

**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

In re:)
) Chapter 7
)
SWC SERVICES, LLC)
) Case No. 08-28200
Debtor.)
)
) Hon. Jacqueline P. Cox Presiding

In re:)
) Chapter 7
)
LIEN ACQUISITION, LLC)
) Case No. 08-28201
Debtor.)
)
) Hon. Jacqueline P. Cox Presiding

In re:)
) Chapter 7
)
AGM, LLC)
) Case No. 08-28202
Debtor.)
)
) Hon. Jacqueline P. Cox Presiding

In re:)
) Chapter 7
)
AGM II, LLC)
) Case No. 08-28203
Debtor.)
)
) Hon. Jacqueline P. Cox Presiding

In re:)
) Chapter 7
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KD1, LLC)
) Case No. 08-28204
Debtor.)
)
) Hon. Jacqueline P. Cox Presiding

In re:)
) Chapter 7
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KD2, LLC)
) Case No. 08-28206
Debtor.)
)
) Hon. Jacqueline P. Cox Presiding

In re:)
) Chapter 7
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KD3, LLC)
) Case No. 08-28210
)
Debtor.)
)
) Hon. Jacqueline P. Cox Presiding
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In re:)
) Chapter 7
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KD4, LLC)
) Case No. 08-28213
)
Debtor.)
)
) Hon. Jacqueline P. Cox Presiding
)

In re:)
) Chapter 7
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KD5, LLC)
) Case No. 08-28215
)
Debtor.)
)
) Hon. Jacqueline P. Cox Presiding
)

In re:)
) Chapter 7
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KD6, LLC)
) Case No. 08-28217
)
Debtor.)
)
) Hon. Jacqueline P. Cox Presiding
)

In re:)
) Chapter 7
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KD7, LLC)
) Case No. 08-28219
)
Debtor.)
)
) Hon. Jacqueline P. Cox Presiding
)

In re:)
) Chapter 7
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KD8, LLC)
) Case No. 08-28220
)
Debtor.)
)
) Hon. Jacqueline P. Cox Presiding
)

In re:)
) Chapter 7
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RWB SERVICES LLC)
) Case No. 08-28221
) Debtor.)
) Hon. Jacqueline P. Cox Presiding
)

In re:)
) Chapter 7
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SURGE CAPITAL II, LLC)
) Case No. 08-28222
) Debtor.)
) Hon. Jacqueline P. Cox Presiding
)

In re:)
) Chapter 7
)
COLOSSUS CAPITAL FUND, L.P.)
) Case No. 08-28223
) Debtor.)
) Hon. Jacqueline P. Cox Presiding
)

In re:)
) Chapter 7
)
COLOSSUS CAPITAL FUND, LTD.)
) Case No. 08-28224
) Debtor.)
) Hon. Jacqueline P. Cox Presiding
)

In re:)
) Chapter 7
)
LANCELOT INVESTORS FUND, L.P.)
) Case No. 08-28225
) Debtor.)
) Hon. Jacqueline P. Cox Presiding
)

In re:)
) Chapter 7
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LANCELOT INVESTORS FUND II, L.P.)
) Case No. 08-28226
) Debtor.)
) Hon. Jacqueline P. Cox Presiding
)

In re:)
) Chapter 7
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LANCELOT INVESTORS FUND, LTD.) Case No. 08-28227
)
Debtor.)
) Hon. Jacqueline P. Cox Presiding
)

