

U.S. DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
FILED
JUL - 3 2001
CLERK, U.S. DISTRICT COURT
By _____
Deputy

CIVIL ACTION NO.
3:98-CV-2689-M

Defendants Solely for Purposes of Equitable

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("Receivership Order"), the receivership applies to Robert Cord a/k/a Robert F. Schoonover, Jr. ("Cord") and Winterhawk West Indies, Ltd. ("Winterhawk").

2. On March 9, 2001, the Receiver filed his Unopposed Motion to Designate Receivership Estates. By Order entered March 13, 2001, the Court established four different receivership estates with respect to these proceedings. One of those established is the Cord/Winterhawk Receivership Estate. It is comprised of the assets and claims with respect to Cord and Winterhawk.

3. On January 12, 2001, the Receiver filed his Unopposed Motion to Establish Claim Procedures and to Approve Claim Form. By Order entered January 17, 2001, the Court approved an official claim form to be used in these proceedings and established procedures by which claims would be processed by the Receiver. The deadline for submitting the claim form to the Receiver was established as March 31, 2001.

4. On April 10, 2001, the Receiver filed his Statement of Claims filed against the Cord/Winterhawk Receivership Estate and his Objections to Claims (Cord/Winterhawk Receivership Estate). After the hearing held on April 27, 2001 to consider the Receiver's Objections to Claims, on May 9, 2001 Judge Kaplan issued Findings of Fact and Recommendations which were adopted by the Court by Order dated June 13, 2001. By virtue of these rulings, all allowed claims against the Cord/Winterhawk Receivership Estate have now been established.

Assets Liquidated and Liabilities Paid

5. Since his appointment, the Receiver has taken possession of all known physical assets belonging to Cord and Winterhawk and has liquidated them to cash. As part of the liquidation process, the Receiver has also paid all known bills and obligations relating to the assets.

6. Attached hereto as Exhibit "1" and incorporated herein by reference is a Summary of Cash Receipts and Disbursements into and out of the Cord/Winterhawk Receivership Estate. Attached hereto as Exhibit "2" and incorporated herein by reference is a Detail of Cash Receipts and Disbursements which is a detailed statement of the categories identified on Exhibit "1". As indicated on Exhibit "1," there are pending expense items which are discussed in this report below with respect to fees outstanding to the Receiver's law firm and his accountants. The amounts stated in Exhibit "1" are the amounts which are requested by virtue of this report.

Litigation Prosecuted and Concluded

7. In addition to liquidation of assets, the Receiver has initiated and prosecuted litigation against Richard Parker, et al. (Civil Action No. 3:99-CV-1929-M) and Texas Coastal Bank, et al. (Civil Action No. 3:99-CV-1504-M) each of which lawsuits were settled, as approved by this Court, in the amount of \$190,000.00 and \$395,000.00 respectively. The settlement recoveries are reflected in Exhibit "2" hereto. All legal fees relating to these lawsuits have been approved by the Court and paid. Those approved fees are included within the amounts stated in Exhibit "2". There is no other pending litigation or unpaid litigation costs involving the Cord/Winterhawk Receivership Estate.

Remaining Assets and Abandonment

8. The only known possible assets of the Cord/Winterhawk Receivership Estate are potential claims for a constructive trust/disgorgement against the following individuals and entities in the estimated stated amounts:

<u>Name</u>	<u>Amount</u>
B. J. Transportation	\$ 404,570.14
Michael Brown	25,500.00

<u>Name</u>	<u>Amount</u>
Michelle Crawford	107,817.45
Carolyn & Jimmy Hersman	228,652.65
Eugene Mallery	16,092.66
Max Grandfield Evangelistic Association	5,000.00
Debbie & Wayne Melson	383,866.36
Sierra Trucking	31,000.00
Bearar Reports	6,665.00
Dell Capital Resources	20,000.00
Evergreen Consulting	183,140.00
Express Credit, Inc.	30,000.00
Al Fontenot	40,000.00
R.H. Graham	13,050.00
Louis Green	7,000.00
Marilyn Howton	18,100.00
IAM Management	1,550.00
International Partners	192,000.00
Laughlin & Associates	8,755.00
Catherine Meredith	6,500.00
New River Park, Ltd.	2,275.00
New World Trading	17,000.00
Oro y Plata	87,000.00

