

U.S. DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
FILED
AUG 15 2001
CLERK, U.S. DISTRICT COURT
By _____ Deputy

RECEIVER'S INTERIM REPORT AND PROPOSED INTERIM DISTRIBUTION PLAN
(HOWE FINANCIAL TRUST RECEIVERSHIP ESTATE) - Page 1
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and he has functioned in that capacity since that time. As set forth in the Receivership Order ("Receivership Order"), the receivership applies to Howe Financial Trust.

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 Howe Financial Trust Receivership Estate. It is comprised of the assets and claims with respect to Howe Financial Trust.

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 June 6, 2001, the Receiver filed his Statement of Allowed Claims filed against the Howe Financial Trust Receivership Estate and his Objections to Claims (Howe Financial Trust Receivership Estate). After the hearing held on July 13, 2001 to consider the Receiver's Objections to Claims, on July 13, 2001 Judge Kaplan issued Findings of Fact and Recommendations which were adopted by the Court by Order dated July 25, 2001. By virtue of these rulings, all allowed claims against the Howe Financial Trust 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 Howe Financial Trust and has liquidated most of them to cash. The only two physical assets not yet liquidated are a house at 1725 Main Street in Elkhart, Indiana and a house at 58100

Pottawatomie, Osceola, Indiana. Each of the properties are currently for sale. As part of the liquidation process, the Receiver has also paid all known bills and obligations relating to the assets. The only ongoing expenses relate to maintenance of the two houses which are for sale.

6. Attached hereto as Exhibit "1" and incorporated herein by reference is a Summary of Cash Receipts and Disbursements into and out of the Howe Financial Trust Receivership Estate through July 31, 2001. 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.

Litigation Prosecuted and Concluded

7. In addition to liquidation of assets, the Receiver has initiated and prosecuted litigation against James Conway (Civil Action No. 3:00-CV-2401-M) which was settled, as approved by this Court, in the amount of \$25,000.00. The settlement recovery is reflected in Exhibit "2" hereto. All legal fees relating to the lawsuit 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 Howe Financial Trust Receivership Estate.

Remaining Funds to be Collected

8. As indicated above, the Receiver still has two houses for sale. As to the Pottawatomie property, the Receiver hopes to net at least \$325,000.00 from a sale. As to the Main Street property, the Receiver hopes to net enough funds to pay the \$57,000.00 claim of Nancy Sims against the property. In the interim, the Receiver will continue to collect monthly rent of \$644.79 on the Main Street property. In addition, the Receiver is in the process of consummating a sale of

a vehicle (per Order of April 13, 2001) pursuant to which he will receive \$5,000.00. Finally, when the case is ready for final distribution, the Receiver will cause the Hammersmith Trust Receivership Estate to pay \$250,049.18 to the Howe Financial Trust Receivership Estate¹.

Pending and Unpaid Legal Fees

9. 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 July 31, 2001, there are legal fees and expenses in the amount of \$72,881.28 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 ³	\$ 2,862.50	\$ 0.00
January, 2001 ³	3,192.50	0.00
February, 2001	18,205.00	0.00
March, 2001	18,086.50	0.00

¹On 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 owes the Howe Financial Receivership Estate \$250,049.18.

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 \$265.43 of expenses related to the Howe Financial Trust Receivership Estate. On June 4, 2001, the Receiver filed his Unopposed Motion to Allow Reimbursement of Expenses covering the time period from March 1, 2001 through May 31, 2001. On July 16, 2001, the Court entered its Order Approving Reimbursement of Expenses, of which \$11,243.80 of expenses related to the Howe Financial Trust Receivership Estate. These amounts are included in the figures on Exhibit "1" and "2."

³Prior 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.

April, 2001	12,996.50	0.00
May, 2001	8,690.00	0.00
June, 2001	5,310.00	317.56
July, 2001	<u>3,165.00</u>	<u>55.72</u>
Totals:	\$ 72,508.00	\$ 373.28

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 expenses.

