receiver.

According to the Grant Thornton Letter, the Receiver might need to file separate tax filings for The Village Trust and the LLC (in addition to Mr. Baron's personal tax return that should, in Grant Thornton's opinion, report the income and expenses of The Village Trust and the LLCs). However, the Receiver lacks the information necessary to determine if such additional filings are required. This information, at a minimum, consists of confirmation as to whether the LLCs have ever elected to be "disregarded entities" under the Internal Revenue Code (the "Missing Information"). In short, as set forth in this paragraph, there might be information that the Receiver is missing that, if the Receiver were to obtain, might assist the Receiver in the preparation of tax returns for other Receivership Parties (the "Missing Information for Other Receiver Parties' Returns"). Accordingly, the Receiver makes the following requests:

- Please immediately provide the Receiver with all of the Missing Information for Other Receiver Parties' Returns within Mr. Baron's possession, custody, or control.
- For any of the Missing Information for Other Receiver Parties' Returns of which Mr. Baron is aware but which is outside of Mr. Baron's possession, custody, or control, please immediately provide the Receiver with the all information necessary for the Receiver to obtain the Missing Information for Other Receiver Parties' Returns (e.g., substance of the Missing Information for Other Receiver Parties' Returns; location of the Missing Information for Other Receiver Parties' Returns; identities of individuals with possession, custody, or control over the Missing Information for Other Receiver Parties' Returns, etc.).

Please let me know if you have any questions.

Sincerely,



Peter L. Loh

PLL/kp
2227307.2



Grant Thornton LLP
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1717 Main Street, Ste. 1500
Dallas, TX 75201-4667
T 214 561 2591
F 214 561 2370
mark.thorne@us.gt.com
www.grantthornton.com

Memorandum

To: The Files of the Jeff Baron Receivership
From: Mark Thorne
Date: 3/6/12
Re: Filing Requirements for the Receivership of Jeff Baron

FACTS

Grant Thornton, LLP, ("Grant" or "Grant Thornton") has been engaged to assist the Receivership of Jeff Baron ("Receivership") with certain U.S. tax questions. Most recently, Grant has been requested to comment on the U.S. filing requirements of the Receivership parties in general, and in respect to the Village Trust and those entities rolling up into the Village Trust in specific, namely Quantec, LLC and Novo Point, LLC.

To date, Jeff Baron and other certain parties subject to the Receivership Order have declined to cooperate with the Receivership. Accordingly, Grant has not been able to review sufficient evidence to independently verify certain facts.

Michelle Rosenblatt and Elizabeth Morgan (nee Elizabeth Morgan Schurig), formerly of Schurig Jetel Beckett Tackett, and now of its successor law firm, Morgan Adler Buxton Jetel, are former advisors of Jeff Baron, et. al. They have identified The Village Trust ("Village Trust"), a Cook Islands trust, as being classified as a Grantor Trust for U.S. federal income tax purposes.

Although Grant has been unable to independently verify classification of the Trust, Grant has been requested to discuss the filing requirements of the parties based on the assumption that the Village Trust is, indeed, a Grantor Trust.

It is our understanding that Jeff Baron is both the Grantor and sole beneficiary of the Village Trust.

ISSUES

If the Village Trust is a foreign grantor trust, what are the US filing requirements for the Village Trust, and for its two immediate foreign subsidiaries, Novo Point, LLC and Quantec, LLC?

CONCLUSION



Mr. Jeff Baron, individually, should be responsible for filing any and all U.S. filings required for the Village Trust based on the representations of Mr. Baron's former advisors. The Village Trust return is due to be filed with Mr. Baron's individual return. Similarly, information returns for Quantec LLC and Novo Point LLC are required to be prepared and filed by Mr. Baron as part of his individual return, regardless of their status as either corporate entities or entities disregarded as being separate from their owner (foreign corporations and foreign DREs would have different filings, but a filing would still be required in either case).

There is a possibility of additional returns being required for Quantec LLC and Novo Point LLC. Although Grant does not have sufficient information to determine whether such a filing requirement exists due to Mr. Baron's refusal to cooperate, if Quantec, LLC, and Novo Point, LLC are corporate entities for US federal income tax purposes, and if, after a review of all facts and circumstances, Quantec LLC and Novo Point LLC were deemed to have a US trade or business¹, then the Receivership would need to file a Form 1120-F for these entities. At this time, Grant is not aware of any such filing having been made in prior years. The filing of a Form 1120-F would not relieve Mr. Baron of his requirement to file an information return for Quantec LLC or Novo Point LLC with his individual return.

DISCUSSION

In general, IRC Sec. 6048 requires that certain information to be filed on behalf of foreign trusts having specified contacts with the US. Briefly, there are three types of contacts with the US that would trigger these requirements: a US trade or business, a US grantor, or a US beneficiary. The Village Trust does not appear to have any US trade or business, and further discussion of this scenario is beyond the scope of this memorandum.

The next element of the analysis is to determine whether the foreign trust qualifies as a "grantor trust" under IRC Sec. 671-679. Generally speaking, a foreign grantor trust is disregarded as being separate from its US grantor, and all of its items of income and expense will be reported on the US grantor's tax return. Alternately, if the foreign trust is not a grantor trust, then its existence is respected and each of the grantor and the beneficiary are subject to requirements to file information returns with slightly different content.

The pertinent parts of IRC Sec. 671 essentially state that if a grantor or other person is treated as an owner of any portion of a trust identified in IRC Sec. 671 through Sec. 679, then that person will recognize such items of income, deductions or credits of the trust as are related to their ownership. This position is further strengthened by case law.²

IRC Sec. 679 in particular deals with foreign grantor trusts. Paraphrased, IRC Sec. 679 taxes the grantor as the owner of the foreign trust if he meets four requirements: the grantor is a US person, the transferor makes a direct or indirect transfer to the trust, the trust is foreign, and the trust has a US beneficiary. In the case of the Village Trust, Jeff Baron appears to meet all of the salient points.

In conjunction with certain changes to IRC Sec. 679 regarding foreign grantor trusts under the Taxpayer Relief Act of 1997, the IRS also published Notice 97-34³ to provide additional guidance. Essentially, the relevant parts of the Notice reiterate the required information reporting under IRC Sec. 6048, and also refers to the (at the time) newly revised Forms 3520, and 3520-A.

¹ As noted in the Discussion section below, the definition of a US trade or business for federal income tax purposes is heavily based on a facts and circumstances analysis.

² See *Madorin v. Comm'r*, 84 T.C. 667 (1985). See also Rev. Rul. 85-13, 1985-1 C.B. 184, Rev. Rul. 87-61, 1987-2 C.B. 219, and Rev. Rul. 2004-86, 2004-33 I.R.B. 191 for additional guidance.

³ 1997-1 C.B. 422.



The instructions for Form 3520-A, Annual Information Return of a Foreign Trust with a U.S. Owner provide additional clarity. In the "Who Must File" section of the instructions for Form 3520-A, it states:

A foreign trust with a US owner must file Form 3520-A in order for the US owner to satisfy its annual information reporting requirements under section 6048(b). Each US person treated as an owner of any portion of a foreign trust under section 671 through 679 is responsible for ensuring that the foreign trust files Form 3520-A and furnishes the required annual statements to its US owners and US beneficiaries.

[...]

Grantor Trust

A grantor trust is any trust to the extent that the assets of the trust are treated as owned by a person other than the trust. See the grantor trust rules in sections 671 through 679 [of the IRC].

As noted in the facts section above, Grant has been unable to independently verify the status of the Village Trust. Grant has been asked by the receiver to assume that the Village Trust is a Grantor Trust, and to comment accordingly.

Under the assumption that the Village Trust is a grantor trust, the open elements to be shown are:

- 1) Village Trust is a foreign trust;
- 2) The grantor is a US person; and
- 3) The beneficiary is a US person.