George Pattilo	163,790.00
Pierce Ardin	27,868.90
Paul Purcell	40,000.00
Christopher Redman	30,000.00
Donna Shelton	568,500.00
Steven Smart	47,000.00
Southern Trust Company	5,000.00
Karissa Tinsley	8,950.00
U.S. Leasing	60,000.00
Carla & Wayne Wade	91,800.00
Wesco, Inc.	17,508.00
Winners Circle	3,300.00
United Chemical & Mineral	20,000.00
Comawa	5,000.00
VS Leasing Company	2,500.00
Sonny's Camp & Trailer	6,000.00

It is the opinion of the Receiver that a cost versus benefit analysis of these claims does not justify further pursuit of the claims by the Receiver. The amount of the claims are relatively small and there is no guarantee of success on the merits. Many of the targets are likely to claim that they gave benefit/value in exchange for the funds received. The Receiver has no witnesses to counter such arguments. Further pursuit of the claims will likely be costly as to both legal and accounting fees. In addition, despite reasonably diligent efforts, the Receiver has been unable to locate some of the

potential targets and the ones which have been located appear to be of limited financial means. Accordingly, the Receiver requests that he be allowed to abandon each of the foregoing potential assets.

Taxes and Tax Returns

9. Robert Cord a/k/a Robert F. Schoonover, Jr. is a career criminal who has been incarcerated much of his adult life. He is currently incarcerated. His true social security number has been the subject of much debate and it is not known with certainty by the Receiver. It is not known whether he has filed a tax return in the last several years, including the years since the Receivership Order was entered in these proceedings. Similarly, Winterhawk West Indies, Ltd. is a corporation organized in Belize. It is not known, but is considered highly unlikely, that Winterhawk ever filed any tax returns in the United States. Pursuant to Treasury Regulation 1.6012-3(b)(4) and (5)¹ it is arguable that the tax returns due since the entry of the Receivership Order are the responsibility of the Receiver. With respect to Winterhawk, since the Receiver took possession of all or substantially all of the property of the corporation, it is the intention of the Receiver to have his accountants prepare the appropriate tax returns. The cost of such returns is estimated to be \$10,000.00 and the Receiver requests that he be authorized to pay such amount to his accountants as part of the distribution plan.

10. As to Robert Cord, however, since the Receiver took possession of only a portion of his assets, the Receiver believes that pursuant to Treasury Regulation 1.6012-3(b)(5) he should not

¹A copy of the Regulation is attached hereto as Exhibit "3" for the Court's convenience.

be responsible for the tax returns of Robert Cord individually. In that regard, the Receiver requests that the Court enter an Order absolving him of any such responsibility.

Pending and Unpaid Legal Fees

11. As ordered by this Court, no legal fees have been paid to the Receiver and his law firm, QSCL, since December 1, 2000². Since that date through June 30, 2001, there are legal fees and expenses in the amount of \$43,306.91³ outstanding which have not yet been considered or approved by the Court. Those fees and expenses are as follows:

<u>Month</u>	<u>Fees</u>	<u>Expenses</u>
December, 2000 ⁴	\$ 2,242.50	\$ 0.00
January, 2001 ⁴	6,892.00	0.00
February, 2001	1,885.00	0.00
March, 2001	13,315.50	326.50
April, 2001	15,535.50	162.35
May, 2001	1,811.00	222.56
June, 2001	684.00	230.00

²On March 15, 2001, the Receiver filed his Unopposed Motion to Allow Reimbursement of Expenses covering the time period from December 1, 2000 through February 28, 2001. On April 12, 2001, the Court entered its Order Approving Reimbursement of Expenses, of which \$137.76 of expenses related to the Cord/Winterhawk Receivership Estate.

³Additional fees and expenses from July 1, 2001 through the date of hearing of this report will be submitted at the time of the hearing.

