

**UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
ORLANDO DIVISION
Civil Action File No. 6:06-CV-137-Orl-19KRS**

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

v.

EDWARD S. DIGGES, JR.; NEXSTAR
COMMUNICATIONS, LLC; TMT
EQUIPMENT COMPANY, LLC; TMT
MANAGEMENT GROUP, LLC; POSA,
LLC; POSA TMT, LLC; TELEVEST
COMMUNICATIONS, LLC; TELEVEST
GROUP, LLC; and SPIN DRIFT, LLC,

Defendants.

PLAINTIFF'S STATUS REPORT

The Securities and Exchange Commission ("Commission"), though undersigned counsel, and pursuant to this Court's January 18, 2007 Order granting Motion to Stay, files the following status report:

1. On November 15, 2006, the parties reached a tentative settlement of all claims asserted in this action by the Commission ("the Commission Action") and in the ancillary Receiver Action (Silver v. Digges, et al., Case No. 6:06-cv-290-Orl-PCF-UAM)

The parties memorialized an outline of settlement terms in the jointly drafted Settlement Agreement Outline attached hereto as **Exhibit A**.

2. Pursuant to the proposed settlement, Defendants Edward Digges, KBK, Chilham, Katherine Kerr and the other settling defendants would pay \$1,150,000 ("the Settlement Amount") and the Commission would waive the remaining portion of its \$6 million disgorgement claim ("the Disgorgement Amount") against all parties, including Katherine Kerr. This payment would also settle all of the Receiver's claims against most, but not all of the parties named in the Receiver Action. The settlement is predicated on Digges, KBK, Chilham and Kerr providing sworn financial statements to counsel for the Commission and the Receiver, and the ability of the Commission and the Receiver to pursue the defendants for any unpaid portion of the Disgorgement Amount for materially inaccurate, intentionally misleading or otherwise deficient sworn financial statements or any default in the payment of the Settlement Amount.

3. The Settlement Agreement Outline and the parties contemplated that the parties would negotiate and execute detailed settlement documents at a later date. In addition, the settlement was subject to Commission approval, and ultimately, approval of this Court.

4. Disagreements over a number of issues have prevented the parties from executing final settlement documents. While the sworn financial statements have been provided, the parties have encountered several issues that they have been unable to

resolve at this time. Counsel for the Commission cannot submit any recommendation regarding the settlement until the Defendants have executed final settlement papers.

5. The parties have made repeated efforts to resolve their differences, or at least, minimize the number of issues that divide them. Although progress has been made, differences remain. The parties are continuing to work to resolve the outstanding issues.

6. The issues that have arisen include:

a. The liability of Mr. Digges' wife, Katherine Kerr, in the event that any of the sworn financial statements are materially inaccurate, intentionally misleading, or are otherwise deficient, including whether the release that she is to receive from the Receiver would be vitiated if this were to occur.

b. The form of the Release to be provided by the Receiver, including exclusions from the Release relating to fraudulent transfers as well as assets or transfers omitted on the sworn financial statements.

c. Certifications by the Digges' step-children who are also to receive a release from the Receiver stating that they received no more than a particular amount of monies or other assets directly or indirectly from the alleged fraudulent securities scheme or any of the Digges related or controlled entities.

d. Ability of the settling defendants to sell property prior to approval of the settlement pursuant to an agreed escrow arrangement and issues relating to preserving the status quo with regard to assets that are subject to this Court's asset freeze or which are otherwise subject to the Receiver's claims.

e. Formulation of a possible defense relating to innocent and good faith errors in the value estimates contained in the sworn financial statements.

f. Consequences if all or part of the Settlement Amount is later recovered from the Receiver or Receiver Estate, for example, due to bankruptcy or actions involving creditors rights claims.

7. If despite the parties' best efforts, settlement documents cannot be agreed to and finalized, Commission counsel will not be able to recommend approval of the settlement to the Commission and the parties will be forced to resume litigation, including prosecution of the Commission's Amended Complaint against Kerr, KBK, Chilham, and Digges.

s/William P. Hicks
District Trial Counsel
Florida Bar No. 0337641

s/M. Graham Loomis
Senior Trial Counsel
Georgia Bar No. 457868
DESIGNATED TRIAL COUNSEL

Counsel for Plaintiff
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Tel: (404) 842-7600
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CERTIFICATE OF SERVICE

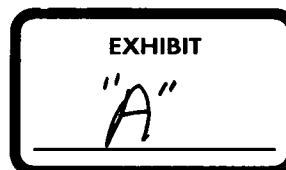
I HEREBY CERTIFY that a true and correct copy of the foregoing has been mailed via electronic mail and U.S. Mail to the following non-CM/ECF participant: **Edward S. Digges, Jr.**, One Sandy Acres, Cambridge, MD 21613.

