

IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF NORTH CAROLINA
CHARLOTTE DIVISION.

GEORGE AND DOLORES ROLLAR,

§

Plaintiffs,

§

v.

§

§

UNITED STATES OF AMERICA, et al.,

§

§

Civil Action No. 3:01 CV 205-McK

Defendants,

§

§

v.

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§

RICHARD VASQUEZ,

§

§

Intervener,

§

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§

RECEIVER'S FINAL REPORT AND PROPOSED DISTRIBUTION PLAN

TO THE HONORABLE DAVID KEESLER, UNITED STATES MAGISTRATE JUDGE:

COMES NOW, Michael J. Quilling ("Receiver") and files this his Final Report and Proposed Distribution Plan and in support of such would show unto the Court as follows:

I. THE MAIN CASE

Background Facts

1. On October 11, 2001, the Court issued its Consent Order regarding the appointment of a receiver in these proceedings. Thereafter, on October 29, 2001, the Court issued its order appointing a receiver, pursuant to which Michael J. Quilling was specifically appointed to serve as receiver in this case.

2. Since his appointment, the Receiver has reconstructed all relevant bank accounts, has identified all rightful claimants and has liquidated all assets of the receivership estate to cash. The estate is now ready to be closed.

Approved Investor Claims

3. On February 21, 2002, the Receiver filed his Unopposed Motion to Establish Claim Procedures and to Approve Claim Form [Docket No. 46]. On February 25, 2002, the Court issued an Order [Docket No. 47] approving an official claim form to be used in these proceedings and established procedures by which claims would be processed by the Receiver. A total of 117 claims were submitted to the Receiver. 99 of them were approved by previous Orders of the Court [Docket Nos. 84, 86, 90, 94, 102, 107, 120, 129, 134, 144, 174, 185] and 18 claims and 10 potential claims were disallowed [Docket Nos. 136, 148, 170, 185]. As discussed below, there are only 6 claims and one potential claim which have not been finally resolved by order of the Court.

Unresolved Investor Claims

4. Six claims were submitted by Obasi John Valentine, the control person for Oval Pacific Telesys Corp. and Global Riches Economics and Treasures. He also says that a potential claim of Oval Insurance Services belongs to him (collectively all the claims will be referred to as "Valentine Claims"). The Receiver first objected to the Valentine Claims by filing his Second Motion to Disallow Claims on September 29, 2004 [Docket No. 139]. Thereafter, a series of pleadings were filed by the parties relating to the disputed Valentine Claims¹. To the Receiver's knowledge, no final order has been entered by the Court disallowing the Valentine Claims once and for all. This matter needs to be addressed by the Court on a final basis.

¹ Petition for a First Emergency Distribution of Funds from Receiver [Docket No. 158]; Response of George Rollar [Docket No. 162]; Response of the Receiver [Docket No. 163]; Supplemental Declaration of John Valentine [Docket No. 167]; Response of the Receiver [Docket No. 171]; February 24, 2005 Order [Docket No. 175]; Valentine Response to Order to Show Cause [Docket No. 176]; Receiver's Reply to Response to Order to Show Cause [Docket No. 178]; Sur-Reply in Response to Order to Show Cause [Docket No. 179]; May 25, 2005 Order [Docket No. 186]; Opposition to Receiver's Motion to Disallow Claims of Claimant Obasi John Valentine [Docket No. 187]; Receiver's Response [Docket No. 190].

Norway Litigation

5. As the Court is aware, some of the funds traceable to the receivership estate were frozen by the Norwegian criminal authorities. The Receiver filed a Motion [Docket No. 33] to pursue the funds which was approved by Order dated December 10, 2001 [Docket No. 35]. After three lower courts upheld the Receiver's standing to pursue these funds, the Supreme Court of Norway held that the Receiver had no standing to pursue the funds².

Cash Receipts and Disbursements

6. Attached hereto as Exhibit "A" and incorporated herein by reference is a Summary of Cash Receipts and Disbursements into and out of the receivership estate through September 30, 2006. Attached hereto as Exhibit "B" and incorporated herein by reference is a Detail of Cash Receipts and Disbursements which is a detailed statement of the categories identified on Exhibit "A". As indicated on Exhibit "A" and as discussed below, there are legal fees and accounting fees outstanding to the Receiver's law firm and to his accountants.