Issues Relating to Nancy Sims

10. Nancy Sims is an elderly investor residing in Chicago, Illinois. The Receiver has allowed and the Court has approved her claim of \$100,000.00. Based upon the records available to the Receiver, \$57,000.00 of her funds were used to purchase the Main Street property described above which is still for sale. At the time of the purchase, title to the house was put in the name of Nancy Sims Trust and Howe Financial Trust jointly. Joint title currently impairs the ability of the Receiver to sell the property. The Receiver has offered to convey the property to Ms. Sims in satisfaction of \$57,000.00 of her total \$100,000.00 claim. However, she does not possess the expertise or resources to handle the property. Accordingly, subject to approval by this Court which will be sought by the Receiver through a separate motion, the Receiver has agreed to continue efforts to market the property for sale. Ms. Sims will convey her interest in the property to the Receiver. In the event of a sale, all net proceeds up to \$57,000.00 will be paid to Ms. Sims. All net proceeds in excess of \$57,000.00 will be retained by the Howe Financial Trust Receivership Estate. In the event the net sales proceeds are less than \$57,000.00, Ms. Sims' \$57,000.00 claim will be completely

extinguished by that amount, regardless of the amount. The balance of her \$100,000.00 claim (\$43,000.00) will be treated just like all other investor claims and will be paid on a pro-rata basis. The proposed distribution analysis set forth below assumes that the foregoing treatment of Ms. Sims' claim will be approved.

Proposed Interim Distribution Amount

11. In light of the fact that there are remaining assets to be sold and additional funds to be collected, it is not yet possible to make a final distribution to holders of allowed claims. However, the Receiver believes that it is appropriate to make an interim distribution of funds now. As reflected on Exhibits 1 and 2, through July 31, 2001 the Receiver has \$845,542.03 of cash currently available for distribution (\$1,525,688.69 total receipts less \$680,146.66 total disbursements). If the request to pay legal fees set forth in this Report is granted then the amount is reduced to \$772,660.75. However, for a number of reasons, it is not appropriate to distribute all of the funds at this time. For example, there are ongoing expenses relating to the houses which must be paid as incurred. There will also be fees owed in the future for preparation of final tax returns and for legal fees. Accordingly, the Receiver proposes that \$750,000.00 be distributed now. This will leave a reserve of \$22,660.75 to cover future expenses.

Proposed Distribution Plan and Procedures

12. Assuming that each of the pending requests set forth in this report are approved (attorney's fees and reserve), the Receiver will have \$750,000.00 available to make an interim distribution to all persons/entities which hold an allowed claim against the Howe Financial Trust Receivership Estate. On July 25, 2001, the Court entered its Order Approving the Findings and Recommendations of Judge Kaplan regarding claims, as a result of which claims totaling

\$2,410,244.08⁴ were approved. Accordingly, the percentage amount to be paid to each holder of an allowed claim on an interim basis is calculated as follows:

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

$$\frac{\$ 750,000.00}{\$2,353,244.08} = 31.87\%^5$$

Attached hereto as Exhibit "4" is a schedule which sets forth the amount to be paid to each holder of an allowed claim against the Howe Financial Trust Receivership Estate if the Court approves the foregoing interim distribution analysis. As soon as the distribution percentage and amount is approved, the Receiver is ready to begin the issuance of interim distribution checks immediately.

13. 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 "5."

⁴This amount is reduced to \$2,353,244.08 if the Receiver's proposed treatment of the Nancy Sims claim is approved (\$2,410,244.08-\$57,000.00).

⁵Because of the emergency distribution of \$25,000.00 to Joseph/Hazel Studinski, this percentage is actually increased to 32.93% as set forth on Exhibit "4."

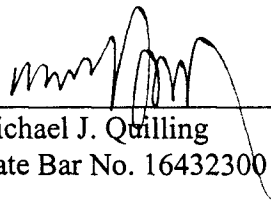
Summary

14. Since his appointment, the Receiver has taken possession of and administered cash and other assets totaling \$1,525,688.69. The cost of administration totals \$502,978.76.⁶ Each claimant with an allowed claim will receive 32.93% of their claim by virtue of the Receiver's proposed interim distribution.

Respectfully submitted,

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

BY:


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ATTORNEYS FOR RECEIVER

⁶Assuming all attorney's fees requested herein are approved. This number is also net of the \$250,049.18 owed by and to be repaid by the Hammersmith Trust Receivership Estate.

CERTIFICATE OF SERVICE

I hereby certify that on the 15th day of August, 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.

