

IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF MICHIGAN  
SOUTHERN DIVISION

MICHAEL J. QUILLING, Receiver	§	
for Advanced Financial Services, Inc.,	§	
Plaintiff,	§	
	§	Civil Action No. 1:03-CV-0236
vs.	§	
	§	
TRADE PARTNERS, INC., et al,	§	
Defendants.	§	

**RECEIVER’S FINAL REPORT AND PROPOSED DISTRIBUTION PLAN**

TO THE HONORABLE ROBERT HOLMES BELL, UNITED STATES DISTRICT JUDGE:

COMES NOW, Bruce Kramer (“Receiver”) and files this Final Report and Proposed Distribution Plan and in support of such would show unto the Court as follows:

**Background Facts**

1. On April 8, 2003, Michael J. Quilling filed a Complaint in these proceedings and requested the appointment of a receiver. On April 15, 2003, the Court issued its Order Appointing Receiver pursuant to which Bruce Kramer was appointed to serve as Receiver in this case. On June 18, 2003, Steven A. Harr was appointed as Examiner (“Examiner”).

2. Since his appointment, the Receiver has reconstructed all relevant bank accounts and assets and liabilities, has identified all rightful claimants and has liquidated all assets of the receivership estate to cash. The estate is now ready to be closed.

**Approved Claims**

3. On September 18, 2003, the Receiver filed his Motion to Establish Claim Procedures and to Approve Claim Form [Docket No. 200]. On October 7, 2003, the

Court issued an Order [Docket No. 223] approving an official claim form to be used in these proceedings and established procedures by which claims would be processed by the Receiver. A total of 6782 A claims (Investor claims) totaling \$162,733,951.20 was approved by the Court with respect to this estate. A total of 107 B claims (non-investor claims) were approved by previous Orders of the Court. By virtue of two interim distributions, a total of FIFTY-THREE MILLION dollars (\$53,000,000) has been paid pro-rata toward the approved A claims.

**Cash Receipts and Disbursements**

4. Attached hereto as Exhibit "A" and incorporated herein by reference is a Cash Activity Report (compiled) which reflects receipts and disbursements into and out of the receivership estate through July 15, 2011.

**Pending and Unpaid Legal/Accounting Fees**

5. By virtue of prior fee applications, most of the fees and expenses owed to the Receiver and the other professionals involved in the case have been approved and paid. The Receiver's Special Counsel, Michael J. Quilling (QSLWM), and the Examiner, Steven A. Harr (Munsch Hardt) have filed a final fee application for fees through July 2011 and the Receiver has filed a final fee application for Borod & Kramer and Echelbarger, Himebaugh, Tamm & Co., PC (EHTC) through August 2011, and estimates have been made for fees and expenses through closure of the case. In summary, the known fees and expenses through August 2011 (the 10% holdback) owed to each professional is as follows:

Borod & Kramer	\$7,018.17
QSLWM	\$ 5,266.30

Munsch Hardt	\$ 799.50
EHTC	\$10,668.30

Each of these professionals has filed a final fee application seeking approval of those amounts. As part of this Report, the Receiver requests that the Court consider and authorize payment of such legal fees and expenses. Between the end of August and the date of any approval of this Final Report, each of the professionals will incur additional fees and expenses in relatively nominal amounts. The Receiver proposes to announce those amounts at the time of the hearing on approval of this report and requests that the Court authorize payment of those amounts at that time.

**Allocation of Attorney's Fees, Accounting Fees and Expenses to Close Receivership Estate**

6. Even if all of the Final Fee Applications are approved (as is or with modifications), there will still be several matters which will require attention by the Receiver and the other professionals after the Final Report is approved. QSLWM, on behalf of the Receiver will have to prepare and mail distribution checks, reconcile bank accounts and respond to investor inquiries. The Receiver and QSLWM propose that the Court allocate \$175,000.00 to cover the cost of addressing those matters. This estimate is based on the actual costs associated with the two previous distributions. In performing his duties, the Receiver has taken possession of voluminous books and records (both digital, electronic and in hard copy) which will need to be maintained for a prudent period of time. The cost to maintain the books and records is \$3,000.00 per month. The Receiver proposes that he store the records in a bonded and secure facility for a three-year period and that the Court allocate \$108,000.00 to pay storage costs and to maintain Trade Partners' computer server and records. Destruction of the physical books and records,

many of which include personal and medical information and other protected proprietary information, will cost \$5.00 per box. There are presently in excess of 1,000 boxes in storage at this time (not counting the boxes presently held by the Examiner and EHTC). The Receiver estimates it will cost approximately \$7,500 to have the books and records destroyed. The Receiver also proposes that the Court allocate \$100,000.00 to cover the cost of the Receiver addressing issues with respect to the completion of the transfer of policies, dealing with governmental taxing and administrative agencies, maintaining his website and other costs including the final distribution and investor/creditor inquiries and other matters necessary to conclude the Receivership.