After discussion with the attorneys for the Receiver and discussions with the former advisors, Morgan and Rosenblatt, Grant has been requested to assume that the Village Trust is a foreign trust; the entity is presumed to be a validly formed and existing trust, organized in the Cook Islands.

Jeff Baron is, to the best of our knowledge, both the beneficiary and the grantor for the Village Trust. Mr. Baron is also, to the best of our knowledge, a US citizen and resident.

By default, since we are assuming the Village Trust is a grantor trust, the Village Trust will be deemed to be owned by its grantor and beneficiary, Jeff Baron. Accordingly, Jeff Baron will be required to file a Form 3520-A, and report the assets, income, liabilities, expenses, and credits of the trust on his personal return.⁴ Note, this Form is a filing requirement for the individual owner to satisfy his informational filing requirements, and it is not a requirement of the foreign trust itself. It will be signed by Jeff Baron, not the Village Trust, as will Jeff's personal income tax return.

To the extent that there are other foreign entities under the Village Trust, these entities will be reported as if the Village Trust does not exist. Thus, the income, expense, and credits of any flow-through entity held directly by the Village Trust will roll to the US shareholder (Jeff Baron) and will be reported on the appropriate information return. Alternately, if there is a foreign corporate holding under the Village Trust, the entity will report as controlled foreign corporation held by Jeff Baron individually. Either Form 5471 Information Returns of U.S. Persons with Respect to Certain Foreign Corporations, Form 8865 Return of US Persons with Respect to Foreign Partnerships, or Form 8858 Information Return of US Persons with Respect to Foreign Disregarded Entities will apply. In each case, the U.S. shareholder, Mr. Jeff Baron, is responsible for filing the return to report the income in these foreign holdings.

⁴ Jeff Baron holds the Village Trust directly, and not through any other entities of which Grant is aware.



Mr. Baron has not provided the Receivership sufficient information for Grant to provide an independent assessment of the individual entities under the Village Trust. However, while Grant is unable to determine whether the individual entities in question are disregarded ("DREs"), partnerships, or corporation, the filing requirement still falls to Mr. Baron individually. Thus, for Quantec, LLC and Novo Point, LLC, regardless of their classification as a DRE, controlled foreign corporation, or partnership⁵, Jeff Baron personally would still bear the US filing responsibility for these entities.

The sole potential exception whereby one of these foreign entities might have its own filing requirement is in the instance that they have a US trade or business. To date, there are no such US trades or businesses of which Grant has been made aware. However, if Quantec LLC or Novo Point LLC were controlled foreign corporations ("CFCs"), and if the receiver-appointed manager were deemed to be a dependent agent, it is possible that these entities might be deemed to have a US trade or business and be required to file Form 1120-F, US Income Tax Return of a Foreign Corporation. Alternately, if Quantec LLC and Novo Point LLC have elected to be DREs rather than corporations, there would be no such requirement to file Form 1120-F as all of the income, deduction, and credits of these entities would be reported on Mr. Baron's individual return.

The analysis and determination of whether an entity has a US trade or business is heavily based on facts and circumstances. As noted above, Grant has not received sufficient information to conclude as to the status of the entities in question, or sufficient information to develop a facts and circumstances analysis to see if there was a US trade or business. To make this determination, at the very least Grant would need a copy of a valid previously-filed and approved Form 8832 Entity Classification Election for Novo Point LLC and Quantec LLC. Grant has not received any such Form from the Receiver, Mr. Baron's former tax advisors, i.e. Ms. Morgan, or Mr. Baron. Further, in the event that an 1120-F was required, Grant does not have enough information to file a sufficiently complete Form 1120-F under the paid preparer standards such that Grant would be able to file the return.⁶

As Mr. Baron has declined to provide sufficient information for the Receivership to file an annual income tax return on his behalf in prior years, the court previously granted a motion to sever the filing requirement of Mr. Baron's individual return from the responsibilities of the Receivership and place the burden back on Mr. Baron.

Accordingly, to assist Mr. Baron in the preparation of his taxes, the Receivership is providing Mr. Baron with copies of the statements of income and expense, and balance sheets of all of Quantec, LLC and Novo Point LLC, in addition to such information as the Receivership has available in regards to items of income and expense flowing into the trust.

Mr. Baron, individually, will be responsible for making the determination of his filing requirements and will be required to file such Form or Forms as needed.

Circular 230 Disclosure

This memorandum addresses certain US federal income tax issues only and does not address any state, local, or other foreign tax issues. Our discussion is based on the Internal Revenue Code of

⁵ With the Settlement Agreement in place, there is no evidence that either Quantec LLC or Novo Point LLC has a second owner such that they would qualify as a partnership. Absent some kind of nominee partner, these entities will likely be either DREs or CFCs.

⁶ In order to complete Form 1120-F, Grant would need (among other things) complete information on income and asset sourcing, the structure and financial information of any additional entities that are owned or partially owned by Quantec LLC and Novo Point LLC, as well as a complete list of any and all intercompany transactions. To date, Grant has only been able to gather the partial information available from the Receivership and Ms. Morgan. Mr. Baron has not provided any such information.



1986, as amended, the Treasury Regulations promulgated thereunder, and other relevant authorities. These authorities are all subject to change, and such change could have retroactive effect. Any such changes could thus have an effect on the validity of our conclusions. Unless specifically requested, we will not update this Memorandum for subsequent changes or modifications to these authorities. Further, this memorandum is based on our interpretation of these authorities; another knowledgeable party (such as the IRS or a court hearing the same facts) might reach different conclusions.

The advice expressed in the Memorandum is not an opinion as to the tax consequences of the transaction. We would need to perform a more thorough review and analysis before we could render an opinion.

Our conclusions are limited to the issues addressed in this Memorandum, and are based on facts, assumptions, documents and representations we have received from you, and on any assumptions stated herein. We have neither independently investigated nor verified these facts, representations, and assumptions, although we have considered their reasonableness. If any of the facts, representations or assumptions reflected in this Memorandum are not accurate, our conclusions are not applicable.

In accordance with applicable professional regulations, please understand that, unless expressly stated otherwise, any written advice contained in, forwarded with, or attached to this document is not intended or written by Grant Thornton LLP to be used, and cannot be used, by any person for the purpose of avoiding any penalties that may be imposed under the Internal Revenue Code.

