

**UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF NORTH CAROLINA**

Michael J. Quilling, Receiver for)
Frederick J. Gilliland,)
)
Plaintiff,)
)
v.)
)
Grand Street Trust, Heartland)
Control Trust, Future Control)
Trust, Marie Margarite Gueco)
Mercado Paquette, Rein Evans)
Sestanovich, L.L.P. f/k/a Dressler)
Rein Evans & Sestanovich, L.L.P.,)
Melrose Escrow, Inc., and Paul J.)
Cohen,)
)
Defendants.)
_____)

Case No. 3:04-CV-251

STATUS REPORT

Defendant / Counterclaimant / Cross-Claimant Rein Evans & Sestanovich, L.L.P. (“Rein Evans”) hereby provides the following status report in accordance with the Court’s September 5, 2006 order.

The Plaintiff has reached an oral settlement of the case with defendants Rein Evans, Melrose Escrow and Paul J. Cohen. Counsel for Rein Evans is in the process of drafting the settlement agreement and anticipates that the Plaintiff will seek court approval for the settlement. Counsel for Rein Evans has spoken with the Plaintiff and with counsel for Melrose Escrow who requested that this status report be filed jointly on their behalf.

Defendants Grand Street Trust, Heartland Control Trust, Future Control Trust and Marie Margarite Gueco Mercado Paquette (the “Paquette Defendants”) are in default with respect to the counterclaims asserted by Rein Evans. An order for entry of default

was entered against them on October 19, 2005. Rein Evans intends to file a motion seeking the the entry of a default judgment against the Paquette Defendants.

The Receiver intends to move for entry of default against the Paquette Defendants because no answer has been filed since the motion to dismiss was denied.

RESPECTFULLY submitted, this 14th day of September, 2006.

PARKER POE ADAMS & BERNSTEIN LLP

William L. Esser IV (No. 29201)

Three Wachovia Center

401 South Tryon Street, Suite 3000

Charlotte, NC 28202

(704) 372-9000

(704) 334-4706 (facsimile)

willesser@parkerpoe.com

Counsel for Rein Evans & Sestanovich, L.L.P.

By: /s/ William L. Esser IV

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing **STATUS REPORT** has been served upon the following this 14th day of September, 2006, by mailing a copy of the same in the United States Mail, first-class postage prepaid, addressed as follows:

Michael J. Quilling
Quilling Selander Cumiskey & Lownds, PC
2001 Bryan Street, Suite 1800
Dallas, Texas 75201

Robert Spencer Adden, Jr.
Ruff, Bond, Cobb Wade & Bethune
Suite 860
831 East Morehead Street
Charlotte, North Carolina 28202

Marie Margarite Gueco Mercado Paquette
Grand Street Trust, Heartland Control Trust
and Future Control Trust
2701 Cartier Street
Calgary, Alberta, Canada T2T 3J5

Paul J. Cohen
9100 Wilshire Blvd., Suite 505 East
Beverly Hills, CA 90210

Dated this 14th day of September, 2006

/s/William L. Esser IV