The Examiner will need to deliver the Receivership files in his possession to the Receiver for storage. The Examiner intends to maintain his website for the benefit of the investors for six months and will likely have to respond to investor inquiries. The Examiner and Munsch Hardt propose that the Court allocate \$20,000.00 of fees to cover the cost of addressing these matters.

Finally, EHTC, the accountants for the Receiver, have to transfer the books and records in their possession to the Receiver for storage and eventual destruction and file final tax returns for the receivership estate and have agreed to do so for a flat fee of \$20,000.00. The foregoing expenses total \$430,500.00, which the Receiver requests authority to pay

#### **Proposed Final Distribution Amount**

7. As reflected on Exhibit "A", through July 15, 2011 the Receiver has \$3,917,427.00 of cash on hand (\$88,486,349.00 total receipts less \$84,568,923.00 total disbursements) plus any additional payments made as part of conveying the few

remaining policies and additional interest which will continue to accrue through approval of this Report. If the request to pay legal fees, storage costs and accounting fees set forth in this Report and detailed in the Final Fee Applications are granted then the amount is reduced to \$3,425,860.89. The Receiver proposes that \$3,425,860.89<sup>1</sup> be distributed as a final distribution to all persons/entities which hold an allowed A claim against the receivership estate. Accordingly, the percentage amount to be paid to each holder of an allowed "A" claim as a result of this final distribution is calculated as follows:

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

$$\frac{\$ 3,425,860.89}{\$162,733,951.20} = 0.02105\%$$

As soon as the distribution percentage and amount is approved, the Receiver is ready to begin the issuance of final distribution checks immediately.

8. In connection with making the distributions, the Receiver proposes that each distribution check issued by the Receiver will state on its face that it is void unless cashed within one-hundred-eighty (180) days from the date issued. One-hundred-eighty (180) days should be more than adequate to allow claimants to receive and cash their checks. The Receiver also requests authority to print a notice on each check which states as follows:

Enclosed herewith please find a check made payable to you from me in my capacity as the Receiver in the above referenced case. The enclosed check is the FINAL distribution to you with respect to your claim against the receivership estate. You will NOT receive any more funds on account of your claim. The enclosed check is ALL that you will receive. As indicated on the face of the check, it will become void if not cashed within 180 days from the date of this check.

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<sup>1</sup> The actual amount will be different based on policy payments, interest accruals and any fees between the end of July and the hearing date.

**Record Abandonment, Closure of Estate, and Discharge of Receiver**

9. After all distribution checks are either cashed or returned to the Receiver as undeliverable, the Receiver will file a motion which:

- Proposes to pay any unclaimed distribution funds into the registry of the Court;
- Authorizes the Receiver to abandon and destroy all records relating to the receivership estate at such time as the Receiver, in his discretion, deems proper;
- Closes the receivership estate to any further proceedings, absent good cause shown; and
- Discharges the Receiver, Special Counsel, Examiner and EHTC from any further service or responsibility as to the receivership estate.

**Summary**

10. Since his appointment, the Receiver has taken possession of and administered cash and other assets totaling \$88,486,349.00. Prior to this Report approximately \$57 million has been paid to allowed "A" and other claimants. The legal/accounting/professional costs of administration totals \$13,100,561.27 or 14.8% of the total receipts in the aggregate.<sup>2</sup> Premiums on insurance policies in the amount of \$9,103,422.00 have been paid. Other administrative expenses and taxes paid total approximately \$5 million in the aggregate. Each claimant with an allowed A claim will receive 34.76% of their claim by virtue of the Receiver's proposed final distribution and the previous interim distributions. Compared to other viatical company liquidations, this is an outstanding result.

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<sup>2</sup> Assuming all professional fees and other costs requested herein are approved.

Respectfully submitted,

*s/Bruce S. Kramer*  
Receiver

BOROD & KRAMER, P.L.C.