⁴Prior to February 2001, the billing statements of QSCL were not separated by the four receivership estates. However, as part of the Receiver's allocation of fees to each estate as approved by the Court by Order dated April 13, 2001, a breakdown of the fees has been prepared. A copy of the allocation is attached to both the December 2000 and the January 2001 fee statements.

July, 2001

To be submitted at time of hearing

Copies of the invoices which reflect these fees and expenses are collectively attached as Exhibit "4."

As part of this report, the Receiver requests that the Court consider and authorize payment of such legal fees and expenses.

Allocation of Attorney's Fees to Close Receivership Estate

12. As set forth below in paragraphs 15 and 16, even after this report is approved (as is or with modifications), there will still be several items which will require attention by the Receiver and his lawyers. In addition to those items addressed in paragraphs 15 and 16, the Receiver will have to prepare and mail distribution checks, perform final bank reconciliations and it is anticipated that several claimants will contact the Receiver to inquire about the final distribution check. The Receiver proposes that the Court allocate \$5,000.00 to cover the cost of addressing these items and conducting the hearing requested in paragraph 16. The Receiver further requests that the allocated fees be approved and paid at the time of the final hearing.

Pending and Unpaid Accounting Fees

13. As ordered by this Court, no accounting fees have been paid to the Receiver's accounting firm, LSSM&D, since December 1, 2000. Other than the \$10,000.00 requested in paragraph 9 to prepare the final tax returns, there are no other fees owed to LSSM&D.

Proposed Distribution Plan and Procedures

14. Assuming that each of pending requests set forth in this report are approved, the Receiver will have \$1,772,196.61 (plus interest which continues to accrue) available to make a final distribution to all persons/entities which hold an allowed claim against the Cord/Winterhawk

Receivership Estate. On June 13, 2001, the Court entered its Order Approving the Findings and Recommendations of Judge Kaplan regarding claims, as a result which claims totaling \$6,909,198.97 were approved. Accordingly, the percentage amount to be paid to each holder of an allowed claim is calculated as follows:

$$\frac{\text{Total Cash Available to Distribute}}{\text{Total Allowed Claims}} = \text{Distribution Percentage}$$

$$\frac{\$1,772,196.61}{\$6,909,198.97} = 25.64\%$$

Attached hereto as Exhibit "5" is a schedule which sets forth the amount⁵ to be paid to each holder of an allowed claim against the Cord/Winterhawk Receivership Estate if the Court approves the foregoing distribution analysis. As soon as the distribution percentage and amount is approved, the Receiver is ready to begin the issuance of checks immediately.

15. In connection with making distributions, the Receiver proposes that each distribution check issued by the Receiver will state on its face that it is void unless cashed within forty-five (45) days from the date issued. In light of the extensive claims approval/disapproval process, the Receiver believes that the proper address for each claimant is known and that no checks will be returned. Therefore, forty-five (45) days should be more than adequate to allow claimants to receive and cash their checks. The Receiver also requests authority to send a letter along with each check to the holders of allowed claims in the form attached hereto as Exhibit "6."

**Record Abandonment, Closure of Estate, Discharge of Receiver
and Release of Bond**

⁵The actual amount distributed will increase very slightly as a result of interest which will continue to accrue through the time the Court approves the distribution.

16. As soon as the Court's calendar will allow after the time by which all distribution checks must be cashed, the Receiver requests that the Court schedule a hearing to consider entry of an Order which:

- Authorizes the Receiver to abandon and destroy all records relating to the Cord/Winterhawk Receivership Estate at such time as the Receiver, in his discretion, deems proper;
- Closes the Cord/Winterhawk Receivership Estate to any further proceedings, absent good cause shown;
- Discharges the Receiver from any further service or responsibility as to the Cord/Winterhawk Receivership Estate;
- Releases the Bond posted by the Receiver in these proceedings insofar as it relates to the Cord/Winterhawk Receivership Estate; and
- Approves and authorizes payment of the \$5,000.00 of fees requested in paragraph 12 above.

