

Robb Evans
Receiver in the Matter of
United States of America v. John Allen Wheeler

Report of Receiver's Activities
December 1, 2003 through February 29, 2004

In its May 16, 2003 Order, this Court appointed the Receiver and directed the Receiver to file quarterly reports advising the Court of its progress and for payment of the Receiver's fee and out-of-pocket expenses for the Court's approval. This is the second quarterly report. It does not constitute an audit of the financial condition and is intended only to provide information for use by the Court in assessing the progress of the Receivership.

Forfeited Assets

The Court's May 16, 2003 order directed the Receiver to assume and maintain full control of the subject assets. Following is a status report on the assets.

Illiquid Assets

The non-cash assets consist of Personal and Miscellaneous Property, which can be categorized as follows:

- ◆ Farm Equipment
- ◆ Farm Vehicles
- ◆ Off Road Recreational Vehicles
- ◆ Mobile Home
- ◆ Miscellaneous Personal Property

The Receiver has determined that the most cost-effective means of disposition is to engage the services of a local auction company to sell the forfeited items at a public auction.

As previously submitted to the Court, the anticipated plan was to conduct the auction at the property site with the cooperation of the defendant's family. This plan was altered after it became clear that the defendant's family was not going to be receptive to or cooperative with the concept of an auction on the property site. After consulting with the auction company and visiting the site, it was determined that the auction would be conducted at the auction company facility in Lufkin, Texas. The auction is scheduled to be held on Saturday, April 17, 2004.

In preparation for the auction, the auction company is in the process of making the necessary arrangements to remove all forfeited items from the property on Wednesday, March 24, 2004 through Friday, March 26, 2004. These items will be relocated at a reasonable cost and stored free of charge by the auction company at their facility.

The auction will follow the format of an absolute auction on all forfeited items with the exception of the 18' X 80' mobile home, which will be sold subject to the Receiver's confirmation. A state-certified real estate appraiser has appraised the mobile home. The Receiver has set the threshold sale price at 80% of the appraised value with an acceptable minimum sale price of 70% of appraised value, without seeking further guidance from the Court. After researching the local market for used mobile home retail sales, it was determined that the auction would afford the best opportunity to dispose of this asset at the highest value.

The jewelry assets in this estate had been placed on consignment with a very reputable retail firm in Dallas, Texas prior to the appointment of the Receiver. My associates have corresponded with the jewelry company to monitor the status of the consignment items. Recently, one of my associates visited with the Director of Estate Acquisitions and Insurance Replacements. This individual made it clear to my associate that due to the design and quality of the jewelry pieces, the market was very limited related to a retail sale. My associate invited the jewelry company to make an offer to buy the jewelry, which has subsequently been tendered. The offer was well below the appraised retail replacement value and was therefore rejected. The jewelry company is being asked to return the consignment items to the Receiver's office by insured mail. Upon receipt of these items, arrangements will be made to market the jewelry with a Los Angeles area jewelry consultant, who has extensive experience in selling these types of items for this receiver as well as other fiduciaries.

Potential Claims

The Receiver has completed the process of analyzing potential claims against third parties to whom John Wheeler diverted the victims' funds. The Receiver anticipates filing an action against a third party in this Court in the near future.

Claims Administration

As previously reported, on November 24, 2003 a statement of claim form was mailed to all investors. The statement of claim form was based on the Receiver's analysis of all data from all sources. The statement itemized their investment(s) and any repayments on the investment, thus arriving at a potential net claim against the restitution fund.

Investors were asked to reply to the statement of claim only if they have documents to dispute the Receiver’s analysis. The Receiver believes that all but one dispute to the initial claim analysis have been resolved. Resolution of this dispute may take a matter of weeks. If the Receiver is not able to resolve this dispute, the claim will be presented to the Court for the Court’s final determination. As described under the Distribution to Victims section below, the Receiver intends to reserve for payment of this claim in the event it is resolved in favor of the claimant. The table below represents the results of the claims process.

Range of claims	Number of claimants	Total amount of claims
Rejected Claims		
Investors overpaid	37	(\$2,434,992.90)
Original Investment paid back	46	\$0.00
Total rejected claims	83	(\$2,434,992.90)
Approved Claims		
\$0.20 to \$999	4	\$1,420.20
\$1,000 to \$4,999	36	\$98,945.48
\$5,000 to \$9,999	93	\$694,501.52
\$10,000 to \$49,999	446	\$8,301,136.30
\$50,000 to \$99,999	111	\$7,745,896.82
\$100,000 to \$499,999	49	\$8,212,831.21
\$500,000 to \$680,000	2	\$1,282,000.00
Total Approved Claims	741	\$26,336,731.53

One of the approved claims has a net balance of \$0.20. The Receiver does not intend to include this claim in the distribution formula because the cost of processing the distribution check would far exceed the distribution amount.

Distribution to Victims

The Receiver is informed that approximately \$3,300,000 remains on deposit with the Court Registry System. The Receiver proposes to make an initial distribution of \$3,100,000 or about 12% of approved claims on a pro-rata basis. This will reserve about \$175,000 for litigation to recover additional assets and about \$25,000 for the disputed claim discussed above. If these reserves are not needed, they will be included in a future distribution.

As previously reported, John Wheeler transferred \$1 million to U.S. Reservation Bank and Trust in Arizona. That company was placed into receivership by order of the United States District Court for the District of Arizona. Any payment made to this

receivership by the Arizona Receiver will not be made until after the Arizona Receiver's claims bar date of June 30, 2004.

Administrative Expenses

Under Tab 1 is a report of the expenses incurred by the Receivership from December 1, 2003 through February 29, 2004.

Requests of the Court

The Court is respectfully requested to:

1. Approve this report and confirm the actions of the Receiver described therein.
2. Approve and authorize payment of expenses of the Receivership from December 1, 2003 through February 29, 2004 as detailed under Tab 1.
3. Approve a \$3,100,000 initial distribution to 740 victims.

Respectfully submitted,

/s/

Robb Evans
Receiver