The Village Trust Income and Expenses for 2011

Date	Transaction Type	Credit	Debit	Balance
1-Jan-11	Beginning Balance	\$100.00		\$100.00
5-Jan-11	Wire	\$15,000.00		\$15,100.00
5-Jan-11	Wire	\$6,449.21		\$21,549.21
13-Jan-11	Fees & Svc Chgs		\$16.50	\$21,532.71
1-Feb-11	Wire	\$8,308.23		\$29,840.94
8-Feb-11	Wire	\$3,030.09		\$32,871.03
11-Feb-11	Fees & Svc Chgs		\$33.04	\$32,837.99
4-Mar-11	Wire	\$10,725.86		\$43,563.85
7-Mar-11	Wire	\$18,000.00		\$61,563.85
11-Mar-11	Fees & Svc Chgs		\$16.50	\$61,547.35
14-Mar-11	Wire	\$15,000.00		\$76,547.35
5-Apr-11	Wire	\$2,916.93		\$79,464.28
12-Apr-11	Fees & Svc Chgs		\$33.00	\$79,431.28
5-May-11	Wire	\$14,485.89		\$93,917.17
11-May-11	Wire		\$19,217.69	\$113,134.86
11-May-11	Wire		\$12,475.00	\$100,659.86
11-May-11	Wire		\$5,000.00	\$95,659.86
10-May-11	Wire		\$50,000.00	\$45,659.86
12-May-11	Fees & Svc Chgs		\$33.00	\$45,626.86
6-Jun-11	Wire	\$8,308.97		\$53,935.83
13-Jun-11	Fees & Svc Chgs		\$100.00	\$53,835.83
1-Jul-11	Wire	\$15,000.00		\$68,835.83
5-Jul-11	Wire	\$9,462.46		\$78,298.29
14-Jul-11	Fees & Svc Chgs		\$16.50	\$78,281.79
14-Aug-11	Wire	\$21,400.69		\$99,682.48
2-Sep-11	Fees & Svc Chgs		\$33.00	\$99,649.48
11-Sep-11	Fees & Svc Chgs		\$33.00	\$99,616.48
2-Sep-11	Wire	\$38,056.39		\$137,672.87
14-Sep-11	Fees & Svc Chgs		\$16.50	\$137,656.37
19-Sep-11	Check no. 9001		\$5,000.00	\$132,656.37
19-Sep-11	Check no. 9003		\$5,000.00	\$127,656.37
21-Sep-11	Check no. 9006		\$338.90	\$127,317.47
23-Sep-11	Check no. 9004		\$972.84	\$126,344.63
23-Sep-11	Check no. 9005		\$165.78	\$126,178.85
14-Oct-11	Wire	\$2,918.34		\$129,097.19
14-Oct-11	Wire	\$15,000.00		\$144,097.19
14-Oct-11	Fees & Svc Chgs		\$16.50	\$144,080.69

Date	Transaction Type	Credit	Debit	Balance
14-Nov-11	Check no. 1001		\$5,000.00	\$153,002.10
14-Nov-11	Check no. 9007		\$5,000.00	\$148,002.10
14-Nov-11	Fees & Svc Chgs		\$35.00	\$147,967.10
16-Nov-11	Check no. 9009		\$822.89	\$147,144.21
16-Nov-11	Wire	\$41,200.37		\$105,943.84
12-Dec-11	Check no. 1002		\$778.75	\$105,165.09
12-Dec-11	Check no. 1003		\$185.50	\$104,979.59
14-Dec-11	Check no. 1005		\$972.84	\$104,006.75
16-Dec-11	Check no. 1006		\$1,947.75	\$102,059.00
27-Dec-11	Check no. 1007		\$395.28	\$101,663.72
	TOTALS	\$297,866.18	\$111,871.73	\$185,994.45

Dallas #2304732v2

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 03/26/12
 Cash Basis

QUANTEC LLC
Profit & Loss
 January through December 2011

	Jan - Dec 11
Income	
Domain Name Sales	
Sedo.com (Commission)	240.00
Sedo.com (Gross)	1,945.00
Total Domain Name Sales	1,945.00
Fees from Monetizers	
Above.com	2,700.57
NameDiva.com	80,308.64
New.net / Firstlook	12,524.35
Parked.com	11,000.37
Sedo.com Parking Revenue	160,884.57
Trollian Pty Ltd (Above.com)	47,808.74
Ventura (Hitfarm.com)	1,355,636.29
Total Fees from Monetizers	1,670,671.43
Total Income	1,672,616.43
Expense	
Bank Fees	
Wire Fees	1,982.00
Total Bank Fees	1,982.00
Domain Registration Fees	1,220,712.45
Leases & Rentals	
Rent - Trinity Mills Office	7,503.90
Total Leases & Rentals	7,503.90
Legal & Professional	98,896.61
Management Fees	84,614.17
Office Expense	1,236.77
Outside Services	
Appraisals	239.75
Programmer	141,633.00
Total Outside Services	141,872.75
Total Expense	1,866,718.95
Net Income	185,897.48

2:33 PM
 03/26/12
 Cash Basis

QUANTEC LLC
 Balance Sheet
 As of December 31, 2011

	Dec 31, 11	Dec 31, 10
ASSETS		
Current Assets		
Checking/Savings		
BVA Compass Bank 2621421323	445,988.99	298,782.33
Total Checking/Savings	445,988.99	298,782.33
Other Current Assets		
Suspense	909,302.79	909,302.79
Total Other Current Assets	909,302.79	909,302.79
Total Current Assets	1,355,271.78	1,208,085.12
TOTAL ASSETS	1,355,271.78	1,208,085.12
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Other Current Liabilities		
Due to Novo Point LLC	61,841.85	20,652.67
Total Other Current Liabilities	61,841.85	20,652.67
Total Current Liabilities	61,841.85	20,652.67
Total Liabilities	61,841.85	20,652.67
Equity		
IOLA Trust for SJB	-215,701.00	-215,701.00
Members Equity	1,403,194.41	40,160.19
Net Income	105,997.43	1,383,044.22
Total Equity	1,293,329.93	1,187,432.46
TOTAL LIABILITIES & EQUITY	1,355,271.78	1,208,085.12

03/26/12

Novo Point, LLC
Profit & Loss
January through December 2011

	Jan - Dec 11
Income	
Fees from Monetizers	
Domain Name Dynamics - Ovarauo	2,238.58
Parked.com	2,394.24
Sedo.com	5,302.42
Ventures (HiFarm.com)	341,509.97
Total Fees from Monetizers	351,545.21
Total Income	351,545.21
Expense	
Bank Fees	856.00
Contract Services	32,057.73
Domain Appraisals	5,880.92
Domain Registration	64,474.92
Legal Fees	70,437.09
Management Fees	37,279.26
Total Expense	217,684.92
Net Income	133,860.29

Novo Point, LLC
Balance Sheet
 As of December 31, 2011

03/26/12

	Dec 31, 11	Dec 31, 10
ASSETS		
Current Assets		
Checking/Savings		
Compass Bank	174,297.82	81,080.69
JOLTA Account - SJBT	182.40	192.40
Total Checking/Savings	174,480.22	81,273.09
Accounts Receivable		
Accounts Receivable	-559,201.73	-687,730.71
Total Accounts Receivable	-559,201.73	-687,730.71
Other Current Assets		
Account Receivable - Quasar LL	025.00	0.00
Entity formellen	1,466.68	1,466.68
Loan Receivable - Quanten LLC	279,057.80	223,769.62
Total Other Current Assets	279,548.48	225,236.30
Total Current Assets	-112,362.03	-279,222.34
Fixed Assets		
Domain Names	600,000.00	600,000.00
Total Fixed Assets	600,000.00	600,000.00
TOTAL ASSETS	467,537.06	323,777.66
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Other Current Liabilities		
Due to Diamond Key LLC	120,760.22	120,760.22
Total Other Current Liabilities	120,760.22	120,760.22
Total Current Liabilities	120,760.22	120,760.22
Total Liabilities	120,760.22	120,760.22
Equity		
Members Draw	-21,049.47	-21,049.47
Members Equity	-376,933.00	-62,476.06
Unrealized Gain	600,000.00	600,000.00
Net Income	133,860.29	-313,457.03
Total Equity	336,877.73	203,017.44
TOTAL LIABILITIES & EQUITY	467,537.95	323,777.66

EXHIBIT B



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mark.thorne@us.gt.com
www.granthornton.com

Memorandum

To: The Files of the Jeff Baron Receivership
From: Mark Thorne
Date: 3/6/12
Re: Filing Requirements for the Receivership of Jeff Baron

FACTS

Grant Thornton, LLP, ("Grant" or "Grant Thornton") has been engaged to assist the Receivership of Jeff Baron ("Receivership") with certain U.S. tax questions. Most recently, Grant has been requested to comment on the U.S. filing requirements of the Receivership parties in general, and in respect to the Village Trust and those entities rolling up into the Village Trust in specific, namely Quantec, LLC and Novo Point, LLC.

To date, Jeff Baron and other certain parties subject to the Receivership Order have declined to cooperate with the Receivership. Accordingly, Grant has not been able to review sufficient evidence to independently verify certain facts.