*s/Bruce S. Kramer*

By: Bruce S. Kramer (TN BPR # 7472)  
80 Monroe Ave., Suite G-1  
Memphis, TN 38103  
(901) 524-0200  
Fax (901) 523-0043

Attorneys for Receiver

Dated: September 13, 2011

**CERTIFICATE OF SERVICE**

A true and correct copy of this pleading will be served upon all interested parties through the Court's electronic filing system, mailed to all A and B claimants and posted on the Receiver's and Examiner's websites ([www.bskreceiver.com](http://www.bskreceiver.com) and [www.tpexaminer.com](http://www.tpexaminer.com)).

*/s/ Bruce S. Kramer*  
\_\_\_\_\_  
Bruce S. Kramer

Dated: September 13, 2011

BRUCE S. KRAMER RECEIVER TRADE PARTNERS, INC.

CASH ACTIVITY REPORT (COMPILED)

FOR THREE AND NINETY-NINE MONTHS ENDED JULY 15, 2011





ACCOUNTANT'S COMPILATION REPORT

July 25, 2011

Bruce S. Kramer Receiver  
 Trade Partners, Inc.  
 Memphis, Tennessee

We have compiled the special-purpose Cash Activity Report for Bruce S. Kramer Receiver Trade Partners, Inc. for the three and ninety-nine months ended July 15, 2011. We have not audited or reviewed the accompanying special-purpose financial statement and, accordingly, do not express an opinion or provide any assurance about whether the special-purpose financial statement is in accordance with the financial information requested by the United States District Court for the Western District of Michigan Southern Division.

The Receiver is responsible for the preparation and fair presentation of the special-purpose financial statement in accordance with the financial information requested by the United States District Court for the Western District of Michigan Southern Division and for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the special-purpose financial statement.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist the Receiver in presenting financial information in the form of a special-purpose financial statement without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the special-purpose financial statement.

The accompanying special-purpose financial statement was prepared for the purpose of complying with the financial information requested by the United States District Court for the Western District of Michigan Southern Division, and is not intended to be a presentation in conformity with general accepted accounting principles issued by the United States of America Financial Accounting Standards Board.

This report is intended solely for the information and use of Bruce S. Kramer Receiver Trade Partners, Inc., its creditors, the law firms involved, and The United States District Court for the Western District of Michigan Southern Division and is not intended to be and should not be used by anyone other than these specified parties.

We are not independent with respect to Trade Partners, Inc. or Bruce S. Kramer Receiver Trade Partners, Inc.

Respectfully submitted,

*Echelbarger, Himebaugh, Tamm & Co., P.C.*  
 Echelbarger, Himebaugh, Tamm & Co., P.C.

Bruce S. Kramer Receiver Trade Partners, Inc.  
Cash Activity Report (Compiled)  
Three and Ninety-Nine Months Ended July 15, 2011