Summary

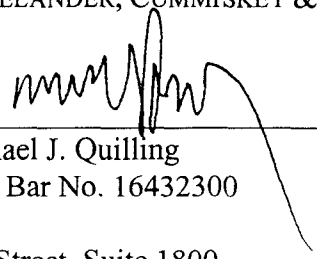
17. Since his appointment, the Receiver has taken possession of and administered cash and other assets totaling \$2,187,357.02. The cost of administration totals \$370,353.50⁶. Each claimant with an allowed claim will receive 25.64% of their claim by virtue of the Receiver's proposed distribution.

⁶Assuming all fees requested herein are approved. Both receipts and cost of administration are net of the funds used by and repaid by the Hammersmith Trust estate.

Respectfully submitted,

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

BY:


Michael J. Quilling
State Bar No. 16432300

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

ATTORNEYS FOR RECEIVER

CERTIFICATE OF SERVICE

I hereby certify that on the 3rd day of July, 2001, a true and correct copy of the foregoing document was served via first class mail, postage pre-paid, on the persons set forth below and upon each of the persons/entities on the service list attached hereto.


Michael J. Quilling

CIVIL ACTION NO. 3:98-CV-2689-M
FUNDING RESOURCE GROUP, ET AL

CORD/WINTERHAWK RECEIVERSHIP ESTATE

Summary of Cash Receipts and Disbursements
(thru 6/30/01)

RECEIPTS:

Cash from U.S. Marshal	\$ 992,674.85
Asset Sales	432,419.37
Refunds	3,087.09
Settlements	615,000.00
Miscellaneous	4,500.00
Hammersmith Trust Repayment	317,857.87
Interest through 06/30/01	\$ <u>139,675.71</u>

\$2,505,214.89

DISBURSEMENTS:

Receivership Asset Expenses	67,229.84
Legal Fees	608,128.34
Accounting Fees	10,000.00
Miscellaneous	212.50
Bank Charges	193.49
Tax Withholding	<u>2,447.20</u>

<688,211.37>

CASH ON HAND:

Less administrative expenses:

Quilling, Selander (requested)	43,306.91
Litzler, Segner (requested)	10,000.00
Reserve (requested)	<u>5,000.00</u>

<58,306.91>

TOTAL CASH AVAILABLE FOR DISTRIBUTION

\$1,758,696.61



CIVIL ACTION NO. 3:98-CV-2689-M
FUNDING RESOURCE GROUP, ET AL

Detail of Cash Receipts and Disbursements (6/30/01)

RECEIPTS:

Cash from U.S. Marshal: \$ 992,674.85

Asset Sales:

Boat & Trailer	\$ 6,435.00
Falcon Crest Property	128,203.44
Boat & Trailer	2,785.00
Nasa Road Condo	28,606.09
Motorhome	12,052.00
38' Bayliner	42,300.00
Daihatsu & Trailer	3,212.00
Vidor Truck Stop Property	40,482.93
New Caney Property	104,842.91
300E Mercedes	20,000.00
500SL Mercedes	31,000.00
Amerosport Boat	<u>12,500.00</u>

432,419.37

Refunds:

Comerica Bank	4.00
Comerica Bank	16.00
Comerica Bank	16.00
Comerica Bank	16.00
Comerica Bank	13.00
Comerica Bank	26.00
Comerica Bank	2,447.20
Seabrook Shipyard	78.10
Seabrook Shipyard	9.00
Interest Escrow - Sutherland	103.35
Falcon Crest Insurance	293.50
Nasa Road Condo Taxes	<u>64.94</u>

3,087.09



Settlements:

Smith	30,000.00
Morgan Weinstein	190,000.00
Texas Coastal Bank	<u>395,000.00</u>

615,000.00

Miscellaneous:

Rent Nasa Road Condo	400.00
Rent Vidor Truck Stop	2,000.00
Rent Vidor Truck Stop	2,000.00
Deposit Sweet Gum Property	<u>100.00</u>

4,500.00

Hammersmith Trust Repayment:

317,857.87

Interest:

Goldman Sachs Account	58,225.01
Comerica Money Market Account ¹	<u>81,450.70</u>

139,675.71

Total Receipts:**\$2,505,214.89****DISBURSEMENTS:****Receivership Asset Expenses:**

Dallas County Tax Office	203.80
Dallas County Tax Office	114.36
Darrell Wolcott	100.00
Eady Salvage	9,039.64
Farmers Insurance	725.00
Farmers Insurance	393.50
Farmers Insurance	725.00
George Day	70.50
JJ&K Pearland Wrecker	440.00

¹Through June 30, 2001. Additional amounts will accrue through date of disbursement.