Pending and Unpaid Legal Fees

7. By virtue of fifteen prior fee applications, all fees and expenses owed to the Receiver and his firm through October 31, 2005 have been approved and paid. Since November 1, 2005 through the present, the Receiver and his firm have incurred additional legal fees and expenses in the aggregate amount of \$39,159.92. A detail of those fees and expenses are set forth in the Receiver's Final Fee Application filed contemporaneously with this report. As part of this Report, the Receiver requests that the Court consider and authorize payment of such legal fees and expenses.

² The Receiver was successful in recovering \$90,988.90 of the funds.

Pending and Unpaid Accounting Fees

8. By virtue of one prior fee application, most all fees and expenses owed to the Receiver's accountants from inception of the case through March 31, 2003 have been approved and paid. Additional fees not previously filed in the amount of \$31,839.00 and expenses in the amount of \$1,536.09 are currently outstanding. A detail of those fees and expenses is set forth in the Final Fee Application of the accountants filed contemporaneously with this Report. As part of this Report, the Receiver requests that the Court consider and authorize payment of such accounting fees and expenses.

Allocation of Attorney's Fees, Accounting Fees and Expenses to Close Receivership Estate

9. Even if the Receiver's Final Fee Application is approved (as is or with modifications), there will still be several matters which will require attention by the Receiver and his lawyers. In addition to those matters, 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 \$10,000.00 of fees to cover the cost of addressing those matters. In performing his duties, the Receiver has taken possession of voluminous books and records which will need to be maintained for a prudent period of time. The cost to store the books and records is \$40.00 per month. The Receiver proposes that he store the records for a four-year period and that the Court allocate \$1,920.00 to pay the storage costs. Finally, the accountants for the Receiver have to file final tax returns for the receivership estate and have agreed to do so for a flat fee of \$7,500.00 which the Receiver requests authority to pay.

Proposed Final Distribution Amount

10. As reflected on Exhibits "A" and "B", through September 30, 2006 the Receiver

has \$1,342,293.44 of cash on hand (\$21,392,332.39 total receipts less \$20,050,038.95 total disbursements) plus any additional interest which will continue to accrue through approval of this Report. If the request to pay legal fees, storage costs and accounting fees set forth in this Report and detailed in the Final Fee Applications are granted then the amount is reduced to \$1,250,338.43. The Receiver proposes that \$1,250,338.43 be distributed as a final distribution to all persons/entities which hold an allowed claim against the receivership estate. Accordingly, the percentage amount to be paid to each holder of an allowed claim as a result of this final distribution is calculated as follows:

$$\frac{\text{Cash Available to Distribute}}{\text{Total Allowed Claims}^3} = \text{Distribution Percentage}$$

$$\frac{\$1,250,338.43}{\$25,416,190.18} = 4.9194563\%$$

Attached hereto as Exhibit "C" and incorporated herein by reference is a schedule which sets forth the amount to be paid to each holder of an allowed claim against the receivership estate if the Court approves the foregoing final distribution analysis⁴. As soon as the distribution percentage and amount is approved, the Receiver is ready to begin the issuance of final distribution checks immediately.

11. In connection with making the 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 claims handling process, the Receiver

³ This assumes the Valentine Claims are disallowed.

⁴ These amounts will increase very slightly by virtue of additional interest accruals.

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 "D".

II. IIG DISBURSEMENT ACCOUNT

Background Facts

12. On April 5, 2004, the Receiver filed a Motion to Approve Aggregate Claim and to Segregate Funds for International Investment Group [Docket No. 125] which was granted by Order dated April 20, 2004 [Docket No. 127] allowing the Receiver to aggregate the IIG claims and establish a separate account for their share of the distribution. The Receiver holds those funds in an interest-bearing money market account at Comerica Bank until they are to be disbursed. The Receiver also has a checking account at Comerica out of which the Receiver pays expenses and makes distributions as they are allowed by the Court.

Approved Investor Claims

13. On February 21, 2002, the Receiver filed his Unopposed Motion to Establish Claim Procedures and to Approve Claim Form [Docket No. 46]. On February 25, 2002, the Court issued an Order [Docket No. 47] approving an official claim form to be used in these proceedings and established procedures by which claims would be processed by the Receiver. A total of 176 claims were submitted to the Receiver. 174 of them were approved and 2 were disallowed by Order of the Court dated May 28, 2005 [Docket No. 129].