This 18th day of May, 2007.

s/M. Graham Loomis



SETTLEMENT AGREEMENT OUTLINE

1. This settlement agreement applies to both the SEC case and the Receiver action.
2. KBK, Chilham, Katherine Kerr, Edward S. Digges, Jr., Brigid Peterson, Bruce McGonnigal, and Brett McGonnigal (the "Defendants") shall pay to James Silver ("Plaintiff") cash in the amount of \$1,150,000 (the "Settlement Amount").
3. Defendants have until August 30, 2007 to tender the Settlement Amount.
4. KBK, Chilham and Digges consent to the entry of a judgment in the SEC case in the amount of \$6,000,000, jointly and severally. Of the \$6,000,000, and subject to compliance with the terms of this settlement agreement, all but \$1,150,000 will be waived, subject to the SEC's approval.
5. It is understood and agreed that from this date to August 30, 2007, Defendants may endeavor to sell or encumber various parcels of property referred to as 8 Sandy Acres, 10 Sandy Acres, the Mays Chapel Condominium, and a 29' Patriot boat. Upon notice of such sales upon commercially reasonable terms, Plaintiff Receiver shall execute releases of lien or such other documents as reasonably necessary to effectuate such sales in exchange for the net proceeds of such sales. All proceeds from such sales shall be promptly paid to the Receiver and credited against the total amount of the Settlement Amount. Defendants shall not mortgage, pledge, hypothecate, sell or transfer any of the foregoing properties except in accordance with this paragraph.
6. To guarantee the payment of the settlement price, Chilham will assign Plaintiffs its interest in 20+/- acres in LaPlata, Charles County, Maryland (the "LaPlata Parcels"). Plaintiffs agree to release or reduce this assignment to the extent that they receive payments from Defendants toward the Settlement Amount.
7. Kerr, Chilham, KBK and Digges will fill out designated SEC financial statements.
8. Plaintiffs will ask the Court in the SEC case to defer ruling on the contempt motion currently pending in that case.
9. Counsel for the SEC will seek approval to have Katherine Kerr dismissed as a relief defendant in the SEC case upon fulfillment of this Settlement Agreement.
10. Plaintiff in the Receiver Action will execute full and complete joint tortfeasor Releases in favor of Defendants and discharge any liens against Defendant's property upon payment of the Settlement Amount in full, but preserve any and all claims against third parties. Defendants will give the Receiver and its counsel a full and general release upon dismissal of the Receiver action. All releases contemplated by this settlement agreement shall inure to the benefit of the Defendants and their counsel.



11. Upon fulfillment of this Settlement Agreement, Defendants will be dismissed without prejudice from the Receiver action, with the Court retaining jurisdiction to enforce the settlement agreement. Each party will bear its own fees and costs.
12. Plaintiffs have the right to liquidate the Receivership Entities in the SEC Case but have no further recourse against any of the Defendants, subject to any material misrepresentations given in connection with the releases in paragraph 10 and the waiver in paragraph 4.
13. Counsel for the parties and the parties agree to cooperate to prepare and execute final documents necessary to effectuate the terms of this settlement agreement.

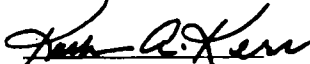
Agreed to this 15th of November 2006.


SEC

Digges

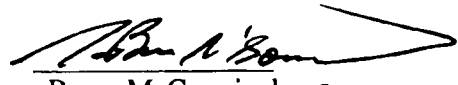

Receiver

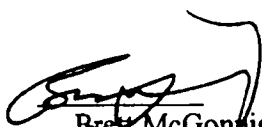
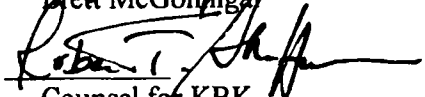

Kerr


KBK

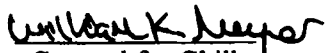

Chilham

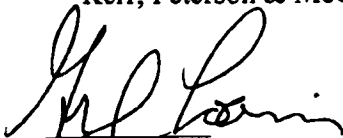

Brigid Peterson


Bruce McGonnigal


Brett McGonnigal

Counsel for KBK,
Kerr, Peterson & McGonnigals


Counsel for Receiver


Counsel for Chilham


Counsel for SEC