

U.S. DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
FILED
JUL - 4 2000
NANCY DOHERTY, CLERK
By _____ Deputy

Plaintiff

vs.

**FUNDING RESOURCE GROUP
a/k/a FRG TRUST, ET AL**

Defendants

Civil Action No: 3-98-CV-2689-M

RECEIVER'S PROPOSED LITIGATION BUDGET

TO THE HONORABLE JEFF KAPLAN, UNITED STATES MAGISTRATE JUDGE:

COMES NOW, Michael J. Quilling (“Receiver”) and, pursuant to this Court’s Order dated June 27, 2000,¹ submits this his proposed litigation budget:

Good Faith Recovery Estimate

Based on information currently known to the Receiver, he estimates that it is likely he will recover the following amounts from each of the Defendants and Equity Relief Defendants named in the above-entitled and numbered cause:

DEFENDANTS

Funding Resources Group a/k/a FRG Trust

Nothing anticipated which is not already the subject of pending litigation by the Receiver to-wit:

Michael J. Quilling, as Receiver for Funding Resource Group, FRG Trust, Robert Cord (a/k/a

¹For reasons which the Receiver has been unable to determine he does not believe he ever received the Order and, therefore, did not know of the July 25, 2000 deadline. The Receiver would never knowingly ignore an Order of the Court, apologizes for any inconvenience caused to the Court and sincerely appreciates the time extension given by the Court in its subsequent Order dated July 28, 2000.

Robert Schoonover and Steven C. Roberts vs. Paul Pursehouse and Quentin Sheehan, Individually and a/k/a Casavic Capital Management Corp., Civil Action No. 3:99-CV-1295-M²; However, as a result of very recent cooperation by Steve Roberts (the principal of FRG Trust) as to a review of bank records and identification of additional possible causes of action, there could be additional recoveries.

Quentin Hix

Mr. Hix has expressed a willingness to settle all financial issues with the Receiver for an undetermined amount. The Receiver believes the amount will be less than \$100,000.00.

Gene Coulter

Mr. Coulter has expressed a willingness to settle all financial issues with the Receiver. The Receiver believes the amount will be less than \$15,000.00.

Steve Roberts

Mr. Roberts has agreed in concept to the entry of a Stipulation and Consent and a Final Judgment in favor of the SEC which will contain a disgorgement amount. However, based upon the Receiver's analysis of his financial condition, it is unlikely Mr. Roberts will be able to pay any amount nor does he have any known assets to be liquidated.

MVP Network Inc. a/k/a MVP Trust

Nothing anticipated which is not already the subject of pending litigation by the Receiver to-wit: *Michael J. Quilling, Receiver for MVP Network, Inc. v. Airey Holdings, Inc.*, Civil Action No. 3-99-CV-1097-M³. In addition, depositions of Vearl Smith, Mary Ann Bauce and Quentin Hix scheduled for August 9-11, 2000 may reveal additional assets or causes of action.

²This action has its own litigation budget which was submitted to the Court on July 25, 2000.

³The action by the Receiver has its own budget which was submitted to the Court on July 25, 2000. The action seeks recovery of \$400,000 of investor funds which the Receiver believes the Defendant could pay if service could ever be achieved. By findings dated July 28, 2000 this Court recommended that the action be dismissed for failure to achieve service. The Receiver intends to seek reconsideration of the matter by Your Honor.

FMCI Trust and Funders Marketing Company Inc.

Very little is known about these entities' assets by the Receiver because of the continual refusal of Raymond Parr (its principal) to produce meaningful documentation or appear for his deposition which has been noticed at least three times. The Receiver believes there may be significant causes of action against recipients of funds from FMCI but at this time is unable to provide any educated guess as to amount or recovery possibility.

Raymond Parr

Based upon Mr. Parr's recent sworn testimony before the Court, it is unlikely there will be any recovery from him with the exception of the approximate \$18,000 being held by his lawyer. If and when Mr. Parr sits for his deposition and produces meaningful documents, additional assets may be discovered.

William Vearl Smith

Mr. Smith has expressed a willingness to settle all financial issues with the Receiver for an undetermined amount. The Receiver believes the amount will be less than \$100,000.00

Earl D. McKinney

All known assets of Mr. McKinney have been liquidated. The Receiver anticipates filing a lawsuit against at least one recipient of funds from Mr. McKinney and possibly a couple others depending on whether the Receiver's investigation of financial ability to pay is positive. In any event any likely recovery is anticipated to be \$50,000.00 or less in the aggregate.

Fortune Investments Ltd.

Nothing is anticipated which has not already been recovered.

