

U.S. DISTRICT COURT
NORTH DALLAS DISTRICT OF TEXAS
FILED
NOV 26 2002
CLERK, U.S. DISTRICT COURT
By _____
Deputy

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

FUNDING RESOURCE GROUP, a/k/a FRG Trust, et al,

HOWE FINANCIAL TRUST, an Indiana corporation,
et al,

**RECEIVER'S FINAL REPORT AND PROPOSED FINAL DISTRIBUTION PLAN
(FUNDING RESOURCES GROUP RECEIVERSHIP ESTATE)**

TO THE HONORABLE JEFF KAPLAN, UNITED STATES MAGISTRATE JUDGE:

COMES NOW, Michael J. Quilling (“Receiver”) and files this his Final Report and Proposed Final Distribution Plan as to the Funding Resources Group Receivership Estate and in support of such would show unto the Court as follows:

Background Facts

1. On November 13, 1998, the United States Securities and Exchange Commission (“SEC”) initiated these proceedings and, in connection therewith, sought the appointment of a receiver. By Order dated November 13, 1998, the Court appointed Michael J. Quilling as Receiver and he has functioned in that capacity since that time.

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 Funding Resource Group Receivership Estate. It is comprised of the assets and claims with respect to Funding Resource Group, FRG Trust, FMCI Trust, Funders Marketing Company, Inc., MVP Network, Inc., MVP Network Trust, Fortune Investments, Ltd., Treds Financial Trust, Steve Roberts, Raymond Parr, Quentin Hix, Gene Coulter, Vearl Smith, Earl McKinney, Don Hicks, Carl Weaver and Mary Ann Bauce.

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 December 21, 2001, the Receiver filed his Statement of Allowed Claims filed against the Funding Resource Group Receivership Estate and his Objections to Claims (Funding Resource Group Receivership Estate). After the hearing held on January 25, 2002 to consider the Receiver's Objections to Claims, on January 31, 2002 Judge Kaplan issued Findings of Fact and Recommendations which were adopted by the Court by Order dated February 15, 2002. By virtue of these rulings, all allowed claims against the Funding Resource Group Receivership Estate were established¹.

¹ On October 1, 2002, the Receiver filed a Motion to Allow Late Filed Claim by Cindy Meier. On October 25, 2002, Judge Kaplan issued Findings and Recommendations to the effect the claim should be allowed. On November 25, 2002, Judge Lynn issued an Order approving the Findings and Recommendations.

5. On March 21, 2002 the Receiver filed his Interim Report and Interim Distribution Plan. On April 19, 2002 Judge Kaplan issued his Findings and Recommendations pursuant to which he recommended that the Report be approved. On June 6, 2002 Judge Lynn issued an Order Accepting the Recommendations with modifications.

6. Since that time the Receiver has continued efforts to handle matters relating to the final tax returns and to ready the case for closure. Those efforts have been completed and the case is now ready to be closed.

Assets Liquidated and Liabilities Paid

7. Since his appointment, the Receiver has taken possession of various assets of one or more of the entities and individuals subject to the Funding Resources Group Receivership Estate. All such physical assets have been liquidated to cash and all outstanding liabilities relating to them have been paid.

8. Attached hereto as Exhibit "1" and incorporated herein by reference is a Summary of Cash Receipts and Disbursements into and out of the Funding Resource Group Receivership Estate through October 31, 2002. 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" and as discussed below there are legal fees outstanding to the Receiver's law firm and accounting fees outstanding to the Receiver's accountants.

Litigation Prosecuted and Concluded

9. In addition to liquidation of assets, the Receiver initiated litigation against Paul Pursehouse, Quentin Sheehan and Casavic Capital Management Group (Civil Action No. 3:99-CV-1295-M) pursuant to which the Receiver obtained a judgment in the amount of \$675,000.00. Since

the entry of the Judgment the Receiver has collected a total of \$96,000.00 against it. The Receiver also initiated litigation against Airey Holdings, Inc. (Civil Action No. 3:00-CV-2236-M) pursuant to which the Receiver obtained a judgment in the amount of \$400,000.00. The Receiver has not been able to collect any amount with respect to this judgment. Finally, the Receiver asserted claims against the Hillcrest Baptist Church which claims were settled, as approved by this Court, for \$30,000.00.