	Current Quarter 4/16/11-7/15/11	From Inception of Receivership 4/15/03-07/15/11
<b>Beginning Cash Balance</b>		
Checking - Receiver Operating	\$ -	\$ (593,582)
Checking - Receiver Operating #2	(44,513)	-
Checking - Receiver Operating #3	2,315,120	-
Savings #1 - Receiver	206,938	48,161
Savings #2 - Receiver	-	-
Savings #3 - Policy Sales	7,917	-
Savings #4 - General	138,990	-
Savings #5 - General	157,784	-
Savings #6 - General	644,272	-
Claims Sweep	-	-
Savings #7 - General	553	-
<b>Total</b>	<u>\$ 3,427,061</u>	<u>\$ (545,421)</u>
<b>Cash Receipts:</b>		
Checks Voided By Receiver	-	749,855
Death Proceeds (Net of Refunds)	-	34,223,977
Initial Deposit on Portfolio Sale	-	-
Interest and Dividends	4,584	4,016,305
Miscellaneous	16,142	138,088
Notes Receivable - Principal	-	95,845
Policy Sales	24,524	40,322,153
<b>Pooled Funds:</b>		
Excess Premium Escrow	-	353,279
Maturity Escrow	-	5,328
Premium Escrow	-	299,552
Purchaser Escrow	-	303,241
Purchaser Escrow Funds - Undesignated	-	204,237
Real Estate Proceeds	-	7,078,177
Restitution - Tom Smith	25	49,675
Restitution - Chris Zmudka	-	56,561
Settlement Proceeds	-	585,075
Payment from Ellis Management	-	5,000
<b>Subtotal</b>	<u>\$ 45,275</u>	<u>\$ 88,486,349</u>
<b>Cash Disbursements:</b>		
Advertising	-	2,770
Background Investigation	-	-
Bank Charges	45	21,498
Claims Payments	8,265	57,748,097
Commissions Paid - Associates	-	180,481
Commissions Paid - Trade Partners	-	1,000
Death Proceeds paid to Universal Settlements Inc	-	1,972,640
Interest Expense	-	90,434
<b>Legal and Professional Services:</b>		
Borod & Kramer, PLC	25,648	4,063,901
Echelbarger, Himebaugh, Tamm & Co., P.C.	35,561	2,107,711
EMS Engineered Management Solutions	-	186,280
Litzler, Segner, Shaw & McKenney LLP	-	430,177
Munsch, Hardt, Kopf & Harr, P.C.	1,389	2,633,245
National Viatlcal Inc.	-	180,000
Quilling, Selander, Cumiskey, Lownds	15,215	2,832,420
Other	-	323,501
<b>Licenses &amp; Fees</b>		
Meals & Entertainment	-	8,212
Miscellaneous	-	10,470
Office Expense	1,100	226,147
Outside Labor	-	45,725
Parking	-	9,525
Penalties from IRS/State	-	1,093
Postage and Shipping	212	896,170
Premiums (Net of Refunds)	3,838	9,103,442
Printing	54	77,730
Purchaser Escrow Refunds	-	291,166
Real Estate Expenses	-	74,021
Rent	6,000	272,969
Salaries - Officers	-	30,800
Salaries - Other	-	144,560
<b>Taxes:</b>		
Payroll	-	14,751
State	418	40,736
Travel	2,579	449,538
Utilities	6	51,289
<b>Subtotal</b>	<u>\$ 100,330</u>	<u>\$ 84,568,923</u>
<b>Net Change in Cash Balance</b>	<u>\$ (55,055)</u>	<u>\$ 3,917,427</u>
<b>Ending Cash Balance</b>		
Checking - Receiver Operating	12,723	12,723
Savings #1 - Receiver	553	553
Savings #2 - Receiver	57,646	57,646
Savings #3 - Policy Sales	140,561	140,561
Savings #4 - General	16,252	16,252
Savings #5 - General	-	-
Savings #6 - General	644,272	644,272
Savings #7 - General	-	-
Savings #8 - General	2,500,000	2,500,000
	<u>\$ 3,372,006</u>	<u>\$ 3,372,006</u>

**Bruce S. Kramer Receiver Trade Partners, Inc.**

**Notes to Selected Information – Basis of Presentation (Compiled)**

**Three and Ninety-Nine Months Ended July 15, 2011**

The following items are considered significant when reading the cash activity report.

**Cash Accounts**

The Receiver has established various bank accounts to maximize the return on investment and protect the cash assets held by the Receivership. All savings are invested at money market rates.

**Death Proceeds**

Death Proceeds represents collections of the face amount of matured life insurance policies. A maturity check may include interest or dividend income, interest expense, and/or premium refund. These components have been accounted for separately.

**Legal and Professional**

Legal and professional expenses are listed by each professional and include only the fee portion of the professional's bill. Often a professional's bill will include other expenses such as travel, delivery charges, etc. incurred on behalf of the Receivership. These have been reported separately. Legal and professional expenses are paid based on a Court-approved procedure.

**Portfolio Sale**

The Court approved the sale of the remaining policy portfolio on September 9, 2010. According to the purchase and sale agreement, 3.75% of the death benefit of purchased policies is to be transferred to the Receiver upon receipt of proof of ownership change from the insurance company on each individual policy. At July 15, 2011, \$150,557.37 has been received by the Receiver as payment for policies transferred.

**Premiums (Net of Refunds)**

Premiums represent premiums paid on life insurance policies owned by Trade Partners, Inc. or any related entities. Premiums are also paid for any policy in which Trade Partners, Inc. or any related entity had a beneficial interest. Premiums paid are shown net of premiums refunded and do not include premiums paid by using available cash surrender value of policies or available escrow account funds administered by the law firm of an investor.

**Income Taxes**

The Receivership is a taxable settlement fund. Accordingly, federal and state income, franchise and excise taxes are paid as required. A cash reserve for taxes may be necessary in the future.

See Accountant's Compilation Report