

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

FILED
U.S. DISTRICT COURT
NORTHERN DIST. OF TX
FORT WORTH DIVISION

2000 AUG 14 P 2:54

NANDY DOWENTY, CLERK

BY: _____
DEPUTY

**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** §

CIVIL ACTION NO. 499-CV-0978-Y

**RECEIVER'S MOTION TO APPROVE
COMPROMISE AND SETTLEMENT AGREEMENT**

TO THE HONORABLE TERRY MEANS, UNITED STATES DISTRICT JUDGE:

COMES NOW, Michael J. Quilling ("Receiver") and files this his Motion to Approve Compromise and Settlement Agreement and in support of such would respectfully show unto the Court as follows:

1. On November 24, 1999, the Securities and Exchange Commission ("SEC") initiated these proceedings and, in connection therewith, sought the appointment of a Receiver. On November 24, 1999, the Court appointed Michael J. Quilling as Receiver and he has continued to function in that capacity since that time.

2. Cornerstone Prodigy Group, Inc., applied and attempted to purchase a Directors and Officers Liability Insurance Policy ("D&O Policy") on or about November 1, 1999. The application was submitted through the Bradley Insurance Agency ("Bradley") which served as the general insurance agent.

3. Bradley submitted Cornerstone's application for the D&O Policy to Shand Morahan & Company, Inc., ("Shand").

4. On November 11, 1999, Cornerstone paid Bradley \$5,433.75 for its first premium payment for the D&O Policy. On November 12, 1999, an insurance policy binder ("Binder") was issued to Cornerstone making the effective day of coverage November 14, 1999.

5. On November 24, 1999, a newspaper article appeared in which it was revealed that the Securities and Exchange Commission ("SEC") had filed a lawsuit against Cornerstone for securities fraud. On December 1, 1999, Shand sent a letter informing Cornerstone that the Binder was going to be terminated immediately.


6. The Receiver investigated pursuing litigation against the insurance company for possible causes of action based on bad-faith, unjust enrichment, and/or fraud. After completing the investigation, which included talking to witnesses involved in the insurance application/procuring process and taking the deposition of Mr. Jimmy Bradley of Bradley Insurance, the Receiver has concluded that it is in the best interest of the Receivership Estate to settle any and all causes of action relating to the D&O Policy. Litigation of these claims would involve expenditures of large amounts of time, attorneys' fees and costs which the Receiver believes, based on the facts of the case, justifies a settlement. The settlement would include (1) the return of the premium paid by Cornerstone to Bradley and (2) the cash payment of Ten Thousand Dollars and Zero Cents (\$10,000.00) by the

Insurance Company. At the time of the hearing on this motion, the Receiver will submit a copy of the proposed compromise and settlement agreement for the Court's review and comments.

7. The Receiver would respectfully request this Court to Grant the attached Order Approving the Compromise and Settlement Agreement.

WHEREFORE PREMISES CONSIDERED, Receiver respectfully requests this Court to authorize the Receiver to enter into a compromise and settlement agreement with the insurance company and for any other relief, either in law or in equity which he may show himself justly entitled.

Respectfully submitted,

By: 
Andrew M. Trusevich S.B. #00785119

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

ATTORNEY FOR RECEIVER

CERTIFICATE OF SERVICE

I certify that on the 14th day of August, 2000, a true and correct copy of the foregoing was served via United States mail, first class, postage prepaid, on:

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

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


Andrew Trusevich