

U.S. DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
FILED
NOV 14 2002
CLERK, U.S. DISTRICT COURT
By _____
Deputy

§ 87(2)(b)

CLERK, U.S. DISTRICT COURT
By _____ Deputy

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

Defendants,

Defendants Solely for Purposes of Equitable

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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 were established.

5. On August 15, 2001 the Receiver filed his Interim Report and Interim Distribution Plan. On September 21, 2001 Judge Kaplan issued his Finding and Recommendations pursuant to

which he recommended the Report be approved. On October 19, 2001 Judge Lynn issued an Order Accepting the Recommendation 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 all known physical assets belonging to Howe Financial Trust and has liquidated them to cash. As part of the liquidation process, the Receiver has also paid all known bills and obligations relating to the assets.

8. 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 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 accounting firm.

Litigation Prosecuted and Concluded

9. 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.

Pending and Unpaid Legal Fees

10. Through October 31, 2002 there are legal fees and expenses in the amount of \$46,145.30 outstanding which have not yet been considered or approved by the Court. Those fees and expenses are as follows:

Month	Fees	Expenses
August, 2001	\$5,779.50	\$411.08
September, 2001	\$2,392.50	\$8.57
October, 2001	\$2,080.50	\$22.23
November, 2001	\$630.00	\$6.83
December, 2001	\$650.00	\$1.60
January, 2002	\$2,185.50	\$4.97
February, 2002	\$11,101.50	\$2,629.29
March, 2002	\$1,289.00	\$9.89
April, 2002	\$1,817.00	\$3.20
May, 2002	\$2,495.00	\$129.40
June, 2002	\$2,577.00	\$24.35
July, 2002	\$1,482.00	\$5.12
August, 2002	\$1,457.50	\$3.89
September, 2002	\$2,718.50	\$15.43
October, 2002	\$4,196.00	\$17.95
TOTAL	\$42,851.50	\$3,293.80

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 expenses¹.

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 Howe Financial Trust Receivership Estate. From February 1, 2002 through October 31, 2002, there are accounting fees and expenses in the amount of \$19,305.80 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 Report, the

¹ 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.

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 \$558,273.90 of cash currently available for distribution (\$2,066,452.74 total receipts less \$1,508,178.84 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 \$487,822.80. The Receiver proposes that \$487,822.80 be distributed as a final 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 final basis is calculated as follows:

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

$$\frac{\$ 487,822.80}{\$2,353,244.08} = .20729\%$$

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 Howe Financial Trust 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.

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

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 Howe Financial Trust Receivership Estate at such time as the Receiver, in his discretion, deems proper;
- Closes the Howe Financial Trust Receivership Estate to any further proceedings, absent good cause shown;
- Discharges the Receiver from any further service or responsibility as to the Howe Financial Trust Receivership Estate;
- Releases the Bond posted by the Receiver in these proceedings insofar as it relates to the Howe Financial Trust 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 \$1,816,403.56⁵. The cost of administration totals \$578,580.76.⁶ Each claimant with an allowed claim will receive 20.72% of their claim by virtue of the Receiver's proposed final distribution. Coupled with the previous interim distribution of 32.93% of each claim, claimants will receive a total of 53.65% 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

⁵ This number does not include the legal/accounting fees repaid by the Hammersmith Trust Receivership Estate.

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

CERTIFICATE OF SERVICE

I hereby certify that on the 14th 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 and upon each of the persons/entities on the service list attached hereto.

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



Michael J. Quilling

Keith Abbott
3853 E. 30th Road
Sheridan, IL 60551

Beverly J. Bakke
550 75th Street, #205
Downers Grove, IL 60516

Delores J. Branka
351 Constance Lane
Chicago Heights, IL 60411

Thomas Cardosi
1131 Coram Street
Park Hills, KY 41011

Angelo L. Clementi
13 N. Irving Avenue
Hillside, IL 60162

Michael P. Flick & Kelly Sharpender
c/o Kelly Sharpender
763 Timber Ridge Road
Fontana, WI 53125

Bertha Anne Godette
17721 S. 67th Court
Tinley Park, IL 60477

William T. Hock
6930 W. Touhy Avenue
Niles, IL 60714

Richard Iwanski, Sr.
c/o Ronald Iwanski
2210 E. Sand Lake Road
Lindenhurst, IL 60046

Johnny Mark
56761 Raider Drive
Elkhart, IN 46516

Kiran & Nisha Patel
2030 Hwy 41 North
Henderson, KY 42420

Rudolph A. Rueff
2400 S. Finley Road, #138
Lombard, IL 60148

Ann Saele
c/o Sandra Saele - Markvart
197 Tuma Road
Yorkville, IL 60560

Wayne & Mary Silvey
16 Donna Drive
Normal, IL 61761

Wallace D. Simpson
127 E. Lasalle Avenue
Mishawaka, IN 46545

Nancy Sims
16156 S. Bormet Drive
Tinley Park, IL 60477

Joseph Studzinski
939 Stratford Court
Grayslake, IL 60030

Tim Taylor
215 W. Sycamore Street
Kokomo, IL 46903

Martha A. Todd
410 Westgate
Park Forest, IL 60466

John V. Tuidor
5529 Fairmont Avenue
Downers Grove, IL 60516

Howard L. Warber
412 Kishwaukee Drive
Sycamore, IL 60178

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 10/31/02)

