

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
FORT WORTH DIVISION

FILED
 U.S. DISTRICT COURT
 NORTHERN DISTRICT OF TEXAS
 FORT WORTH DIVISION
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 COURT CLERK

SECURITIES AND EXCHANGE
COMMISSION,

Plaintiff,

 v.

CORNERSTONE PRODIGY GROUP,
INC., GARY D. REEDER and
SANDRA M. REEDER,

Defendants.

 and

EXECUTIVE NETPROFITS, INC.

Defendant Solely for the
Purpose of Equitable Relief

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CIVIL ACTION NO. 499-CV-0978-Y

RECEIVER’S FINAL REPORT AND PROPOSED DISTRIBUTION

TO THE HONORABLE TERRY R. MEANS, UNITED STATES DISTRICT JUDGE:

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

1. On November 24, 1999 the United States Securities and Exchange Commission
 (“SEC”) initiated these proceedings. On November 24, 1999 the Court appointed Michael J. Quilling
 as Receiver and he has served in that capacity since that time.

2. Since his appointment, the Receiver has terminated all business operations of
 Cornerstone Prodigy Group, Inc. and its related entities (“Cornerstone”), paid all known valid bills,
 and has taken possession of and has liquidated all known assets to cash. The Receiver has also taken
 possession of some, but not all, assets of Gary and Sandra Reeder and has liquidated them to cash.

The Receiver has also paid all known bills of the Reeder's which are properly payable by the receivership estate.

3. Attached hereto as Exhibit 1 and incorporated herein by reference is a Summary of Cash Receipts and Disbursements into and out of the 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.

4. As indicated on Exhibit 1, the only RECEIPT item which is still pending is the proceeds from the anticipated sale of a lot by the Receiver which will not close until after the presentation of this Report to the Court. As also indicated on Exhibit 1, there are pending Final Fee Applications before the Court by the Receiver's law firm and his accountants. The amount stated in Exhibit 1 is the amount requested in each application.

5. As set forth on Exhibit 1, the Receiver has budgeted \$25,000.00 for a reserve account which the Receiver asks the Court to allow the Receiver to establish to cover a variety of purposes, including receivership estate expenses, attorney fees and accounting fees associated with the Receiver making a final distribution to investors ("Reserve Account"). Specifically, as part of making a final distribution the Receiver will incur significant mailing costs the exact amount of which are not now known. It is also anticipated that one or more of the attorneys and paralegals working on this case will be required to spend considerable time on responding to investor inquiries and complaints associated with the final distribution. Similarly, it is anticipated that the accountants for the Receiver will spend considerable time in preparing the final reconciliation of investor distribution checks and in preparing a final tax return for Cornerstone and for the receivership estate. The Receiver believes that a reserve of \$25,000.00 is appropriate to cover these types of expenses.

To the extent the reserve is insufficient to cover these expenses, those costs will be borne by the Receiver and his accountants. To the extent the future expenses are less than the reserve, the Receiver requests that such funds be retained by the Receiver and his accountants as a nominal bonus. Due to the relatively *di minimus* amount of the Reserve Account, the Receiver requests that he be allowed to use the funds in the account as fees and costs are incurred without the necessity of requesting Court approval and/or filing fee applications. The cost of seeking Court approval will rapidly deplete the Reserve Account and unduly burden the Court.

6. Assuming that each of the contingencies on Exhibit 1 are approved by the Court, the Receiver will have \$5,713,448.15 available to make a final distribution to those investors which hold an allowed claim against the receivership estate. On August 18, 2000 the Court entered its Order Regarding Allowed Investor Claims pursuant to which claims totaling \$11,703,231.41¹ were approved. Accordingly, as set forth on Exhibit 3 which is attached hereto and incorporated by reference, the Receiver proposes that each investor receive 48.48 percent of their allowed claim. At the time of the hearing on this Report, the Receiver will offer an exhibit which sets forth the exact amount to be paid to each holder of an allowed claim against the receivership estate. If the distribution percentage and amount is approved, the Receiver is ready to begin the issuance and mailing of checks immediately.