Cash Receipts and Disbursements

14. Attached hereto as Exhibit "E" and incorporated herein by reference is a Summary

of Cash Receipts and Disbursements into and out of the IIG disbursement account through September 30, 2006. Attached hereto as Exhibit "F" and incorporated herein by reference is a Detail of Cash Receipts and Disbursements which is a detailed statement of the categories identified on Exhibit "E". As indicated on Exhibit "E" and as discussed below, there are legal fees outstanding to the Receiver's law firm in the aggregate amount of \$12,100.02.

Pending and Unpaid Legal Fees

15. By virtue of prior fee applications, all fees and expenses owed to the Receiver and his firm through October 31, 2005 have been approved and paid. Since November 1, 2005 through the present, the Receiver and his firm have incurred additional legal fees and expenses. A detail of those fees and expenses are set forth in the Receiver's Final Fee Application filed contemporaneously with this report. As part of this Report, the Receiver requests that the Court consider and authorize payment of such legal fees and expenses in the aggregate amount of \$12,100.02.

Allocation of Attorney's Fees, Accounting Fees and Expenses to Close Receivership Estate

16. Even if the Receiver's Final Fee Application is approved (as is or with modifications), there will still be several matters which will require attention by the Receiver and his lawyers. In addition to those matters, 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 \$3,000.00 of fees to cover the cost of addressing those items.

Proposed Final Distribution Amount

17. As reflected on Exhibits "E" and "F", through September 30, 2006 the Receiver has \$26,568.30 of cash on hand (\$2,660,666.06 total receipts less \$2,634,097.76 total disbursements)

plus any additional interest which will continue to accrue through approval of this Report. If the distribution presented above as to the main case is approved, the IIG disbursement account will receive an additional \$172,180.97 of funds, at which time the Receiver will have \$198,749.27 of cash on hand. If the request to pay legal fees set forth in this Report and detailed in the Final Fee Application are granted then the amount is reduced to \$183,649.25. The Receiver proposes that \$183,649.25 be distributed as a final distribution to all persons/entities which hold an allowed claim against the IIG disbursement account. Accordingly, the percentage amount to be paid to each holder of an allowed claim as a result of this final distribution is calculated as follows:

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

$$\frac{\$183,649.25}{\$4,674,197.00} = 3.9290022\%$$

Attached hereto as Exhibit "G" and incorporated herein by reference is a schedule which sets forth the amount to be paid to each holder of an allowed claim against the IIG disbursement account if the Court approves the foregoing final distribution analysis⁵. As soon as the distribution percentage and amount is approved, the Receiver is ready to begin the issuance of final distribution checks immediately.

18. In connection with making the 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 claims handling process, the Receiver believes that the proper address for each claimant is known and that no checks will be returned.

⁵ These amounts will increase very slightly by virtue of additional interest accruals.

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 "D".

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

13. After all distribution checks are cashed, the Receiver will file a motion which:
- Authorizes the Receiver to abandon and destroy all records relating to the receivership estate at such time as the Receiver, in his discretion, deems proper;
 - Closes the receivership estate to any further proceedings, absent good cause shown;
 - Discharges the Receiver from any further service or responsibility as to the receivership estate; and
 - Releases the Bond posted by the Receiver in these proceedings.

Summary

19. Since his appointment, the Receiver has taken possession of and administered cash and other assets totaling \$21,441,974.62. The cost of administration totals \$1,123,830.88 or 5.24% in the aggregate.⁶ Each claimant with an allowed claim in the main case will receive 79.5% of their claim by virtue of the Receiver's proposed final distribution⁷ and each claimant with an allowed claim against the IIG disbursement account will receive 59.98% of their claim by virtue of the Receiver's proposed final distribution.

⁶ Assuming all attorney's fees and accountant's fees requested herein are approved.

⁷ The Receiver has functioned in the capacity of receiver in numerous cases over the last twenty-plus years. This distribution percentage is the highest, by far, ever achieved. It is a testament to the hard work and quick action by Assistant United States Attorney Bill Brafford and the hard-working agents in the federal agencies who assisted in the original seizure of the funds. It has been an honor to serve the Court.

