

Quilling v. Wolcott Lifetime Trust, et al., same being Cause No. 3:00-CV-1319-M. In general, the lawsuit was filed to attempt to obtain a declaratory judgment that certain property located in Grand Rapids, Michigan was traceable to the proceeds of the Hammersmith Trust fraud and that title to the property should vest in the Receiver. The litigation involved competing claims of ownership and liens relating to substantial bank debt.

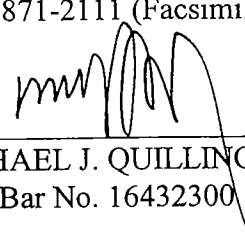
4. After conducting extensive discovery and engaging in lengthy settlement discussions, an agreement has been reached between the defendants Option One, Norwest Bank, North Pointe Bank and the Receiver pursuant to which the lenders will pay the Receiver \$150,000.00 in consideration of the Receiver's agreement to release any claim, right or title to the property. A true and correct copy of the Settlement Agreement is attached hereto as Exhibit "A" and is incorporated herein by reference for all purposes. The Receiver believes that the settlement agreement is in the best interest of the receivership estate and requests that the Court approve it.

WHEREFORE, PREMISES CONSIDERED, the Receiver requests that the Court enter an order approving the Compromise and Settlement Agreement and authorizing the Receiver to undertake all action necessary to consummate the agreement and for such other and further relief, general or special, at law or in equity, 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 Motion, I conferred with Bob Brunig of the SEC regarding the relief requested. The SEC does not oppose the motion.

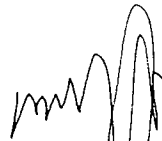


MICHAEL J. QUILLING

CERTIFICATE OF SERVICE

I hereby certify that on the 10th day of June, 2002, I mailed a true and correct copy of the above and foregoing document, with full and proper postage prepaid thereon, to:

Robert B. Brunig
Securities & Exchange Commission
Barnett Plaza, Suite 1900
801 Cherry Street, Unit #18
Fort Worth, Texas 73102



MICHAEL J. QUILLING

**AGREEMENT TO SETTLE AND DISMISS
CLAIMS BETWEEN RECEIVER AND LENDERS
AND TO PLACE PROCEEDINGS ON ADMINISTRATIVE
HOLD UNTIL RESOLUTION OF CLAIMS
AGAINST OTHER DEFENDANTS**

1. Defendants OPTION ONE, NORWEST BANK and NORTHPOINTE BANK ("Lenders") agree to pay Plaintiff MICHAEL QUILLING ("Receiver") the total amount of One Hundred Fifty Thousand Dollars (\$150,000.00) in consideration of Receiver's agreement to transfer and convey to Lenders all right, title and interest of Receiver in and to the Property which is the subject matter of this case being legally described as:

A part of the North 1/2 of the Southwest fractional 1/4 of Section 4, Town 6 North, Range 16 West, described as commencing at a point 1100 feet west and 999 feet South of the Northeast corner of the said Southwest fractional 1/4 of said section; running thence South 110 feet; running thence West to the margin of Lake Michigan; running thence North along the margin of Lake Michigan 110 feet to a point directly west of place of beginning; thence East to place of beginning; Township of Port Sheldon, County of Ottawa, State of Michigan. Including an unrecorded Right of Ingress and Egress from the Public Highway over the presently established roadway.

and commonly known as 9047 Lake Shore Drive and hereinafter referred to as the "Property."

2. In consideration of Lenders' agreement to pay the consideration described in paragraph 1, Receiver further agrees to take the following action:

- (a) Plaintiff shall immediately initiate the appropriate legal proceedings in this case and/or in the Texas Litigation (hereinafter described) to extinguish any and all claims and interests of the Wolcott Trust, Melody Wolcott and Jeffrey D. Saxon in the Property and to extinguish all claims or liens of the federal government (USA) relating to the Property. These proceedings shall include motions for summary judgment against Melody Wolcott, default judgment proceedings against Jeffrey D. Saxon, and such other proceedings necessary and reasonable to extinguish the interests of Wolcott, Saxon and the federal government in and to the subject Property.
- (b) The Texas Litigation refers to the case in which Michael Quilling, as Receiver, filed his claim against Melody Wolcott in a case captioned *Michael J. Quilling, Receiver for Hammersmith Trust, LLC, Microfund, LLC and B. David Gilliland v. Melody*

Gilliland; Civil Action No. 3:01-CV-1617-M, pending in the United States District Court for the Northern District of Texas, Dallas Division.