Hearing: Oct. 28, 2008 at 9:30 a.m

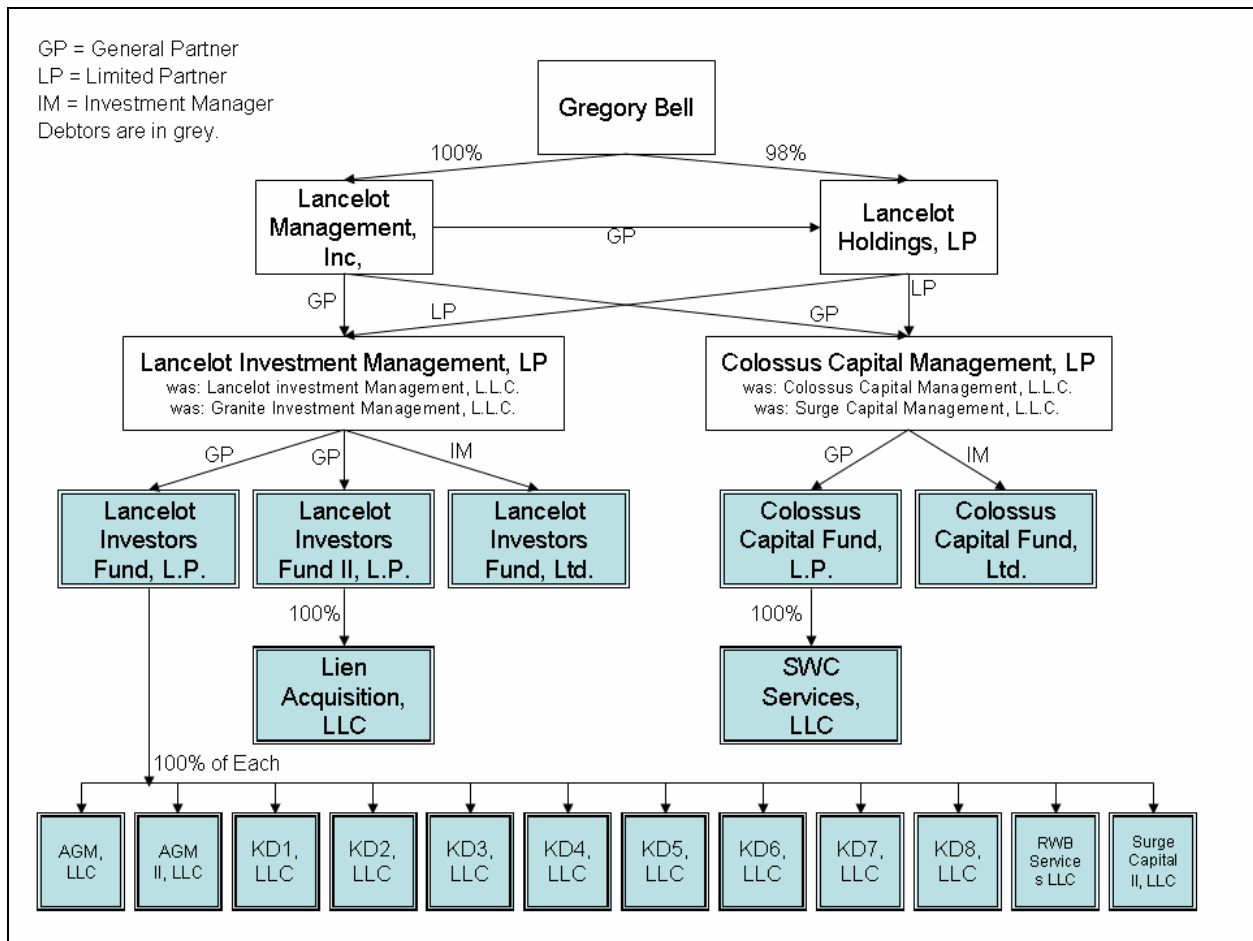
STATUS REPORT

Ronald R. Peterson, not individually but as interim chapter 7 Trustee of each of the above-captioned debtors' bankruptcy estates (the "Trustee"), in an effort to provide background in the above-captioned cases (the "Cases"), hereby files this status report and states as follows:

1. On October 20, 2008, each of the above-captioned debtors (the "Debtors") filed a petition for relief under chapter 7 of title 11 of the United States Code. Thereafter, the United States Trustee for the Northern District of Illinois appointed Ronald R. Peterson as Trustee.