7. Each distribution check issued by the Receiver will state on its face that it is void unless cashed within sixty (60) days. Assuming that all checks are issued by the Receiver prior to August 30, 2000, the checks will be valid until approximately October 30, 2000. The Receiver anticipates that of the distribution checks mailed, a number of them will be returned for bad address

¹ On August 23, 2000 the Receiver filed an Unopposed Motion to Amend Order Regarding Allowed Investor Claims pursuant to which, if granted, the total allowed claims will be \$11,783,480.37.

to all distribution checks which are returned and/or not timely cashed be tendered to the registry of the Court (along with a supporting schedule of name and amount) by virtue of a written pleading to be filed by the Receiver on or before November 20, 2000, and that thereafter the Court issue an Order discharging the Receiver for any future liability for such funds. The Receiver proposes that the fees and costs associated with this procedure be paid from the Reserve Account.

8. Upon conclusion of the distribution process, the Receiver requests that the Court authorize him to abandon all Cornerstone and Reeder records still in his possession to the FBI which is in the process of a criminal investigation of Gary and Sandra Reeder. The FBI has already requested such records from the Receiver.

9. To the knowledge of the Receiver, no corporate income tax return for Cornerstone or the related entities has been filed for calendar year 1999 or by the receivership estate for calendar year 1999 or 2000. Appropriate extensions have, however, been requested. Pursuant to Treasury Regulation 1.6012-3(b)(4)¹, these returns are the obligation of the Receiver. The Receiver proposes that the cost of such tax returns be paid from the Reserve Account. It is the belief of the Receiver that neither Gary nor Sandra Reeder have filed personal income tax returns for calendar year 1999. In that the Receiver did not take possession of and liquidate all assets of Gary and Sandra Reeder, pursuant to Treasury Regulation 1.6012-3(b)(5), it is the Receiver's position that he has no responsibility to prepare and file such a return. However, the Receiver requests that the Court issue a written Order expressly absolving him of any such responsibility.

10. As indicated above, the entire distribution process should be concluded by the end of October 2000. Accordingly, the Receiver requests that the Court schedule a hearing as soon as

¹ A copy of the Regulation is attached hereto as Exhibit 4 for the convenience of the Court.

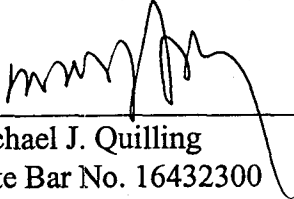
possible after November 20, 2000 to consider the Receiver's tender of unclaimed funds unto the registry, if any, and to issue a final Order closing the receivership estate, discharging the Receiver from any further duty and releasing the Receiver's bond posted in these proceedings. The Receiver proposes that the fees and costs of any such hearing be paid from the Reserve Account.

WHEREFORE, PREMISES CONSIDERED, the Receiver requests that the Court Approve his Final Report and Proposed Distribution, authorize him to immediately disburse funds, establish a Reserve Account and authorize all other action requested in this Report, and for such other and further relief, at law or in equity, general or specific, to which the Receiver may show himself justly entitled.

Respectfully submitted,

QUILLING, SELANDER, CUMMISKEY
& LOWNDS, P.C.
2001 Bryan Street, Suite 1800
Dallas, Texas 75201
(214) 871-2100 (Telephone)
(214) 871-2111 (Facsimile)


By: _____


Michael J. Quilling
State Bar No. 16432300

ATTORNEYS FOR RECEIVER

CERTIFICATE OF CONFERENCE

Prior to filing this Final Report and Proposed Distribution, I conferred with Steve Korotash of the SEC regarding the filing of this Report. The SEC intends to review the Report after it is filed and will then advise the Court if the SEC has any objections.



Michael J. Quilling

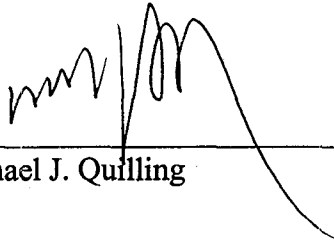
CERTIFICATE OF SERVICE

I hereby certify that on the ____ day of August, 2000 a true and correct copy of the foregoing document was served via hand-delivery to:

Steve Korotash
Securities & Exchange Commission
801 Cherry Street, 19th Floor
Fort Worth, Texas 76102

and via first class mail, postage pre-paid to:

Mr. Gary Reeder
1350 E. Flamingo, Unit 555
Las Vegas, NV 89119



Michael J. Quilling