3. Provided the Receiver is successful in extinguishing the interests of the Wolcott Trust, Melody Wolcott and Jeffrey D. Saxon in the Property, the Receiver and Lenders will close upon this agreement within 30 days following the extinguishment of all such interests at which time the following shall occur:

- (a) Lenders shall pay the One Hundred Fifty Thousand Dollars (\$150,000.00) to Receiver as provided in paragraph 1.
- (b) Receiver, on behalf of himself and those individuals and entities he represents, will execute and deliver to Lenders a quitclaim deed which conveys all right, title and interest of Receiver in the Property.
- (c) Receiver, on behalf of himself and those individuals he represents, will execute and deliver to Lenders a Release of any and all claims Receiver may have against the Lenders.
- (d) The current proceedings in this matter as between Receiver and Lenders shall be dismissed with prejudice, with each of the parties to bear their own costs and attorney's fees.

4. It is agreed that the current proceedings as between Receiver and Lenders shall be immediately abated or placed on administrative hold at the discretion of the presiding judge until such time as the proceedings described in paragraphs 2(a) and 2(b) are concluded.

5. In the event Receiver is not successful in extinguishing all of the interests of the Wolcott Trust, Melody Wolcott and Jeffrey D. Saxon in accordance with paragraph 2, this settlement agreement shall be null and void by virtue of failure of a condition subsequent.

6. Notwithstanding terms or provisions otherwise to the contrary, any party to this settlement agreement may terminate this agreement if Receiver's efforts to extinguish the interests of the Wolcott Trust, Melody Wolcott and Jeffrey D. Saxon are not resolved on or before 24 months

from the date of this agreement. In such event, the case shall removed from administrative hold and placed back on the active docket.

7. This case is further conditioned upon the approval of the judge presiding over the main receivership proceeding which bears the following number and style: Civil Action No. 3:98-CV-2689-M; *Securities and Exchange Commission v. Funding Resource Group, et al.*; pending in the United States District Court for the Northern District of Texas, Dallas Division.

Dated: 12-3-01

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

Attorneys for Receiver

By:  _____

Arthur F. Selander

Business address:

2001 Bryan St., Suite 1800

Dallas, TX 75201

(214) 871-2100

Dated: 12-28-01

MILLER, JOHNSON, SNELL & CUMMISKEY,
P.L.C.

Attorneys for Option One, Norwest Bank and
Northpointe Bank

By:  _____

Boyd A. Henderson

Business address:

800 Calder Plaza Building

250 Monroe Ave. NW

Grand Rapids, MI 49503

(616) 831-1700

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

SECURITIES AND EXCHANGE COMMISSION,	§	
Plaintiff,	§	
	§	
vs.	§	CIVIL ACTION NO.
	§	3:98-CV-2689-M
FUNDING RESOURCE GROUP, a/k/a FRG TRUST, et al,	§	
Defendants,	§	
	§	
and	§	
	§	
HOWE FINANCIAL TRUST, an Indiana corporation,	§	
et al,	§	
Defendants Solely for Purposes	§	
Of Equitable Relief.	§	

ORDER APPROVING COMPROMISE AND SETTLEMENT AGREEMENT
(Quilling v. Wolcott Lifetime Trust, et al., pending in Grand Rapids, Michigan)

On this date came on for consideration the Receiver's Motion to Approve Compromise and Settlement Agreement with respect to certain litigation styled *Quilling v. Wolcott Lifetime Trust, et al.* pending in Grand Rapids, Michigan, same being Cause No. 3:00-CV-1319-M. The Court, having considered the Motion was of the opinion, and so found, that it should be granted. Accordingly,

IT IS ORDERED that the Compromise and Settlement Agreement is approved and the Receiver is hereby authorized to undertake any and all necessary action to consummate the settlement.

SIGNED this _____ day of June, 2002.

HONORABLE JEFF KAPLAN
UNITED STATES MAGISTRATE JUDGE