2. The Cases were filed without statements and schedules and without a list of creditors. Despite the lack of schedules, the Trustee has diligently sought to understand the Debtors' business operations and financial condition. All of the information set forth herein is on information and belief, based upon the Trustee's discussions with the Debtors' professionals, creditors and investors, publicly available news reports and court documents, and a preliminary review of certain written materials the Trustee has obtained.

3. The Debtors consist of 19 related entities engaged in the operation of related hedge funds or special purpose vehicles. As set forth in the following chart, each of the Debtors was ultimately controlled by Gregory Bell, through various levels of management companies set up by Bell.



4. As set forth in the following chart, as of October 11, 2008, the Debtors collectively purportedly had assets with a value of \$1.8 billion and liabilities of \$276 million.

Debtor	Assets	Liabilities	Investors
Lancelot Investors Fund, LP	\$269,419,529.00	\$17,932,965.00	98
Lancelot Investors Fund II, LP	\$294,776,542.00	\$25,217,350.00	90
Lancelot Investors Fund, Ltd	\$1,112,944,192.00	\$213,074,388.00	116
Colossus Capital Fund, LP	\$33,660,395.00	\$10,096,864.00	19
Colossus Capital Fund, Ltd	\$68,028,539.00	\$9,359,540.00	18
	\$1,778,829,197.00	\$275,681,107.00	341

5. Approximately \$1.5 billion of the Debtors' assets purportedly consist of loans to or investments in Petters Group Worldwide and related entities (the "Petters Entities").

6. On October 3, 2008, Tom Petters, primary manager of the Petters Entities, was arrested and charged in a criminal complaint with mail and wire fraud, money laundering

and obstruction of justice for his actions. Subsequently, several employees of the Petters Entities have pleaded guilty for their role in the scheme.

7. As reported in the news, charges stem from an alleged scheme whereby:

Petters conned investors by showing them phony balance sheets and phony receipts. Petters told investors he was buying millions of dollars of consumer electronics from two companies -- NIR and Enchanted -- and then reselling them at a profit to Sam's Club, Wal-Mart and other retailers.

But there were never any electronics, and the government says NIR and Enchanted were sham companies. The ostensible address of Enchanted, in fact, belongs to a car wash located off Highway 7 in Excelsior [Minnesota].

Esme Murphy, *How Did the Petters Scam Work for 14 Years?*, WCCO News, available at <http://wcco.com/crime/petters.codefendant.released.2.840333.html>.

8. On October 6, 2008, the Honorable Ann D. Montgomery, United States District Court, District of Minnesota, issued an Order for Entry of Preliminary Injunction, Order Appointing Receiver and Other Equitable Relief. Judge Montgomery appointed Douglas A. Kelley as receiver for several of the Petters Entities.

9. As a result of the investigation, subsequent arrests and litigation by numerous creditors, the Petters Entities sought relief under chapter 11 of the Bankruptcy Code in order to reorganize and/or preserve their operations, sell assets and preserve potential avoidance and claims. The Petters Entities continue to operate their businesses as debtors-in-possession.

10. At this point, the value, if any, of the Debtors' investments in the Petter Entities is unknown.

11. In addition to their investment in the Petters Entities, the Debtors also made risky loans including subprime loans to "buy here/pay here" used car dealerships, and commercial real estate investments.

12. Based on the information currently available, the Trustee anticipates that his efforts in these Cases will primarily entail (1) perfecting the Estates' claims against the Petters Entities, (2) liquidated the Estates' other assets, and (3) perusing third-party actions against those responsible for the impairment of the Estates' assets.

RONALD R. PETERSON, not individually but as interim chapter 7 Trustee for the bankruptcy estate of each of the above-captioned debtors.

BY: /s/ Ronald R. Peterson
Ronald R. Peterson

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Dated: October 27, 2008