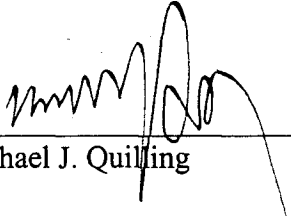
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CIVIL ACTION NO. 3:98-CV-2689-M
FUNDING RESOURCE GROUP, ET AL

HOWE FINANCIAL TRUST RECEIVERSHIP ESTATE

Summary of Cash Receipts and Disbursements
(thru 7/31/01)

RECEIPTS:

Asset Sales	\$ 56,240.56
Account closures	66.42
Refunds	240.38
Settlements	25,000.00
Miscellaneous	9,232.56
Hammersmith Trust Payments	1,320,000.00
Rental Income	5,096.47
Interest through 07/31/01	<u>\$ 109,812.30</u>

\$ 1,525,688.69

DISBURSEMENTS:

Receivership Asset Expenses	31,553.43
Legal Fees	475,740.38 ¹
Accounting Fees	139,662.83 ¹
Miscellaneous	32,923.38
Bank Charges	<u>266.64</u>

<680,146.66>

CASH ON HAND:

Less administrative expenses:

Quilling, Selander (requested)	72,881.28
Reserve (requested)	<u>22,660.75</u>

<95,542.03>

TOTAL CASH AVAILABLE FOR DISTRIBUTION

\$ 750,000.00

¹On 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 owes the Howe Financial Trust Receivership Estate \$250,049.18 (\$210,230.86 attorney's fees; \$39,818.32 accounting fees). Accordingly, the net amount of attorney's fees paid by the Howe Financial Trust Receivership Estate through July 31, 2001 is \$265,509.52 and the net amount of accounting fees paid by the Howe Financial Trust Receivership Estate through July 31, 2001 is \$99,844.51.



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

Detail of Cash Receipts and Disbursements (7/31/01)

RECEIPTS:

Asset Sales:

Creekwood Property	\$ 55,740.56	
Desks at Pottawatomie	<u>500.00</u>	
		\$ 56,240.56

Account Closures:

Spectrum Securities	<u>66.42</u>	
		66.42

Miscellaneous:

Foley & Lardner payment	8,940.00	
Hammersmith Trust	<u>292.56</u>	
		9,232.56

Settlement:

James Conway	<u>25,000.00</u>	
		25,000.00

Rental Income:

Jennifer Ernhardt	583.00	
Jimmy Zayas	644.76	
Jimmy Zayas	644.79	
Jimmy Zayas	644.79	
Jimmy Zayas	644.79	
Jimmy Zayas	644.79	
Jimmy Zayas	644.79	
Jimmy Zayas	<u>644.76</u>	
		5,096.47

Refunds:

Comerica Bank	8.09	
Comerica Bank	8.00	



Comerica Bank	3.00
Comerica Bank	13.00
Comerica Bank	13.00
Comerica Bank	26.00
Comerica Bank	13.00
NIPSO	100.44
Pitney Bowes	<u>55.85</u>

240.38

Hammersmith Trust Payments:

270,000.00
500,000.00
350,000.00
<u>200,000.00</u>

1,320,000.00

Interest:

Merrill Lynch Account	27,065.15
Goldman Sachs Account	53,330.71
Money Market Account	<u>29,416.44</u>

109,812.30

Total Receipts:

\$ 1,525,688.69

DISBURSEMENTS:

Receivership Asset Expenses:

American Electric Power	29.43
American Electric Power	124.62
American Electric Power	97.37
American Electric Power	9.80
American Electric Power	113.12
American Electric Power	34.04
American Electric Power	25.67
American Electric Power	92.66
Bontrager Pools	248.89
Bontrager Pools	2,000.00
Bontrager Pools	132.66
Bontrager Pools	328.84
Cornerstone Flooring	3,369.38
Cornerstone Flooring	2,000.00

Don's Lawn Care	500.00
Don's Lawn Care	850.00
Elkhardt County Treasurer	2,616.74
Elkhardt County Treasurer	10,580.35
Ezzell Appraisers	275.00
Ezzell Appraisers	275.00
John Austin	2,381.00
John Austin	264.00
John Austin	2,000.00
NIPSCO	196.94
NIPSCO	12.60
NIPSCO	1,305.00
NIPSCO	144.62
NIPSCO	334.70
Richard Gaddis	275.00
Richard Gaddis	275.00
Robert Huddleston	500.00
Shreiner & Sons	85.00
Tom Weinkauff	<u>76.00</u>

31,553.43

Accounting Fees:

Litzler Segner	83,900.33
Litzler Segner	<u>55,762.50</u>

139,662.83¹

Bank Charges:

Comerica Bank	9.00
Comerica Bank	4.00
Comerica Bank	8.09
Comerica Bank	8.00
Comerica Bank	3.00
Comerica Bank	21.25
Comerica Bank	13.00
Comerica Bank	13.00
Comerica Bank	13.00
Comerica Bank	13.00
Comerica Bank	13.00
Comerica Bank	13.00
Comerica Bank	13.00

¹On 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 owes the Howe Financial Trust Receivership Estate \$250,049.18 (\$210,230.86 attorney's fees; \$39,818.32 accounting fees). Accordingly, the net amount of accounting fees paid by the Howe Financial Trust Receivership Estate through July 31, 2001 is \$99,844.51.