Michelle Rosenblatt and Elizabeth Morgan (nee Elizabeth Morgan Schutig), formerly of Schurig Jetel Beckett Tackett, and now of its successor law firm, Morgan Adler Buxton Jetel, are former advisors of Jeff Baron, et. al. They have identified The Village Trust, ("Village Trust"), a Cook Islands trust, as being classified as a Grantor Trust for U.S. federal income tax purposes.

Although Grant has been unable to independently verify classification of the Trust, Grant has been requested to discuss the filing requirements of the parties based on the assumption that the Village Trust is, indeed, a Grantor Trust.

It is our understanding that Jeff Baron is both the Grantor and sole beneficiary of the Village Trust.

ISSUES

If the Village Trust is a foreign grantor trust, what are the US filing requirements for the Village Trust, and for its two immediate foreign subsidiaries, Novo Point, LLC and Quantec, LLC?

CONCLUSION



Mr. Jeff Baron, individually, should be responsible for filing any and all U.S. filings required for the Village Trust based on the representations of Mr. Baron's former advisors. The Village Trust return is due to be filed with Mr. Baron's individual return. Similarly, information returns for Quantec LLC and Novo Point LLC are required to be prepared and filed by Mr. Baron as part of his individual return, regardless of their status as either corporate entities or entities disregarded as being separate from their owner (foreign corporations and foreign DREs would have different filings, but a filing would still be required in either case).

There is a possibility of additional returns being required for Quantec LLC and Novo Point LLC. Although Grant does not have sufficient information to determine whether such a filing requirement exists due to Mr. Baron's refusal to cooperate, if Quantec, LLC, and Novo Point, LLC are corporate entities for US federal income tax purposes, and if, after a review of all facts and circumstances, Quantec LLC and Novo Point LLC were deemed to have a US trade or business¹, then the Receivership would need to file a Form 1120-F for these entities. At this time, Grant is not aware of any such filing having been made in prior years. The filing of a Form 1120-F would not relieve Mr. Baron of his requirement to file an information return for Quantec LLC or Novo Point LLC with his individual return.

DISCUSSION

In general, IRC Sec. 6048 requires that certain information to be filed on behalf of foreign trusts having specified contacts with the US. Briefly, there are three types of contacts with the US that would trigger these requirements: a US trade or business, a US grantor, or a US beneficiary. The Village Trust does not appear to have any US trade or business, and further discussion of this scenario is beyond the scope of this memorandum.

The next element of the analysis is to determine whether the foreign trust qualifies as a "grantor trust" under IRC Sec. 671-679. Generally speaking, a foreign grantor trust is disregarded as being separate from its US grantor, and all of its items of income and expense will be reported on the US grantor's tax return. Alternately, if the foreign trust is not a grantor trust, then its existence is respected and each of the grantor and the beneficiary are subject to requirements to file information returns with slightly different content.

The pertinent parts of IRC Sec. 671 essentially state that if a grantor or other person is treated as an owner of any portion of a trust identified in IRC Sec. 671 through Sec. 679, then that person will recognize such items of income, deductions or credits of the trust as are related to their ownership. This position is further strengthened by case law.²

IRC Sec. 679 in particular deals with foreign grantor trusts. Paraphrased, IRC Sec. 679 taxes the grantor as the owner of the foreign trust if he meets four requirements: the grantor is a US person, the transferor makes a direct or indirect transfer to the trust, the trust is foreign, and the trust has a US beneficiary. In the case of the Village Trust, Jeff Baron appears to meet all of the salient points.

In conjunction with certain changes to IRC Sec. 679 regarding foreign grantor trusts under the Taxpayer Relief Act of 1997, the IRS also published Notice 97-34³ to provide additional guidance. Essentially, the relevant parts of the Notice reiterate the required information reporting under IRC Sec. 6048, and also refers to the (at the time) newly revised Forms 3520, and 3520-A.

¹ As noted in the Discussion section below, the definition of a US trade or business for federal income tax purposes is heavily based on a facts and circumstances analysis.

² See *Madorin v. Comm'r*, 84 T.C. 667 (1985). See also Rev. Rul. 85-13, 1985-1 C.B. 184, Rev. Rul. 87-61, 1987-2 C.B. 219, and Rev. Rul. 2004-86, 2004-33 I.R.B. 191 for additional guidance.

³ 1997-1 C.B. 422.



The instructions for Form 3520-A, Annual Information Return of a Foreign Trust with a U.S. Owner provide additional clarity. In the "Who Must File" section of the instructions for Form 3520-A, it states:

A foreign trust with a US owner must file Form 3520-A in order for the US owner to satisfy its annual information reporting requirements under section 6048(b). Each US person treated as an owner of any portion of a foreign trust under section 671 through 679 is responsible for ensuring that the foreign trust files Form 3520-A and furnishes the required annual statements to its US owners and US beneficiaries.

[...]

Grantor Trust

A grantor trust is any trust to the extent that the assets of the trust are treated as owned by a person other than the trust. See the grantor trust rules in sections 671 through 679 [of the IRC].

As noted in the facts section above, Grant has been unable to independently verify the status of the Village Trust. Grant has been asked by the receiver to assume that the Village Trust is a Grantor Trust, and to comment accordingly.

Under the assumption that the Village Trust is a grantor trust, the open elements to be shown are:

- 1) Village Trust is a foreign trust;
- 2) The grantor is a US person; and
- 3) The beneficiary is a US person.

After discussion with the attorneys for the Receiver and discussions with the former advisors, Morgan and Rosenblatt, Grant has been requested to assume that the Village Trust is a foreign trust; the entity is presumed to be a validly formed and existing trust, organized in the Cook Islands.

Jeff Baron is, to the best of our knowledge, both the beneficiary and the grantor for the Village Trust. Mr. Baron is also, to the best of our knowledge, a US citizen and resident.

By default, since we are assuming the Village Trust is a grantor trust, the Village Trust will be deemed to be owned by its grantor and beneficiary, Jeff Baron. Accordingly, Jeff Baron will be required to file a Form 3520-A, and report the assets, income, liabilities, expenses, and credits of the trust on his personal return.⁴ Note, this Form is a filing requirement for the individual owner to satisfy his informational filing requirements, and it is not a requirement of the foreign trust itself. It will be signed by Jeff Baron, not the Village Trust, as will Jeff's personal income tax return.

To the extent that there are other foreign entities under the Village Trust, these entities will be reported as if the Village Trust does not exist. Thus, the income, expense, and credits of any flow-through entity held directly by the Village Trust will roll to the US shareholder (Jeff Baron) and will be reported on the appropriate information return. Alternately, if there is a foreign corporate holding under the Village Trust, the entity will report as controlled foreign corporation held by Jeff Baron individually. Either Form 5471 Information Returns of U.S. Persons with Respect to Certain Foreign Corporations, Form 8865 Return of US Persons with Respect to Foreign Partnerships, or Form 8858 Information Return of US Persons with Respect to Foreign Disregarded Entities will apply. In each case, the U.S. shareholder, Mr. Jeff Baron, is responsible for filing the return to report the income in these foreign holdings.

⁴ Jeff Baron holds the Village Trust directly, and not through any other entities of which Grant is aware.



Mr. Baron has not provided the Receivership sufficient information for Grant to provide an independent assessment of the individual entities under the Village Trust. However, while Grant is unable to determine whether the individual entities in question are disregarded ("DREs"), partnerships, or corporation, the filing requirement still falls to Mr. Baron individually. Thus, for Quantec, LLC and Novo Point, LLC, regardless of their classification as a DRE, controlled foreign corporation, or partnership⁵, Jeff Baron personally would still bear the US filing responsibility for these entities.

