

**STATE OF MICHIGAN
IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

SECURITIES AND EXCHANGE COMMISSION,
Plaintiff,

v.

Case No 08-11887
Hon. George Caram Steeh

GREGORY N. McKNIGHT, and
LEGISI HOLDINGS, LLC,
Defendants,

and

LEGISI MARKETING, INC., LIDO
CONSULTING, LLC,
HEALTHY BODY NUTRACEUTICALS,
LINDENWOOD ENTERPRISES, LLC,
DANIELLE BURTON, THERESA BURTON
and JENNIFER McKNIGHT,
Relief Defendants.

**LEGISI CREDITORS' OBJECTION TO RECEIVER'S MOTION FOR INTERIM
DISTRIBUTION AND REQUEST TO COMPEL A FAR LARGER DISTRIBUTION TO
LEGISI VICTIMS.**

NOW COME ANGELA AMORIELLO, ALEX AVERIN, IRINIA AVERIN, LILLIAN
BAKER, DAVID DENNIS BERNIER, SU BINION, BRUCE BLAUSTEIN, ROBERT
BONNICE, MICHAEL BRADLEY, CHARLES BRAUN, JAMES CAINK, KENDALL
CALLWOOD, KIM CALLWOOD, JUDY CASEY, GLEN DAVIS, BOB DIXON, IRVIN
ELHAI, WALTER FREUDENBERG, DANIEL GALLIANO, WILLIAM GIBSON, PAIGE
GILSON, ROBERT GUTHERIE, CHRIS HALBERT, DALE HANSEN, GLENN HEWITT,
SHARON HOLOWCHUCK, RYAN HOYME, ED HURST, MICHELLE HUSS, SERGUEI
JOUKOVSKI, JOHN JUSTEMA, JEFF KLEE, DANA KUBIAK, SUSAN KUSAK,
LANGERMAN, CHRISTINE LANGERMANN, UWE LASSITER, RONALD MAGG, SUSAN

MASSERANT, JOHN BRUCE MCQUINN, MICHAEL MURPHY, JO ANN MURRAY, LYMAN NICOLL, THOR ODLAND, CLAYTON RAICHE, LEXIS ROBINSON, YVONNE ROBINSON, PHIL SCUTT, MIKE SIEVERMANN, MICHAEL SLIVKA, JAMES STONEMAN, MARK SURKS, SHOKO TAKEDA, KOJI TAKEDA, TERRY TIEMENS, BEV WARD, JAMES WOOD RONALD, ZIELINSKY, MICHAEL WARD, (COLLECTIVELY “CLAIMANTS”) THROUGH THEIR COUNSEL, NITZKIN AND ASSOCIATES, BY GARY NITZKIN, hereby object to the Receiver’s proposed distribution (Docket 465) as follows;

1. The Receiver has been in charge of the estate formed by this court since May of 2008.
2. Since that time, the receiver has presented several fee petitions to the court which have all been paid from the estate.
3. The Receiver acknowledges that McKnight and Legisi had received funds in excess of \$72,000,000 from various lenders/investors and creditors (Docket 465 – paragraph 2) and have whittled these claims down to \$44,051,823 (*Id.* at paragraph 10), or by 38.8%.
4. Over the past several years, the Receiver has amassed \$3.6 million in cash (net of outstanding professional fees), two parcels of real estate, approximately 845,000 shares of CAMAC Energy, Inc. stock, several unsatisfied judgments and a pending arbitration case (*Id.* at paragraph 6).
5. Currently, the Receiver proposes to only distribute \$1.5 million of the \$3.6 million that he has collected, to the allowed Claimants (*Id.* at 11), or less than 50% of the cash in his possession.

6. The within Claimants, collectively owed about 6.36% of the outstanding claims, object to this pittance of a proposed distribution and move this court to direct the Receiver to distribute at least \$3.4 million to them.
7. Many of the Claimants, unfortunately, tendered their life savings, including their home equity and retirement funds, to McKnight and Legisi.
8. The Claimants have been waiting more than patiently for the return of their money over the past four years while the Receiver, his law firm, his attorneys and appointees have all been paid handsomely on a periodic basis, from the funds that have been tendered to the estate by the Claimants.
9. On May 21, 2012, Claimants' counsel, Gary Nitzkin, had a conference call with the Receiver and three of attorneys, to discuss the why the Receiver is proposing to distribute less than half of the \$3.6 million that he has amassed thus far.
10. Surprisingly, the Receiver has not performed any budgetary analysis of why he needs to retain \$2.1 million of the Claimants' money.
11. When quizzed about how much he needs to complete the arbitration litigation, neither he nor his attorneys had any idea of how much money he would need to complete that arbitration.
12. As shocking as the Receiver's lack of budgetary planning is, there is simply no way that the Receiver is going to need \$2.1 million to complete that litigation. These should be returned to the Claimants.
13. The Receiver, after his conversation with Claimants' counsel, refused to adjust his proposed distribution of \$1.5 million hence, necessitating this objection.

14. Clearly, the Receiver wishes to retain enough funds to pay himself, his law firm, his attorneys and appointees for a long time to come. This is unjust.
15. The Receiver's proposal to retain \$2.1 million is farfetched and ridiculous especially since he has failed to assemble any type of budgetary plan to substantiate this request.
16. The Receiver, his law firm, his attorneys and appointees have all feasted at the table set for them by the Claimants.
17. This unmitigated gravy train has to stop and the Receiver needs to be reminded that he is working for the benefit of the victims and not for himself his law firm, his attorneys and appointees.

Relief Requested

Claimants move this court to compel the Receiver to distribute \$3.4 million to all claimants who claims have been allowed in this estate. This distribution should be compelled immediately so that the victims of the estate are provided some relief and to the greatest extent possible.

Respectfully submitted,

May 23, 2012

/s/ Gary Nitzkin
GARY D. NITZKIN P41155
NITZKIN & ASSOCIATES
Attorneys for Claimants

Proof of Service

I, Gary Nitzkin, hereby state that on May 23, 2012, I served a copy of the within pleading upon all counsel as their address appear of record via the court's CM/ECF System.

/s/ Gary Nitzkin