Pending and Unpaid Legal Fees

10. As part of the approval of the Interim Report, the Court approved, and authorized to be paid, all fees and expenses owed to the Receiver and his firm through February 28, 2002. Since that date through October 31, 2002, there are legal fees and expenses in the amount of \$35,721.33 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>
March 2002	\$5,634.50	\$1,055.07
April 2002	\$5,832.00	\$328.16
May 2002	\$5,805.00	\$252.23
June 2002	\$6,171.50	\$673.34
July 2002	\$2,246.00	\$81.55
August 2002	\$2,335.50	\$253.59
September 2002	\$1,886.00	\$40.67
October 2002	\$2,948.50	\$177.72
Totals:	\$32,859.00	\$2,862.33

Copies of the invoices which reflect these fees and expenses are collectively attached as Exhibit "3".

As part of this report, the Receiver requests that the Court consider and authorize payment of such legal fees and expenses².

Allocation of Attorney's Fees to Close Receivership Estate

11. As set forth in paragraph 15 below, even if this request 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, the Receiver will have to prepare and mail distribution checks, reconcile bank accounts and respond to investor inquiries. The Receiver proposes that the Court allocate \$5,000.00 to cover the cost of addressing those items and conducting the hearing requested in paragraph 15. The Receiver requests that the fees allocated actually be approved and paid at the time of the final hearing requested in paragraph 15.

Pending and Unpaid Accounting Fees

12. In connection with performing his duties in this case, the Receiver retained the accounting firm of Litzler, Segner, Shaw & McKenney ("LSSM") to handle various accounting matters relating to the case, including preparation of tax returns. Since the time the Court issued its March 13, 2001 Order designating four different receivership estates, no accounting fees or expenses have been paid to LSSM as to the Funding Resources Group Receivership Estate. From February 1, 2002 through October 31, 2002, there are accounting fees and expenses in the amount of \$19,593.60 outstanding which have not yet been considered or approved by the Court. A copy of the invoice which reflects those fees and expenses is attached hereto as Exhibit "4". As part of this

² Additional fees and expenses will be incurred between November 1, 2002 and the time of the hearing on this Report. Invoices relating to those fees will be submitted at the time of the hearing.

Report, the Receiver requests that the Court consider and authorize payment of such accounting fees and expenses.

Proposed Final Distribution Amount

13. As reflected on Exhibits 1 and 2, through October 31, 2002 the Receiver has \$243,811.15 of cash currently available for distribution (\$2,275,956.68 total receipts less \$2,032,145.53 total disbursements). If the request to pay legal fees and accounting fees set forth in this Report is granted then the amount is reduced to \$183,496.22. The Receiver proposes that \$183,496.22 be distributed as a final distribution to all persons/entities which hold an allowed claim against the Funding Resources Group Receivership Estate. On February 15, 2002, the Court entered its Order Approving the Findings and Recommendations of Judge Kaplan regarding claims, as a result of which claims totaling \$9,842,672.74 were approved³. Accordingly, the percentage amount to be paid to each holder of an allowed claim on a final basis is calculated as follows:

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

$$\frac{\$ 183,496.22}{\$9,852,672.74} = 1.18624\%$$

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

³ The amount was increased to \$9,852,672.74 by virtue of the Court's allowance of Cindy Meier's late filed claim in the amount of \$10,000.00 by Order dated November 25, 2002.

14. 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 interim distribution 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**

15. 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 Funding Resources Group Receivership Estate at such time as the Receiver, in his discretion, deems proper;
- Closes the Funding Resources Group Receivership Estate to any further proceedings, absent good cause shown;
- Discharges the Receiver from any further service or responsibility as to the Funding Resources Group Receivership Estate;
- Releases the Bond posted by the Receiver in these proceedings insofar as it relates to the Funding Resources Group Receivership Estate; and
- Approves and authorizes payment of the \$5,000.00 of fees requested in paragraph 11 above.