The sole potential exception whereby one of these foreign entities might have its own filing requirement is in the instance that they have a US trade or business. To date, there are no such US trades or businesses of which Grant has been made aware. However, if Quantec LLC or Novo Point LLC were controlled foreign corporations ("CFCs"), and if the receiver-appointed manager were deemed to be a dependent agent, it is possible that these entities might be deemed to have a US trade or business and be required to file Form 1120-F, US Income Tax Return of a Foreign Corporation. Alternately, if Quantec LLC and Novo Point LLC have elected to be DREs rather than corporations, there would be no such requirement to file Form 1120-F as all of the income, deduction, and credits of these entities would be reported on Mr. Baron's individual return.

The analysis and determination of whether an entity has a US trade or business is heavily based on facts and circumstances. As noted above, Grant has not received sufficient information to conclude as to the status of the entities in question, or sufficient information to develop a facts and circumstances analysis to see if there was a US trade or business. To make this determination, at the very least Grant would need a copy of a valid previously-filed and approved Form 8832 Entity Classification Election for Novo Point, LLC and Quantec LLC. Grant has not received any such Form from the Receiver, Mr. Baron's former tax advisors, i.e. Ms. Morgan, or Mr. Baron. Further, in the event that an 1120-F was required, Grant does not have enough information to file a sufficiently complete Form 1120-F under the paid preparer standards such that Grant would be able to file the return.⁶

As Mr. Baron has declined to provide sufficient information for the Receivership to file an annual income tax return on his behalf in prior years, the court previously granted a motion to sever the filing requirement of Mr. Baron's individual return from the responsibilities of the Receivership and place the burden back on Mr. Baron.

Accordingly, to assist Mr. Baron in the preparation of his taxes, the Receivership is providing Mr. Baron with copies of the statements of income and expense, and balance sheets of all of Quantec, LLC and Novo Point LLC, in addition to such information as the Receivership has available in regards to items of income and expense flowing into the trust.

Mr. Baron, individually, will be responsible for making the determination of his filing requirements and will be required to file such Form or Forms as needed.

Circular 230 Disclosure

This memorandum addresses certain US federal income tax issues only and does not address any state, local, or other foreign tax issues. Our discussion is based on the Internal Revenue Code of

⁵ With the Settlement Agreement in place, there is no evidence that either Quantec LLC or Novo Point LLC has a second owner such that they would qualify as a partnership. Absent some kind of nominee partner, these entities will likely be either DREs or CFCs.

⁶ In order to complete Form 1120-F, Grant would need (among other things) complete information on income and asset sourcing, the structure and financial information of any additional entities that are owned or partially owned by Quantec LLC and Novo Point LLC, as well as a complete list of any and all intercompany transactions. To date, Grant has only been able to gather the partial information available from the Receivership and Ms. Morgan. Mr. Baron has not provided any such information.



1986, as amended, the Treasury Regulations promulgated thereunder, and other relevant authorities. These authorities are all subject to change, and such change could have retroactive effect. Any such changes could thus have an effect on the validity of our conclusions. Unless specifically requested, we will not update this Memorandum for subsequent changes or modifications to these authorities. Further, this memorandum is based on our interpretation of these authorities; another knowledgeable party (such as the IRS or a court hearing the same facts) might reach different conclusions.

The advice expressed in the Memorandum is not an opinion as to the tax consequences of the transaction. We would need to perform a more thorough review and analysis before we could render an opinion.

Our conclusions are limited to the issues addressed in this Memorandum, and are based on facts, assumptions, documents and representations we have received from you, and on any assumptions stated herein. We have neither independently investigated nor verified these facts, representations, and assumptions, although we have considered their reasonableness. If any of the facts, representations or assumptions reflected in this Memorandum are not accurate, our conclusions are not applicable.

In accordance with applicable professional regulations, please understand that, unless expressly stated otherwise, any written advice contained in, forwarded with, or attached to this document is not intended or written by Grant Thornton LLP to be used, and cannot be used, by any person for the purpose of avoiding any penalties that may be imposed under the Internal Revenue Code.

EXHIBIT C

The Village Trust Income and Expenses for 2011

Date	Transaction Type	Credit	Debit	Balance
1-Jan-11	Beginning Balance	\$100.00		\$100.00
5-Jan-11	Wire	\$15,000.00		\$15,100.00
5-Jan-11	Wire	\$6,449.21		\$21,549.21
13-Jan-11	Fees & Svc Chgs		\$16.50	\$21,532.71
2-Feb-11	Wire	\$8,808.23		\$29,840.94
8-Feb-11	Wire	\$3,000.00		\$26,840.94
11-Feb-11	Fees & Svc Chgs		\$3.00	\$26,807.94
4-Mar-11	Wire	\$10,725.85		\$43,533.80
7-Mar-11	Wire	\$18,000.00		\$61,533.80
11-Mar-11	Fees & Svc Chgs		\$16.50	\$61,517.30
14-Apr-11	Wire	\$15,000.00		\$76,517.30
14-Apr-11	Wire	\$29,665.97		\$106,083.27
13-Apr-11	Fees & Svc Chgs		\$33.00	\$106,050.27
5-May-11	Wire	\$14,485.89		\$120,136.16
11-May-11	Wire		\$19,217.69	\$100,918.47
11-May-11	Wire		\$12,475.00	\$88,443.47
11-May-11	Wire		\$5,000.00	\$83,443.47
10-May-11	Wire		\$50,000.00	\$33,443.47
12-May-11	Fees & Svc Chgs		\$33.00	\$33,410.47
6-Jun-11	Wire	\$4,315.75		\$41,216.24
13-Jun-11	Fees & Svc Chgs		\$100.00	\$44,616.24
1-Jul-11	Wire	\$15,000.00		\$56,616.24
5-Jul-11	Wire	\$9,462.46		\$66,078.70
14-Jul-11	Fees & Svc Chgs		\$16.50	\$66,062.20
7-Aug-11	Wire	\$21,308.69		\$87,462.89
8-Aug-11	Cred. Int. SMO		\$29.00	\$87,433.89
11-Aug-11	Fees & Svc Chgs		\$33.00	\$87,398.89
2-Sep-11	Wire	\$38,056.39		\$125,447.28
14-Sep-11	Fees & Svc Chgs		\$16.50	\$125,430.78
19-Sep-11	Check no. 9001		\$5,000.00	\$120,430.78
19-Sep-11	Check no. 9003		\$5,000.00	\$115,430.78
21-Sep-11	Check no. 9006		\$338.90	\$115,071.88
23-Sep-11	Check no. 9004		\$972.84	\$114,099.04
23-Sep-11	Check no. 9005		\$165.78	\$113,933.26
1-Oct-11	Wire	\$29,685.34		\$143,818.60
2-Oct-11	Wire	\$15,000.00		\$158,018.60
1-Oct-11	Fees & Svc Chgs		\$16.50	\$158,002.10

Date	Transaction Type	Credit	Debit	Balance
14-Nov-11	Check no. 1001	\$5,000.00		\$153,002.10
14-Nov-11	Check no. 9007	\$5,000.00		\$148,002.10
14-Nov-11	Fees & Svc Chrgs	\$33.00		\$147,969.10
16-Nov-11	Check no. 9009		\$822.80	\$147,146.30
12-Dec-11	Wire	\$41,320.37		\$188,466.67
12-Dec-11	Check no. 1002		\$75.75	\$188,390.92
12-Dec-11	Check no. 1003		\$183.60	\$188,207.32
14-Dec-11	Credit no. 1005	\$92.44		\$188,300.48
16-Dec-11	Check no. 1006		\$144.75	\$188,155.73
27-Dec-11	Check no. 1007		\$95.28	\$187,960.45
TOTALS		\$297,866.18	\$111,871.73	\$185,994.45

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2:34 PM
 03/28/12
 Cash Basis