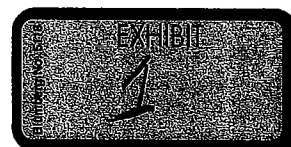
RECEIPTS:

Asset Sales	\$ 327,590.79
Account closures	66.42
Miscellaneous	9,232.56
Refunds	2,896.45
Settlements	25,000.00
Rental Income	14,772.37
Hammersmith Trust Payments	1,320,000.00
Hammersmith Trust Repayment	250,049.18
Interest	<u>\$ 116,844.97</u>
	\$ 2,066,452.74

DISBURSEMENTS:

Receivership Asset Expenses	\$ 36,615.16
Accounting Fees	139,662.83 ¹
Bank Charges	353.26
Miscellaneous	32,928.07
Legal Fees	548,619.52 ¹
Interim Distribution Checks	<u>\$ 750,000.00</u>
	<1,508,178.84>

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 Howe Financial Trust Receivership Estate \$250,049.18 (\$210,230.86 attorney fees; \$39,818.32 accounting fees) which amounts have been repaid. Accordingly, the *net* amount of attorney's fees paid by the Howe Financial Trust Receivership Estate through October 31, 2002 is \$338,388.66 and the *net* amount of accounting fees paid by the Howe Financial Trust Receivership Estate through October 31, 2002 is \$99,844.51.



CASH ON HAND:

Less administrative expenses:

Quilling, Selander (requested)	\$ 46,145.30
Litzler, Segner (requested)	19,305.80
Reserve (requested)	<u>\$ 5,000.00</u>

<70,451.10>

TOTAL CASH AVAILABLE FOR DISTRIBUTION

\$ 487,822.80

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

HOWE FINANCIAL TRUST RECEIVERSHIP ESTATE

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

RECEIPTS:

Asset Sales:

Creekwood Property	\$ 55,740.56
Desks at Pottawatomie	500.00
Furniture at Pottawatomie	300.00
Chrysler Automobile	500.00
Pottawatomie Property	<u>270,550.23</u>

327,590.79

Account Closures:

Spectrum Securities	<u>66.42</u>
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66.42

Miscellaneous:

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

9,232.56

Settlements:

James Conway	<u>25,000.00</u>
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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	644.76
Jimmy Zayas	644.79



Jimmy Zayas	644.79
Jimmy Zayas	644.79
Jimmy Zayas	644.79
Jimmy Zayas	644.79
Jimmy Zayas	647.95
Jimmy Zayas	644.76
Jimmy Zayas	646.00
Jimmy Zayas	644.50
Jimmy Zayas	644.79
Jimmy Zayas	644.79
Jimmy Zayas	644.79
Jimmy Zayas	644.79
Jimmy Zayas	644.79
Jimmy Zayas	644.79
Jimmy Zayas	<u>644.79</u>

14,772.37

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
Comerica Bank	.04
NIPSCO	100.44
NIPSCO	1,305.00
Pitney Bowes	55.85
U.S. Treasury	1,346.00
U.S. Treasury	<u>5.03</u>

2,896.45

Hammersmith Trust Payments:

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

1,320,000.00

Hammersmith Trust Repayment:

250,049.18

Interest:

Merrill Lynch Account	27,065.15
Goldman Sachs Account	53,330.71
Money Market Account	<u>36,449.11</u>

116,844.97

Total Receipts:**\$ 2,066,452.74****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
American Electric Power	130.80
American Electric Power	101.83
American Electric Power	106.56
American Electric Power	54.58
American Electric Power	147.88
American Electric Power	105.69
American Electric Power	96.26
American Electric Power	107.46
Bob's Well Drilling	146.72
Bontrager Pools	248.89
Bontrager Pools	2,000.00
Bontrager Pools	132.66
Bontrager Pools	328.84
Bontrager Pools	344.42
Bontrager Pools	442.36
Bontrager Pools	112.00
Bontrager Pools	143.82
Bontrager Pools	279.47
Bontrager Pools	115.76
Bontrager Pools	410.29
Bontrager Pools	151.68
Brian Reppert	400.00

Car Auto Carrier	550.00
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
Elkhardt County Treasurer	87.25
Elkhardt Truth	71.58
Ezzell Appraisers	275.00
Ezzell Appraisers	275.00
Ezzell Appraisers	225.00
Gaddis & Associates	225.00
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
NIPSCO	120.66
NIPSCO	7.98
NIPSCO	313.69
Richard Gaddis	275.00
Richard Gaddis	275.00
Robert Huddleston	500.00
Sally Hernandez	62.99
Shreiner & Sons	85.00
Tom Weinkauff	<u>76.00</u>

36,615.16

Accounting Fees:

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

139,662.83¹

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) which amounts have been repaid. Accordingly, the *net* amount of accounting fees paid by the Howe Financial Trust Receivership Estate through October 31, 2002 is \$99,844.51.

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
Comerica Bank	11.10
Comerica Bank	42.75
Comerica Bank	10.75
Comerica Bank	25.00
Comerica Bank	8.08
Comerica Bank	.04
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>

353.26

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	1,346.35
Tax Withholding	<u>4.69</u>

32,928.07

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	935.03
Quilling Selander	<u>72,879.14</u>

548,619.52²

Interim Distribution Checks:

750,000.00

Total Disbursements:

\$ 1,508,178.84

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) which amounts have been repaid. Accordingly, the *net* amount of attorney's fees paid by the Howe Financial Trust Receivership Estate through October 31, 2002 is \$338,388.66.