Joe McCants	60.00
Joe McCants	60.00
Joe McCants	60.00
Joe McCants	60.00
Oberklasse	3,718.69
Oberklasse	3,578.58
Robert McAllister	150.00
Ron's Yachts	1,600.00
Ron's Yachts	189.33
Seabrook Shipyard	193.60
Seabrook Shipyard	400.00
Seabrook Shipyard	411.79
Seabrook Shipyard	110.03
Seabrook Shipyard	196.00
Seabrook Shipyard	198.52
Seabrook Shipyard	213.11
Seabrook Shipyard	196.09
Seabrook Shipyard	214.73
Seabrook Shipyard	197.44
Seabrook Shipyard	204.00
Seabrook Shipyard	206.00
Seabrook Shipyard	196.00
Stuart Dickinson	1,937.50
Tax Assessor	1,900.62
TPWD	871.87
U. S. Dept. of Justice	4,023.50
U. S. Marshal	1,597.50
U. S. Marshal	152.60
U. S. Marshal	2,650.23
U. S. Marshal	28,287.31
U. S. Marshal	528.00
Ventura's Towing	<u>1,055.00</u>

67,229.84

Legal Fees:

Quilling Selander	42,616.69
Quilling Selander	61,814.08
Quilling Selander	35,000.00
Quilling Selander	25,000.00
Quilling Selander	50,000.00
Quilling Selander	40,000.00
Quilling Selander	25,000.00

Quilling Selander	1,032.54
Quilling Selander	3,023.05
Quilling Selander	4,287.31
Quilling Selander	230,562.17
Quilling Selander	14,654.74
Quilling Selander	75,000.00
Quilling Selander	<u>137.76</u>

608,128.34²

Accounting Fees:

Litzler Segner	<u>10,000.00</u>
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10,000.00³

Miscellaneous:

Mr. Reali	100.00
Alamo Title Company	<u>112.50</u>

212.50

Bank Charges:

Comerica Bank	3.00
Comerica Bank	35.74
Comerica Bank	3.00
Comerica Bank	16.00
Comerica Bank	16.00
Comerica Bank	16.00
Comerica Bank	16.00
Comerica Bank	13.00
Comerica Bank	13.00

²On April 12, 2001, the Court issued its Order approving the allocation of attorney's fees and accounting fees between the four receivership estates. Pursuant to the Order, the Hammersmith Trust Receivership Estate has paid \$317,857.87 to the Cord/Winterhawk Receivership Estate. Accordingly, the *net* amount of attorney's fees paid to date by the Cord/Winterhawk Receivership Estate is actually \$290,270.47.

³On April 12, 2001, the Court issued its Order approving the allocation of attorney's fees and accounting fees between the four receivership estates. Pursuant to the Order, the Hammersmith Trust Receivership Estate has paid \$317,857.87 to the Cord/Winterhawk Receivership Estate. Accordingly, the *net* amount of accounting fees paid to date by Cord/Winterhawk Receivership Estate is actually \$0.00.

Comerica Bank	13.00
Comerica Bank	13.00
Comerica Bank	13.00
Comerica Bank	10.75
Comerica Bank	4.00
Comerica Bank	4.00
Comerica Bank	<u>4.00</u>

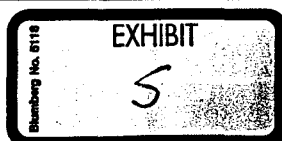
193.49

Total Disbursements:

\$ 688,211.37

Winterhawk Investor Claims and Final Distribution

Last Name	First Name	Agreed Claim	Final Distribution Amount
Bailey	Sue	\$ 35,000.00	\$ 8,977.43
Barth	Ray & Shirley	\$ 5,479.62	\$ 1,405.51
Beville	Thomas & Charlotte	\$ 5,479.62	\$ 1,405.51
Broadhurst	JR & Betty	\$ 10,959.25	\$ 2,811.03
Burger	Bill & Betty	\$ 32,877.75	\$ 8,433.08
Cates	Dennis	\$ 127,371.45	\$ 32,670.54
Cheatham	Robert & Joyce	\$ 15,342.95	\$ 3,935.44
Crain	Darrell & Betty Jean	\$ 21,918.50	\$ 5,622.05
Crain	Franklin & Sandra	\$ 27,398.13	\$ 7,027.57
Crangle	Jerry	\$ 61,000.00	\$ 15,646.39
Deshmukh	Madhukar	\$ 10,500.00	\$ 2,693.23
Edwards	Terry	\$ 61,000.00	\$ 15,646.39
Evans	Billy	\$ 40,000.00	\$ 10,259.93
Fleming	Charles	\$ 280,000.00	\$ 71,819.48
FRG Trust		\$ 2,881,115.31	\$ 739,000.69
Hansen	Daniel	\$ 183,000.00	\$ 46,939.16
Haskell	Diana	\$ 205,857.52	\$ 52,802.07
Johnson	Cary	\$ 61,000.00	\$ 15,646.39
Johnson	Kenneth S.	\$ 167,000.00	\$ 42,835.19
Laddu	Atul	\$ 9,972.00	\$ 2,557.80
Laddu	Prashanta	\$ 2,105.00	\$ 539.93
Laddu	Ravindra	\$ 2,105.00	\$ 539.93
Lamb	Tom	\$ 140,000.00	\$ 35,909.74
Lee	Garrett	\$ 2,105.00	\$ 539.93
Limbrick	Christopher	\$ 250,000.00	\$ 64,124.53
Littell	Jack R.	\$ 140,000.00	\$ 35,909.74
Luyao	Asuncion	\$ 219,185.00	\$ 56,220.54
Maunder	Merrill	\$ 367,000.00	\$ 94,134.81
MCDermott / Barth	David & Jana / Ray & Shirley	\$ 5,479.62	\$ 1,405.51
Metz	Donald	\$ 234,127.60	\$ 60,053.29
Pack	Wanda	\$ 35,069.60	\$ 8,995.29
Peters	Ed & Robin	\$ 4,383.70	\$ 1,124.41
Pettman	David	\$ 163,000.00	\$ 41,809.20
Pickles, LLC		\$ 183,000.00	\$ 46,939.16
Raut	Aarti	\$ 42,090.00	\$ 10,796.01
Raut	Premanand	\$ 21,045.00	\$ 5,398.00
Rives / Beall	Steve & Debra / Brent & Kathy	\$ 27,398.13	\$ 7,027.57
Schoener	Willie & Shirley	\$ 27,398.13	\$ 7,027.57
Simmons	Richard	\$ 190,760.76	\$ 48,929.78



Winterhawk Investor Claims and Final Distribution

Last Name	First Name	Agreed Claim	Final Distribution Amount
Spranger	John	\$ 100,000.00	\$ 25,649.81
Tinsley	Paul	\$ 56,000.00	\$ 863.90 *
Wood	William	\$ 50,911.33	\$ 13,058.66
Wurst	Tom	\$ 183,000.00	\$ 46,939.16
Yashanad	Mhaskar	\$ 1,578.00	\$ 404.75
Yeagle	Leroy	\$ 219,185.00	\$ 56,220.54

Total	\$ 6,909,198.97	\$ 1,758,696.61
Distribution Amount	\$ 1,772,196.61	**
Distribution %	25.6498129%	

\$ 1,758,696.61

\$ 13,500.00

\$ 1,772,196.61

* Distribution reported is \$14,363.90 less \$13,500.00 per court order for net amount of \$863.90.

** Total distribution includes \$13,500.00 amount due from Paul Tinsley but not received by Receiver, and therefore the actual checks total of \$1,758,696.81 is the gross distribution less \$13,500.00.