QUANTEC LLC
Profit & Loss
 January through December 2011

	Jan - Dec 11
Income	
Domain Name Sales	
Sedo.com (Commission)	240.00
Sedo.com (Gross)	2,185.00
Total Domain Name Sales	1,945.00
Fees from Monolizers	
Abovo.com	2,708.37
NameDrive.com	80,306.64
Now.net / Firstlook	12,524.35
Parked.com	11,000.37
Sedo.com Parking Revenue	160,884.67
Trellan Ply Ltd (Abovo.com)	47,808.74
Ventures (Bitfarm.com)	1,358,836.29
Total Fees from Monolizers	1,670,071.43
Total Income	1,672,016.43
Expense	
Bank Fees	
Wire Fees	1,982.00
Total Bank Fees	1,982.00
Domain Registration Fees	1,220,712.45
Leases & Rentals	
Rent - Trinity Mills Office	7,503.90
Total Leases & Rentals	7,503.90
Legal & Professional	93,898.01
Management Fees	84,514.17
Office Expense	1,239.77
Outside Services	
Appraisals	239.75
Programmer	141,633.00
Total Outside Services	141,872.75
Total Expense	1,506,718.95
Net Income	165,297.48

2:39 PM
 03/26/12
 Cash Basis

QUANTEC LLC
 Balance Sheet
 As of December 31, 2011

	Dec 31, 11	Dec 31, 10
ASSETS		
Current Assets		
Checking/Savings		
BVA Compass Bank 2521421323	445,968.99	298,782.33
Total Checking/Savings	445,968.99	298,782.33
Other Current Assets		
Suspense	909,302.79	909,302.79
Total Other Current Assets	909,302.79	909,302.79
Total Current Assets	1,355,271.78	1,208,085.12
TOTAL ASSETS	1,355,271.78	1,208,085.12
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Other Current Liabilities		
Due to Novo Point LLC	61,841.85	20,652.67
Total Other Current Liabilities	61,841.85	20,652.67
Total Current Liabilities	61,841.85	20,652.67
Total Liabilities	61,841.85	20,652.67
Equity		
IOLA Trust for S&BT	-215,791.95	-215,791.95
Members Equity	1,403,184.41	40,150.19
Net Income	105,997.48	1,383,044.22
Total Equity	1,293,320.93	1,157,432.45
TOTAL LIABILITIES & EQUITY	1,355,271.78	1,208,085.12

03/26/12

Novo Point, LLC
Profit & Loss
January through December 2011

	Jan - Dec 11
Income	
Fees from Monetizers	
Domain Name Dynamics - Qvarxus	2,238.50
Parked.com	2,394.24
Sudo.com	5,302.42
Ventures (HilFann.com)	344,609.97
Total Fees from Monetizers	354,643.21
Total Income	354,643.21
Expense	
Bank Fees	858.00
Contract Services	32,957.73
Domain Appraisal	5,280.92
Domain Registration	64,474.02
Legal Fees	78,437.09
Management Fees	37,278.26
Total Expense	217,634.02
Net Income	133,800.29

03/26/12

Novo Point, LLC
Balance Sheet
 As of December 31, 2011

	Dec 31, 11	Dec 31, 10
ASSETS		
Current Assets		
Checking/Savings		
Compass Bank	174,297.62	81,080.69
IOLTA Account - SJBT	192.40	192.40
Total Checking/Savings	174,490.22	81,273.09
Accounts Receivable		
Accounts Receivable	-899,201.73	-697,730.71
Total Accounts Receivable	-899,201.73	-697,730.71
Other Current Assets		
Account Receivable - Quasar LL	825.00	0.00
Equity formation	1,465.65	1,468.88
Loan Receivable - Quanten LLC	270,057.80	228,768.62
Total Other Current Assets	272,348.45	230,237.50
Total Current Assets	-142,363.06	-276,222.94
Fixed Assets		
Domain Names	600,000.00	600,000.00
Total Fixed Assets	600,000.00	600,000.00
TOTAL ASSETS	457,637.95	323,777.66
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Other Current Liabilities		
Due to Diamond Key LLC	120,760.22	120,760.22
Total Other Current Liabilities	120,760.22	120,760.22
Total Current Liabilities	120,760.22	120,760.22
Total Liabilities	120,760.22	120,760.22
Equity		
Members Draw	-21,049.47	-21,049.47
Members Equity	375,933.09	82,478.08
Unrealized Gain	600,000.00	600,000.00
Net Income	133,660.29	-313,457.03
Total Equity	336,677.73	203,017.44
TOTAL LIABILITIES & EQUITY	457,637.95	323,777.66

Exhibit 6

BLAKLEY, JOHN DAVID

From: Jeff Baron [jeffbaron1@gmail.com]
Sent: Wednesday, April 11, 2012 8:11 PM
To: LOH, PETER; VOGEL, PETER; GOLDEN, BARRY; BLAKLEY, JOHN DAVID; Gary Schepps
Subject: Re: Netsphere, Inc. v. Baron et al.--Jeff Baron Personal Tax Return and Other Possible Tax Filings

Mr. Vogel,

To deal with these tax issues, I need a qualified accountant and tax counsel. Accordingly, please agree to release a portion of my money sufficient to pay for an accountant and tax counsel.

Jeff Baron

On Mon, Apr 2, 2012 at 5:46 PM, LOH, PETER <ploh@gardere.com> wrote:

Mr. Baron: Please find the attached correspondence.

Peter L. Loh | Partner
Gardere Wynne Sewell LLP
1601 Elm Street, Suite 3000 | Dallas, TX 75201
[214.999.4391](tel:214.999.4391) direct
[214.729.9058](tel:214.729.9058) cell
[214.999.3391](tel:214.999.3391) fax
[Gardere](#) | [Bio](#) | [vCard](#)

Error! Filename not specified.

Austin | Dallas | Houston | Mexico City

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Exhibit 7

No. 10-11202
In the
United States Court of Appeals
for the Fifth Circuit

NETSPHERE, INC. Et Al,
Plaintiffs

v.

JEFFREY BARON,
Defendant-Appellant

v.

ONDOVA LIMITED COMPANY,
Defendant-Appellee

Appeal of Order Appointing Receiver in Settled Lawsuit

Cons. w/ No. 11-10113

NETSPHERE INC., Et Al, Plaintiffs

v.

JEFFREY BARON, Et Al, Defendants

v.

QUANTEC L.L.C.; NOVO POINT L.L.C.,
Appellants

v.

PETER S. VOGEL,
Appellee

Appeal of Order Adding Non-Parties Novo Point, LLC
and Quantec, LLC as Receivership Parties

From the United States District Court
Northern District of Texas, Dallas Division
Civil Action No. 3-09CV0988-F

**RESPONSE TO NON-SEALED VERSION OF VOGEL MOTION TO
CONFIRM THE PROPRIETY OF HIS ACTIONS
AND MOTION FOR EVIDENTIARY HEARING**

TO THE HONORABLE FIFTH CIRCUIT COURT OF APPEALS:

COMES NOW Appellants, and subject to the preliminary Fifth Amendment objection and motion previously filed in this appeal, make this response with respect to the 4-13-12 MOTION filed by Appellee Mr. Peter S. Vogel in 11-10113, 11-10290, 11-10390, 11-10501 to supplement the record on appeal with The Receiver's Motion to Release Receiver from filing Tax returns [7062795].

I. ARGUMENT AND AUTHORITY

Vogel offers no legal authority to support the relief he requests. Like Vogel's motion with respect to his willful defaulting on multiple international arbitration proceedings and resulting willful loss of the assets of the estates of Novo Point, LLC, and Quantec, LLC,¹ Vogel again seeks a preemptive finding from the Court that his actions which are clearly neglectful and improper under the law, have been proper.