Robert Cord

All known physical assets have been recovered and sold. Litigation is currently pending by the Receiver to recover additional assets to-wit: *Michael J. Quilling, Receiver for Robert Cord,*

Winterhawk West Indies, Inc., and Steven C. Roberts d/b/a Funding Resources Group and FRG Trust v. Texas Coastal Bank and Billy Holcomb, Civil Action No. 3-99-CV1504-M⁴ and *Michael J. Quilling, Receiver for Robert Cord, et al. v. Richard A. Parker d/b/a Morgan Weinstein & Co., a/k/a Morgan, Weinstein & Co., Inc. a Delaware Corporation and a/k/a, Morgan Weinstein & Co, LTD.*, Civil Action No. 3-99-CV-1929-M⁵. As the Receiver continues to reconstruct bank records, it is possible that additional causes of action will be identified.

Winterbank West Indies, Ltd.

All known physical assets have been recovered and sold. Litigation is currently pending by the Receiver to recover additional assets to-wit: *Michael J. Quilling, Receiver for Robert Cord, Winterhawk West Indies, Inc., and Steven C. Roberts d/b/a Funding Resources Group and FRG Trust v. Texas Coastal Bank and Billy Holcomb*, Civil Action No. 3-99-CV1504-M, *Michael J. Quilling, Receiver for Robert Cord, et al. v. Richard A. Parker d/b/a Morgan Weinstein & Co., a/k/a Morgan, Weinstein & Co., Inc. a Delaware Corporation and a/k/a, Morgan Weinstein & Co, LTD.*, Civil Action No. 3-99-CV-1929-M. As the Receiver continues to reconstruct bank records, it is possible that additional causes of action will be identified.

IGW Trust

All known assets have been recovered. Nothing further is anticipated.

Carolyn Don Hicks

All financial matters between Mr. Hicks and the Receiver have been resolved. Under the agreement, the Receiver will receive \$45,000.00 once the settlement is approved by the SEC.

⁴This action has its own litigation budget which was submitted to the Court on July 25, 2000.

⁵This action has its own litigation budget which was submitted to the Court on July 25, 2000.

Carl La Vane Weaver

Mr. Weaver has expressed a willingness to settle all financial matters with the Receiver for an undetermined amount. The Receiver believes the amount will be less than \$25,000.00.

EQUITY RELIEF DEFENDANTS

Howe Financial Trust

The Receiver believes that there are significant assets (at least one house) and several possible causes of action against recipients of funds. The Receiver does not currently have enough information to make an estimated guess as to any likely recovery. In addition, litigation is currently pending by the Receiver to recover damages, to-wit: *Michael J. Quilling, Receiver for Howe Financial Trust, MVP Network, Inc. d/b/a MVP Trust, and TREDs Financial Trust v. James W. Conway, an Individual and James W. Conway, P.S.C., a Kentucky Professional Services Corporation*, Civil Action No. 3:99-CV-2699-M⁶

Treds Financial Trust

All known assets have been liquidated. No further recovery is anticipated.

Mary Ann Bance

Ms. Bance has expressed a willingness to settle all financial issues with the Receiver for an undetermined amount. The Receiver believes the amount will be less than \$100,000.00.

Hammersmith Trust LLC and Hammersmith Trust Ltd

All known physical assets of these entities have been liquidated. Although much progress has been made in reconstructing the financial affairs of the entities, there is much more to do. Litigation is currently pending by the Receiver to recover some of these assets, to-wit: *Michael J. Quilling, as Receiver for Hammersmith Trust, LLC, Hammersmith Trust, Ltd., Microfund, LLC, and B. David*

⁶This cause of action has its own budget which was submitted to the Court on July 25, 2000.

Gilliland v. Jerrold L. Gunn, et al, Civil Action No. 3:00-CV-1318-M⁷. In addition, the Receiver has negotiated a settlement with Sands Point Trust which is in the process of being executed, pursuant to which the Receiver will recover approximately \$450,000.00. As soon as the accounting with respect to the entities is complete, the Receiver anticipates filing lawsuits against a number of individuals of and entities to recover investor funds. The Receiver believes these actions will likely recover in excess of \$1,000,000.00.

Bridgeport Alliance LLC

All known assets have been liquidated. Litigation is currently pending to recover funds paid to brokers/agents, to-wit: *Michael J. Quilling, Receiver for Hammersmith Trust, LLC, Hammersmith Trust, Ltd., Microfund, LLC, and Bridgeport Alliance, LLC vs. Adam Shaw, Thomas R. Smith, Linda J. Smith, Michael Klein, Leon Hurst, Summit Marketing, Inc., Bancorp Mortgage, Inc., Caton & Associates, Inc., Simplified Communications, Inc., Chatham International, Inc., Thomas McCrimmon United Holdings Corp., Greg Skibbee, Rick Shirrell, Jeffrey A. Matz, Christopher J. Carlson, Murray Stucker and Larry K. Lewis*, Civil Action No. 3:00-CV-1405-R⁸. The Receiver believes that he will recover in excess of \$500,000 as a result of the lawsuit.