Comerica Bank	11.10
Merrill Lynch	80.15
Merrill Lynch	.15
Merrill Lynch	.45
Merrill Lynch	.15
Merrill Lynch	.30
Merrill Lynch	10.00
Merrill Lynch	<u>20.00</u>

266.64

Miscellaneous:

A-Legal Copy	4,786.00
Interfor	1,338.47
Ron Chambers	160.00
Shalimar Yacht Basin	292.56
Studinski Distribution	25,000.00
Tax Withholding	<u>1,346.35</u>

32,923.38

Legal Fees:

Glenn Rasmussen & Fogarty	11,194.99
Quilling Selander	45,000.00
Quilling Selander	70,000.00
Quilling Selander	35,000.00
Quilling Selander	102,727.26
Quilling Selander	106,855.43
Quilling Selander	25,980.00
Quilling Selander	851.69
Quilling Selander	64,188.02
Quilling Selander	801.51
Quilling Selander	265.43
Quilling Selander	697.22
Quilling Selander	11,243.80
Quilling Selander	<u>935.03</u>

475,740.38²

Total Disbursements:

\$ 680,146.66

²On 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 owes the Howe Financial Trust Receivership Estate \$250,049.18 (\$210,230.86 attorney's fees; \$39,818.32 accounting fees). Accordingly, the net amount of attorney's fees paid by the Howe Financial Trust Receivership Estate through July 31, 2001 is \$265,509.52.

Howe Investor Claims and Interim Distribution

Last Name	First Name	Agreed Claim	Interim Distribution Amount
Abbott	Keith	\$ 107,750.00	\$ 35,485.59
Bakke	Beverly J	\$ 7,875.00	\$ 2,593.49
Branka	Delores J & Edward(Deceased)	\$ 44,258.34	\$ 14,575.71
Cardosi	Thomas	\$ 90,000.00	\$ 29,639.93
Clementi	Angelo L	\$ 65,000.00	\$ 21,406.62
Flick	Michael P	\$ 100,000.00	\$ 32,933.26
Flick	Michael P	\$ 150,000.00	\$ 49,399.89
Godette	Bertha Anne	\$ 19,750.00	\$ 6,504.32
Hock	William T	\$ 37,510.92	\$ 12,353.57
Iwanski, SR	Richard(Deceased)	\$ 36,667.00	\$ 12,075.64
Mark	Johnny	\$ 6,000.00	\$ 1,976.00
Patel	Kiran & Nisha	\$ 500,000.00	\$ 164,666.30
Rueff	Rudolph A	\$ 27,500.00	\$ 9,056.65
Saele	Ann & Joseph(Deceased)	\$ 70,000.00	\$ 23,053.28
Silvey	Wayne&Mary	\$ 363,159.67	\$ 119,600.32
Simpson	Wallace D	\$ 15,000.00	\$ 4,939.99
Sims	Nancy	\$ 43,000.00	\$ 14,161.30
Studzinski	Joseph&Hazel	\$ 163,641.90	\$ 53,892.61 *
Taylor	Tim	\$ 49,000.00	\$ 16,137.30
Taylor	Tim	\$ 200,000.00	\$ 65,866.52
Taylor	Tim	\$ 170,000.00	\$ 55,986.54
Todd	Martha A	\$ 9,875.00	\$ 3,252.16
Tuider	John V	\$ 9,875.00	\$ 3,252.16
Warber	Howard L	\$ 67,381.25	\$ 22,190.84

Total	\$ 2,353,244.08	\$ 775,000.00
Distribution Amount	\$ 775,000.00 **	
Distribution %	32.9332603%	

*The Studzinski's received an emergency distribution of \$25,000.00 in May 1999. Actual distribution will be \$28,892.61.

**Distribution amount of \$775,000.00 includes the emergency distribution amount of \$25,000.00 given to Joseph and Hazel Studzinski in May 1999. Actual cash out equals \$750,000.00