VOGEL HAS ALL OF THE RECORDS OF BARON'S ASSETS AND RELATED INCOME—THEY WERE SEIZED BY VOGEL IN 2010

Vogel, and only Vogel has all of the possible information— **since 2010** **Vogel has been in exclusive possession of the assets and the investment income.** Yet, Vogel claims he needs some mysterious "certain information" that somehow prevents him from filing the past two years' tax returns for *all* of the two dozen entities he is receiver over.² Baron clearly has no information from 2011 or

¹ Addressed by Appellants in Document 00511598319 filed 9/9/2011.

² Vogel notably 'fudges' on the facts, for example, recasting the undersigned appellate counsel as "Baron's Personal Counsel".

2012, and Baron could have no information— Vogel seized the assets back in 2010 and Baron doesn't know anything about them. Vogel's claim that he needs information from Baron to file tax reports and pay taxes on the income exclusively handled by Vogel is ludicrous and patently dishonest.

BACKGROUND OF VOGEL, HIS FIRM GARDERE, AND JEFF BARON

As early as in 2001, Jeff Baron consulted personally with Peter Vogel with respect to Vogel defending Baron in litigation regarding Baron's company, Ondova. At the time, Baron disclosed material that was expressly confidential and revealed the way domain names were acquired by the company— with a view to Vogel defending a lawsuit pending at the time with respect to a disputed domain name. (Ex. I). In 2003, Baron shared more confidential information with Dawn Estes, a colleague of Vogel's at Vogel's firm Gardere, again in confidence, and again with a view to Gardere representing Jeff and Ondova. Once again, material that was expressly confidential was disclosed. As a matter of law, Vogel and his law firm were under a strict duty to maintain the confidentiality of Baron's disclosures. *See Nolan v. Freeman*, 665 F.2d 738, 739 n.3 (5th Cir. 1982). However, in 2004 Baron found himself being sued by Gardere on exactly the same type of claim with regard to the confidential information that he had disclosed to Vogel and Gardere. In that suit, Gardere was adverse, representing the opponent of Baron and Ondova, Mike Emke, (*Emke v. Compana*) prosecuting Emke's claim of ownership of the "servers.com" domain. In 2005 this happened again, with

Gardere suing Baron over the same type of claim. (*Rolfing Sports*, Ex. I). In 2006, this happened yet again. (*FabJob, Inc*). Once again, Gardere was suing on the same type of claim. Gardere had become a specialist in suing Baron and Ondova for alleged domain registration violations. The suits relied in large part upon the confidential information Baron had conveyed in confidence to Vogel in seeking the legal services of Gardere. Notably, the *Emke* dispute was still in litigation at the time Vogel was employed as special master in the Baron case. Notably, too, the *Emke* dispute became the subject of new litigation in the Ondova bankruptcy where Vogel and Gardere in their receiver roles ostensibly undertook the representation of the interests of Baron against the interests of their former client Emke with respect to the very same dispute for which they had represented Emke against Baron and Ondova. Once again, Vogel took a position of clear conflict of interest and duties. Vogel and Gardere then turned on its former client Emke and assisted Sherman (the Ondova Chapter 11 trustee) to allege the *Emke suit*—in which Gardere had represented Emke— was actually a fraudulent transaction between Emke and Baron.

Pursuant to law, Vogel should have disclosed all of the interconnecting conflicts before he was employed as special master in the District Court proceedings below. Federal Rule of Civil Procedure 53(b)(3) strictly requires that a court may issue an order appointing a special master only after the individual files an affidavit disclosing any ground for disqualification under 28 U.S.C. §455. However, Vogel willfully failed to make the disclosures and affidavit mandated by

law, and bypassed rule 53(b)(3).³ Then, while acting as special master, after the case fully and finally settled and all that remained was for the District Judge to sign the stipulated dismissal that had been signed by all parties to the suit, Vogel held secret consultations with Sherman with respect to having himself (Vogel) appointed receiver over Baron. SR. v5 p238. Sherman, as trustee for Ondova, had previously agreed in writing to settle all claims against Baron, and agreed to the stipulated dismissal of all claims. After the agreement was consummated, Sherman decided to go back on the agreement when Baron objected to Sherman's attorneys' fee application filed in the Ondova bankruptcy. After Vogel's (then undisclosed) off-the-record meeting with Sherman, Sherman filed a motion to have Vogel appointed receiver over Baron, and Vogel then almost immediately (within one minute) personally filed an order signed by Judge Furgeson appointing Vogel receiver *ex parte* which had been signed hours before in private, *ex parte* off-the-record proceedings. After Baron appealed the *ex parte* receivership, Vogel (still

³ There are more Vogel conflicts than raised above. There are small, but not insignificant examples, such as Vogel's motion (granted by the District Court) as receiver to pay himself for work as special master out of receivership assets (although no prior order had suggested such fees or allocation). And, there are larger examples, for example, involving Sherman's work to "advise" an individual, Joey Dauben, to submit a 'claim' against Baron for Vogel to pay as receiver. The Dauben 'claim' was set up to be a claim against Baron for approximately \$1,000,000.00. (Dauben had never previously asserted any such claim against Baron). Research by Baron's counsel uncovered that if the 'claim' had been paid, the money would not have gone to Mr. Dauben. Instead, the money would have gone instead go to pay off a judgment was taken against Mr. Dauben's company in 2009-2010. That judgment was taken by, and money from the judgment's recovery was due to be paid to— none other than Vogel's firm Gardere. Accordingly, in a direct conflict of interest to their receivership roles, Vogel and Gardere would have thus been a primary beneficiary of the newly 'discovered' million dollar Dauben claim against Baron. After the matter was exposed in a motion for stay filed by Baron, Vogel and Sherman promptly dropped all mention of Dauben.

employed as special master in the case), immediately filed a motion to have himself appointed receiver over the assets of Novo Point, LLC, and Quantec, LLC. R. 1717. Vogel later filed additional motions to have himself appointed as receiver over more than a dozen *additional* independent legal entities from around the country and around the world.

FILING TAX RETURNS AND PAYING TAXES: IT'S THE LAW

It should come as no surprise that as a matter of Federal law, Vogel is required by law to timely file the tax returns and pay the taxes for every entity over which he has been appointed (by his own motions) receiver. E.g., 26 U.S.C. §§ 6012(b)(3), 6151(a). Notably, the Internal Revenue Code ties the duty to pay federal income taxes to the duty to make an income tax return. *See* 26 U.S.C. §6151(a) ("[W]hen a return of a tax is required. . . the person required to make such return shall . . . pay such tax"). Accordingly, Vogel must pay the tax due on the income attributable to the receivership entities' property because §6012(b)(3) requires him to make a return as the "assignee" of the property. This law is clear and well established. *See e.g., Holywell Corp. v. Smith*, 503 U.S. 47, 52 (1992).

VOGEL AND TAXES: What Is Happening

Because the fees he seeks as receiver are so massive in relationship to the assets placed into his hands as receiver, Vogel has a conflict of interest. The receivership fees he has billed for himself and his firm come from the same receivership *res* that would be used to pay Federal income taxes. Since Vogel has

taken almost all of Baron's savings account funds in receivership fees (a staggering fee of around one million dollars), and has been paid an additional million dollars through the sale of over a million dollars in assets representing over a million dollars in income, and Vogel seeks still to be paid over a million dollars more, his bills directly compete for funds with taxes owed for 2010 and 2011. It appears that substantial taxes are due in the U.S., Canada, and the Cook Islands. Vogel has thus been faced with the choice of paying taxes, or having funds available to pay his multi-million dollar 'fees' billed as receiver. Vogel has chosen the latter. Accordingly, Vogel has (1) refused to file a single tax return for any receivership entity since becoming receiver in 2010, (2) has refused to pay any Federal taxes, state taxes, and taxes in other jurisdictions, (3) has refused to set aside funds for payment of taxes, (4) has refused to make any quarterly tax reports, and (5) has refused to pay any quarterly estimated taxes.