Landfair Custodial Services

All assets have been liquidated. No further recovery is anticipated.

Microfund LLC

All known assets have been liquidated. As soon as the accounting with respect to this entity is completed, it is possible that the Receiver could file lawsuits against various recipients of funds. No educated guess can be made at this time as to any recovery.

⁷This action has its own litigation budget which was submitted to the Court on July 25, 2000.

⁸The Receiver is awaiting an Order Reappointing Receiver so that the lawsuit can be served.

American Pacific Bank and Trust

All assets have been liquidated. No further recovery is anticipated.

Eurofund Investment Inc.

The Receiver does not have any significant information regarding this entity. No educated guess as to any recovery can be made at this time.

B. David Gilliland

As a result of asset seizures by the U.S. Attorney in Pensacola, it is anticipated that various cars and bank accounts will be recovered. The amount is currently unknown but is likely to be less than \$50,000 in the aggregate. Litigation is currently pending by the Receiver to recover a house bought with investor funds, to-wit: *Michael J. Quilling, Receiver for Hammersmith Trust, LLC, Hammersmith Trust, Ltd., Microfund, LLC, and B. David Gilliland vs. The Wolcott Lifetime Trust and Jeffrey D. Saxon, Jr.*, Civil Action No. 3:00-CV-1319-M⁹. Pursuant to this lawsuit, the Receiver anticipates a recovery of approximately \$400,000.00

Melody Rose

All financial matters between the Receiver and Ms. Rose have been settled. No further recovery is anticipated.

⁹The Receiver is awaiting an Order Reappointing Receiver so that the lawsuit can be served.

Litigation Budget

<u>Stage</u>	<u>Total Hours (Estimate)</u>	<u>Attorney Compensation (Hourly Rate)</u>	<u>Estimated Costs</u>	<u>Total</u>
Preliminary/Continued Investigation	300	\$250.00	\$50,000.00	\$125,000.00
Legal Research	50	\$150.00	\$500.00	\$8,000.00
Pleading Preparation	50	\$250.00	\$1,000.00	\$13,500.00
Formal Discovery	300	\$250.00	\$40,000.00	\$115,000.00
Expert Witnesses	300	\$250.00	\$20,000.00	\$95,000.00
Dispositive Motions	Not Applicable			
Trial Preparation	Not Applicable			
Trial	Not Applicable			
Website Preparation & Update	125	\$85.00	\$500.00	\$11,125.00
Claims Analysis & Processing	400	\$200.00	\$10,000.00	<u>\$90,000.00</u>

Total Estimated Fees and Costs:

\$ 457,625.00

DATED THIS 4th day of August 2000.

Respectfully submitted,

By: _____

Michael J. Quilling
State Bar No. 16432300

QUILLING, SELANDER, CUMMISKEY, &
LOWNDS, P.C.

2001 Bryan Street, Suite 1800
Dallas, Texas 75201-4240
(214) 871-2100 (Telephone)
(214) 871-2111 (Facsimile)

CERTIFICATE OF SERVICE

A true and correct copy of this document was mailed on August 4, 2000, via first class mail to the following:

Robert B. Brunig
Securities & Exchange Commission
801 Cherry Street, 19th Floor
Fort Worth, Texas 76102

Ernest Leonard
Friedman, Driegert & Hsueh, LLC
8117 Preston Road
570 Preston Commons West
Dallas, Texas 75225

Deborah Goodall
Goodall & Sooter
12830 Hillcrest Rd., Suite 111
Dallas, Texas 75230

Wendell A. Odom, Jr.
440 Louisiana, Suite 800
Houston, Texas 77002

Dan R. Waller
Secore & Waller, LLC
13355 Noel Road, Suite 2290
Dallas, Texas 75240

William Ernest Norcross
890 Willow Tree Circle, Suite 8
Codova, TN 38018-8848

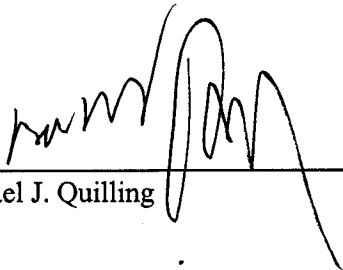
Michelle Roberts
Roberts & Mcathby
1717 Main Street, Suite 4050
Dallas, Texas 75201

S. Cass Weiland
Sheinfeld, Maley & Kay, P.C.
1700 Pacific Avenue, Suite 4400
Dallas, Texas 75201-4618

Garran J. Graner
38-11 Ditmars Boulevard
Long Island City, New York 11105

Steve Roberts
19 Hornsilver Place
The Woodlands, Texas 77381

Donald L. Beckner
5800 One Perkins Place
Building 7, Suite A
Baton Rouge, LA 70808



Michael J. Quilling