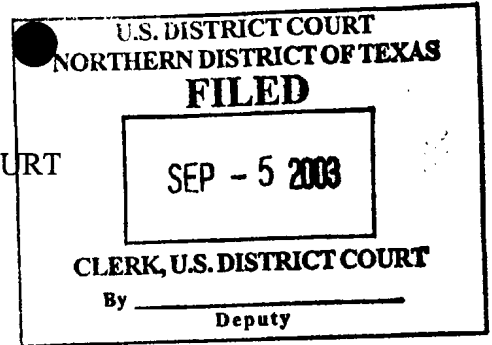


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ORIGINAL

IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION



SECURITIES AND EXCHANGE
COMMISSION

Plaintiff,

VS.

FUNDING RESOURCE GROUP
a/k/a FRG TRUST, ET AL.

Defendants.

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NO. 3-98-CV-2689-M

**FINDINGS AND RECOMMENDATION OF THE
UNITED STATES MAGISTRATE JUDGE**

Michael J. Quilling, as Receiver for the Hammersmith Trust and related entities, has filed a motion to approve a compromise and settlement agreement with National Union Fire Insurance Company of Pittsburgh, Pennsylvania in Case No. 01-0657-PHX, styled *National Union Fire Insurance Co. of Pittsburgh, Pa. v. United States Holdings, L.L.C., et al.*, currently pending in the United States District Court for the District of Arizona ("National Union Litigation"). Pursuant to this settlement, National Union has agreed to pay the Receiver and Patrick Murphy, the court-appointed agent for a group of claimants know as the "Isle of Mann Investors," a total of \$975,000 in exchange for a release of all claims. Of this sum, \$764,400 will be paid to the Receiver and added to the Hammersmith Trust Estate. The remaining \$210,600 will be paid to Murphy in his capacity as agent for the Isle of Mann Investors.¹ By this motion, the Receiver seeks approval of the

¹ The proposed distribution of settlement proceeds is based on proportionate losses sustained by investors whose funds were placed in the Hammersmith Trust and Isle of Mann programs. After reviewing the records and documents of these programs, the Receiver has determined that the total loss sustained by all investors is \$11,167,634.14. Of this amount, \$2,412,208.97, or 21.6%, has been attributed to the Isle of Mann program. Therefore, a like percentage of the settlement proceeds, or \$210,600, will be paid to Isle of Mann Investors.

settlement and authority to pay: (1) \$18,252.50 in attorney's fees and \$3,555.69 in expenses to the law firm of Quilling, Selander, Cummiskey & Lownds, P.C.; and (2) \$22,292.75 in attorney's fees and \$2,428.42 in expenses to the law firm of Holden Brodman.²

The Receiver was ordered to post a copy of this motion on his website with instructions to all interested parties that any objections must be filed by September 2, 2003. No objections have been received by the Receiver or the court. A hearing was held on September 5, 2003. The Receiver notified all interested parties of this hearing by posting notice on his website. No one appeared at the hearing or otherwise objected to the motion. The Securities and Exchange Commission, through its regional counsel, has consented to the relief sought.

The magistrate judge finds that the proposed settlement is in the best interest of the Hammersmith Trust Estate and should be approved. In addition, the time spent, services performed, expenses incurred, and hourly rates charged by the Receiver and the Holden Brodman firm are justified under the factors set forth in *Johnson v. Georgia Highway Express, Inc.*, 488 F.2d 714 (5th Cir. 1974). No upward or downward adjustment is warranted. Accordingly, the fee application should be approved in its entirety.

RECOMMENDATION

For these reasons, the Receiver's motion to approve compromise settlement agreement should be granted. The \$975,000 settlement with National Union Fire Insurance Company of Pittsburgh, Pennsylvania, of which the Hammersmith Trust Estate will receive \$764,400, should be approved. The Receiver should be authorized to execute all documents necessary to conclude the

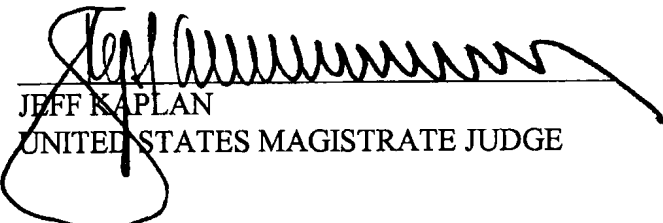
² To date, the Quilling Selander firm has been paid a total of \$26,213.02 in attorney's fees and expenses and the Holden Brodman firm has been paid a total of \$40,004.05 in attorney's fees and expenses. The court approved a litigation budget of \$162,000 for the National Union litigation.

National Union litigation and to deposit the settlement proceeds into the Hammersmith Trust Estate for eventual distribution to investors on a *pro rata* basis.

The motion to allow payment of attorney's fees and expenses should also be granted. The Receiver should be authorized to pay: (1) \$18,252.50 in attorney's fees and \$3,555.69 in expenses to the law firm of Quilling, Selander, Cummiskey & Lownds, P.C.; and (2) \$22,292.75 in attorney's fees and \$2,428.42 in expenses to the law firm of Holden Brodman.

The Receiver is ordered to post a copy of this report and recommendation on his website, www.secreceiver.com. Any claimant or interested party may file written objections to this recommendation by **September 19, 2003**. The failure to file written objections shall bar the aggrieved party from appealing the factual findings and legal conclusions of the magistrate judge that are accepted or adopted by the district court, except upon grounds of plain error or manifest injustice. *See Douglass v. United Services Automobile Ass'n*, 79 F.3d 1415, 1417 (5th Cir. 1996).

DATED: September 5, 2003.


JEFF KAPLAN
UNITED STATES MAGISTRATE JUDGE