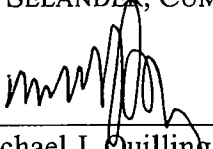
Summary

16. Since his appointment, the Receiver has taken possession of and administered cash and other assets totaling \$2,037,566.91⁴. The cost of administration totals \$582,526.42⁵. Each claimant with an allowed claim will receive 1.19% of their claim by virtue of the Receiver's proposed final distribution. Coupled with the previous interim distribution of 12.29% of each claim, claimants will receive a total of 13.48% of their allowed claim.

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

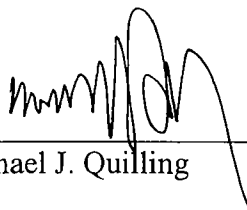
⁴ This number does not include legal/accounting fees repaid by the Hammersmith Trust Receivership Estate.

⁵ Assuming all attorney's fees and accounting fees requested herein are approved. This number is also net of the \$238,389.77 repaid by the Hammersmith Trust Receivership Estate.

CERTIFICATE OF SERVICE

I hereby certify that on the 26th day of November, 2002, a true and correct copy of the foregoing document was served via first class mail, postage pre-paid, on the persons set forth below:

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

A handwritten signature in black ink, appearing to read "Michael J. Quilling", is written over a horizontal line.

Michael J. Quilling

This report will also be posted on the Receiver's website www.secreceiver.com immediately after filing.

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

Funding Resource Group Receivership Estate

Summary of Cash Receipts and Disbursements (thru 10/31/02)

RECEIPTS:

Bank Account Closures	\$ 77,934.36
Asset Sales	764,868.58
Refunds	1,027.11
Miscellaneous	863,551.91
Settlements	263,376.88
Hammersmith Trust Repayment	238,389.77
Interest	\$ <u>66,808.07</u>
	\$2,275,956.68

DISBURSEMENTS:

Bank Charges	\$ 174.51
Receivership Asset Expenses	18,065.81
Legal Fees	574,479.33 ¹
Accounting Fees	223,545.21 ¹
Interim Distribution Checks	1,211,229.34
Miscellaneous	3,660.75
Tax Withholding	\$ <u>990.58</u>
	<2,032,145.53>

CASH ON HAND:

Less administrative expenses:

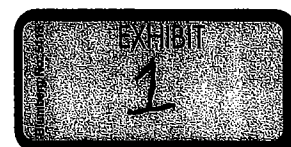
Quilling, Selander (requested)	\$ 35,721.33
Litzler Segner (requested)	19,593.60
Reserve (requested)	\$ <u>5,000.00</u>

<60,314.93>

TOTAL CASH AVAILABLE FOR DISTRIBUTION

\$ 183,496.22

¹ On April 13, 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 owed the Funding Resource Group Receivership Estate \$238,389.77 (\$33,273.24 attorney fees; \$205,116.53 accounting fees) which amounts have been repaid. Accordingly, the *net* amount of attorney's fees paid by the Funding Resource Group Receivership Estate through October 31, 2002 is \$541,206.09 and the *net* amount of accounting fees paid by the Funding Resource Group Receivership Estate through October 31, 2002 is \$18,428.68.



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

Funding Resource Group Receivership Estate

Detail of Cash Receipts and Disbursements (10/31/02)

RECEIPTS:

Bank Account Closures:

MVP Account	\$ 19,979.95
MVP Account	3,228.64
MVP Account	2,818.00
Treds Account	22,919.18
Funders Marketing Account	319.82
MVP Account	27,244.67
Parr BMP Account	<u>1,424.10</u>

Asset Sales:

\$77,934.36

McKinney Furnishings	20,279.25
McKinney Computer	450.00
McKinney House	689,587.75
McKinney Furnishings	1,479.75
McKinney Furnishings	1,260.45
McKinney Furnishings	249.75
McKinney Furnishings	1,616.24
McKinney Furnishings	1,088.55
McKinney Furnishings	1,231.85
McKinney Furnishings	253.12
McKinney Furnishings	54.37
Parr House	14,555.01
McKinney Furnishings	121.87
Parr Guns	200.00
Parr Navigator	18,000.00
Parr Jewelry	2,405.00
Parr 4Runner	12,000.00
McKinney Furnishings	<u>35.62</u>