While Vogel has billed for filing multiple receivership reports of epic volume, (touching the most minute minutia), Vogel has noticeably omitted from his reporting all mention of the amounts of Federal tax liability, state tax liability, tax liability in Canada, and tax liability in the Cook Islands. Thus, in a very odd report of financial outlook with respect the entities controlled by Vogel as receiver, the financial picture entirely omits mention of liability for taxes. Rather, the primary liability reported is the reported liability to Vogel for more than a million dollars of additional fees billed by Vogel and his firm.

Accordingly, **in direct and gross violation of his fiduciary duties to the companies, Vogel has failed to file the companies' tax returns and has failed to pay any taxes, and has failed to set aside any funds for the payment of taxes.**

The results will obviously be disastrous for the companies and Baron.

VOGEL NOW ONCE AGAIN SEEKS TO BE RELIEVED OF LIABILITY FOR HIS GROSS VIOLATIONS OF DUTY

What Vogel is really seeking is a court order he can later use to absolve himself of liability for his gross violation of his fiduciary duties as receiver. Vogel notably offers no legal authority as to why his personal legal duty to file Federally mandated tax reports should be suspended by Court decree.

1. Vogel Seeks to Blame Baron and Baron's Counsel

In what has become a recurring mantra for Vogel, he seeks to excuse all of his obligations by blaming Baron and his counsel. Vogel previously filed the essentially same motion for relief as a sealed motion and alleged that counsel made "False statements about foreign assets". Even if that were true, it has nothing to do with Vogel's failure to report or pay taxes for the multiple entities he is receiver over. If Vogel was misled by some false statements about Baron's holdings, the tax reports of those holdings would be incorrect to the extent of the misinformation. But even if Vogel's claims about counsel were true (as discussed below they are not), it has nothing to do with **Vogel's gross and total failure to file tax reports or pay taxes.** Now, since it has been shown (in Appellants' response to Vogel's sealed motion) that Vogel manufactured his previous fictitious allegations against

the undersigned of making ‘false statements about foreign assets’ and that being the reason he could not file tax reports or pay taxes, Vogel now offers a completely new reason— there is some mysterious information held by Baron that Vogel just can’t file returns or pay taxes without knowing.

2. Vogel has all of the Records Novo Point, LLC, and Quantec, LLC, and the Income from All of the Receivership Assets

Vogel received all of the books and records of Novo Point, LLC, and Quantec, LLC., when he seized the companies operations in December, 2010.⁴ He has had full control of their business operations since that date. Yet, Vogel has failed to file any tax report, neither for 2010 taxes, nor for each quarter of 2011. Similarly, Vogel appears to have taken no formal actions (other than a couple of phone calls) to secure the records of other receivership companies. For example, Vogel does not appear to have even served subpoenas on the more than dozen companies’ registered agents etc. Accordingly, Vogel’s failure to file tax reports and pay taxes due is attributable to no party other than Vogel.

3. When Vogel Failed to File, Baron Personally Sought to Have Tax Returns Filed but Vogel obstructed him

Out of concern that Vogel was neglecting his duties, and in an attempt to secure compliance with the federally mandated reporting requirements, Jeff Baron personally went to Grant Thornton to hire them to file the tax returns. (The firm had already been paid over \$50,000.00 to prepare the reports.) Baron was

⁴ Vogel also has Baron’s records— they were turned over at the start of the receivership. Those records included Bank’s bank records, and the receiver seized Baron’s accounts at the start of the receivership.

informed that the firm would consider representing Baron, and filing on his behalf returns, **if Vogel did not object**. Upon information and belief Vogel was contacted and instructed Grant Thornton not to file any returns. Notably, Vogel paid Grant Thornton over \$50,000.00 in fees to prepare tax reports. Vogel refused to provide Baron any funding to pay a tax attorney to file returns, and Vogel refused to provide the necessary information and reports from the companies to enable Baron to file even his own tax returns. Recently, Vogel has offered not to object to a formal motion for Baron to be allowed funding for tax professionals—if Baron can find an attorney willing to represent Baron in filing and presenting such a motion for free—knowing that Vogel will subpoena the attorney’s private bank records to ‘examine’ whether Baron might have paid for the services. Accordingly, not only has Vogel failed to fulfill his legally mandated duties to report and pay federal taxes, but he has affirmatively obstructed Baron’s attempts to secure the filings through Grant Thornton.

WHEREFORE, Vogel's motion to have his conduct approved by this Court should be in all things denied and overruled.

Respectfully submitted,

/s/ Gary N. Schepps

Gary N. Schepps
Texas State Bar No. 00791608
5400 LBJ Freeway, Suite 1200
Dallas, Texas 75240
(972) 200-0000 - Telephone
(972) 200-0535 - Facsimile
Email: legal@schepps.net
COUNSEL FOR APPELLANTS

CERTIFICATE OF SERVICE

This is to certify that this motion was served this day on all parties who receive notification through the Court's electronic filing system.

CERTIFIED BY: /s/ Gary N. Schepps
Gary N. Schepps
COUNSEL FOR APPELLANTS

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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

NETSPHERE, INC.,	§	
MANILA INDUSTRIES, INC., AND	§	
MUNISH KRISHAN	§	
	§	
PLAINTIFFS,	§	
	§	
V.	§	CIVIL ACTION NO. 3:09-CV-0988-F
	§	
JEFFREY BARON AND	§	
ONDOVA LIMITED COMPANY,	§	
	§	
DEFENDANTS.	§	

**ORDER GRANTING THE RECEIVER’S MOTION TO
RELEASE RECEIVER FROM OBLIGATION OF FILING
TAX RETURNS FOR CERTAIN RECEIVERSHIP PARTIES**

BEFORE THE COURT is The Receiver’s Motion to Release Receiver from Obligation of Filing Tax Returns for Certain Receivership Parties (the “Motion”) (Doc. No. 881). The Court, having considered the Motion, any response, and the other relevant pleadings and evidence, is of the opinion that the Motion is well-taken and should be in all ways GRANTED.

In giving the Motion thoughtful consideration, the Court makes the following CONCLUSIONS:

1. The Receiver made reasonable and best efforts to determine whether the Receiver should file separate federal income tax returns for The Village Trust, Quantec, LLC, and Novo Point, LLC.
2. These efforts included numerous attempts to obtain the relevant information from Messrs. Baron and Schepps.

3. In carrying out these efforts, the Receiver has fully complied with his duties as set forth in the *Order Appointing Receiver* [Docket No. 124] and all subsequent orders of this Court.

4. The Receiver made reasonable and best efforts to ascertain the information needed in order to file sufficiently complete separate federal income tax returns for The Village Trust, Quantec, LLC, and Novo Point, LLC (to the extent such filings are necessary).

5. These efforts included numerous attempts to obtain the relevant information from Messrs. Baron and Schepps.

6. In carrying out these efforts, the Receiver has fully complied with his duties as set forth in the *Order Appointing Receiver* [Docket No. 124] and all subsequent orders of this Court.

7. Accordingly, the Court CONFIRMS that it is PROPER for the Receiver not to file separate federal income tax returns for The Village Trust, Quantec, LLC, and Novo Point, LLC.

IT IS ORDERED that the Motion is GRANTED and the Receiver is RELEASED from any obligation to file federal income tax returns for the tax year ending December 31, 2011 for The Village Trust, Quantec, LLC, and Novo Point, LLC as a result of Mr. Jeffrey Baron's refusal to provide the Receiver with the information that is necessary for both (1) the determination of whether any such tax filings are required and (2) accurate completion of the applicable tax forms, if required to be filed.

IT IS SO ORDERED.

SIGNED this 3rd day of May, 2012.



Royal Furgeson
Senior United States District Judge