764,868.58



Refunds:

Comerica Bank	3.00
Comerica Bank	10.00
Comerica Bank	4.00
Comerica Bank	10.75
Comerica Bank	.04
Comerica Bank	8.00
U.S. Treasury	773.00
U.S. Treasury	<u>218.32</u>

1,027.11

Miscellaneous:

Howe payments to Treds	60,000.00
PGW payments to IGW	30,000.00
McKinney cash from FBI	7,500.00
Sheinfeld Retainer	22,721.80
Parr Tithes	605.45
Parr Tithes	234.92
Parr Tithes	863.00
Cord/Winterhawk Distribution	740,661.08
Parr Commissions	69.49
Cord/Winterhawk Distribution	896.17

863,551.91

Settlements:

Eliot Lumpkin	15,000.00
Mary Ann Bauce	77,376.88
Empire Financial	5,000.00
Empire Financial	60,000.00
Hillcrest Baptist Church	30,000.00
Don Hicks	45,000.00
Empire Financial	15,500.00
Empire Financial	<u>15,500.00</u>

263,376.88

Hammersmith Trust Repayment:

238,389.77

Interest:

Goldman Sachs Account	22,056.52
Comerica Money Market Account	<u>44,751.55</u>

66,808.07

TOTAL RECEIPTS:\$2,275,956.68**DISBURSEMENTS:****Bank Charges:**

Comerica Bank	52.98
Comerica Bank	10.00
Comerica Bank	43.75
Comerica Bank	10.00
Comerica Bank	4.50
Comerica Bank	4.00
Comerica Bank	10.75
Comerica Bank	27.37
Comerica Bank	3.00
Comerica Bank	0.12
Comerica Bank	.04
Comerica Bank	4.00
Comerica Bank	4.00

174.51

Receivership Asset Expenses:

Battery for 4Runner	99.58
Hennepin County Treasurer	8,218.83
Greenway Lawn & Landscape	127.80
Greenway Lawn & Landscape	234.30
Greenway Lawn & Landscape	181.05
Greenway Lawn & Landscape	213.00
Greenway Lawn & Landscape	127.80
Edina Realty Title	<u>8,863.45</u>

18,065.81

Legal Fees:

Quilling Selander	71,947.46
Quilling Selander	19,383.54
Quilling Selander	5,000.00
Quilling Selander	10,000.00
Quilling Selander	85,300.36
Quilling Selander	18,332.54
Quilling Selander	25,000.00
Quilling Selander	787.32
Quilling Selander	1,292.40
Quilling Selander	75,000.00
Quilling Selander	5,047.86
Quilling Selander	4,988.00
Quilling Selander	1,951.14
Quilling Selander	2,141.84
Quilling Selander	435.86
Quilling Selander	5,144.49
Quilling Selander	556.14
Quilling Selander	2,652.02
Quilling Selander	2,555.14
Quilling Selander	1,125.30
Quilling Selander	1,519.76
Quilling Selander	224,522.38
Quilling Selander	1,229.19
Peckar & Abramson	6,585.25
Robert Lynn	1,456.68
Robert Lynn	524.66

574,479.33¹**Accounting Fees:**

Litzler Segner	15,000.00
Litzler Segner	11,008.40
Litzler Segner	<u>197,536.81</u>

223,545.21¹

¹ On 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 owed \$238,389.77 (\$33,273.24 attorneys fees; \$205,116.53 accounting fees) to the Funding Resource Receivership Estate which amount has been repaid. Accordingly, the *net* amount of attorney's fees paid to date by the Funding Resource Receivership Estate is actually \$541,206.09 and the *net* amount of accounting fees paid to date by the Funding Resource Group Receivership Estate is actually \$18,428.68.

Interim Distribution Checks:	1,211,229.34
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Miscellaneous:

Interfor	3,500.00
Raymond Parr	<u>160.75</u>

3,660.75

Tax Withholding:

U.S. Treasury	773.31
U.S. Treasury	<u>217.27</u>

990.58

TOTAL DISBURSEMENTS:	<u><u>\$2,032,145.53</u></u>
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