

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

Civil Action No.
95-1746-LFO

QUALIFIED PENSIONS, INC., *et al.*,

Defendants.

RECEIVER'S FINAL REPORT TO COURT;

MOTION FOR APPROVAL OF:

(1) FINAL REPORT

(2) FINAL FEES AND EXPENSES OF RECEIVER

(3) DISCHARGE OF RECEIVER

I. Background to Appointment of the Receiver

On September 13, 1995, this case was commenced. On that date, the Court, on the motion of plaintiff Securities and Exchange Commission (the "SEC"), issued a temporary restraining order that, among other things, froze all transactions in the accounts of the customers of Qualified Pensions, Inc. ("QPI").

The business of QPI was primarily as administrator of over 19,000 IRA's and other self-directed retirement accounts. QPI had attracted business by accepting virtually any customer-directed investment. QPI's unusual degree of tolerance for holding unconventional investments was apparently known to a number of promoters of investments. As a result, many of QPI's customers had fallen prey to promoters of investments that ranged in quality from normal to dubious to fraudulent.

Mr. Robb Evans was appointed as receiver (the "Receiver") herein on September 26, 1995. The stock and partnership certificates, deeds and other documents that represent the customers' \$378 million of non-cash investments were all promptly located and identified to the appropriate account by the Receiver. Each booked investment of each customer was traced by the Receiver to a specific asset or pool of assets.

\$11,419,223.15 of cash investments by the customers had, however, been misappropriated by defendant Jerry G. Allison ("Allison") and perhaps others, from the pool of customer cash on deposit at one custodian for those customers, Republic Bank ("Republic"). Allison is now incarcerated in a federal

penitentiary. This receivership has been directed to liquidate all of Allison's and QPI's assets, to repay the victims as much as possible, and to transfer account administration as smoothly as feasible.

II. Prior Reports and Approvals

The Court's order herein dated October 24, 1995, establishes that the Receiver may pay all expenses included in an approved budget, except that the fees to the Receiver himself may be paid only upon approval by the Court.

The Receiver has, each month, submitted financial reports, including a copy of each invoice paid, to the SEC.

In compliance with 28 U.S.C. §3103(d), the Receiver filed herein his initial inventory of assets on November 30, 1995.

The Receiver then filed fourteen comprehensive reports, each with proposed budget revisions; the last of which was filed herein on March 30, 1999. As this receivership wound down to very little activity, the Receiver also filed a brief status report on August 31, 1999. Each report (other than the recent status report) covered events through the last completed calendar quarter, and included the Receiver's updated comprehensive budget.

Each full report included the Receiver's narrative description of the progress of the receivership, a detailed comparison of his performance against the latest approved budget, and proposed revisions to reflect events of the reporting period. With each report, the Receiver also submitted for approval his fees and a request for reimbursement of receivership expenses paid from his personal funds. The SEC filed a memorandum regarding each full report. Each full report was approved by the Court.

By these reports and separate motions, the Court has approved the following among other things:

Summary of Approved Act

Date Order Filed

1	Receiver's operating procedures	October 24, 1995
2	First cash distribution and related formula	October 24, 1995
3	Granting the Receiver access to a bank account of Allison	November 30, 1995
4	Sale of certain account assets to First Trust Corp	January 22, 1996
5	Sale of office furniture and equipment	January 22, 1996
6	Engagement of Affinity Group as interim retirement account administrator.	January 22, 1996
7	Granting the Receiver access to customers' cash for payment of fees and expenses.	February 8, 1996
8	Authorizing the Receiver to take control of assets of QPI's co-defendants	March 4, 1996
9	Second cash distribution and related formula	May 10, 1996
10	Distribution to Mr. and Mrs. Landis	July 8, 1996

11	Cash distribution formula for all further distributions	January 16 and 26, 1998
12	Settlement with Republic and Lexington Insurance Co. for \$3,020,000 plus assigned claims	January 16 and 26, 1998
13	Settlement with Travelers for \$137,500	September 8, 1999

By implementing these approved transactions, the Receiver has been able to make five distributions. All customers received the greater of \$1,000, or 30 percent of their balance, soon after appointment of the Receiver. About a half year later, each customer with a remaining balance of \$500 or less received the full amount of his or her balance. At the same time, those customers whose cash was not at Republic received 94.64 percent of their balances. As a result of the final distribution made in December 1999, using the formula approved by the Court in 1998, Republic customers with original balances over \$1,500 have received from 36.83 to 86.46 percent. IRS Forms 1099-R were mailed with the final distributions and the related report to taxing authorities is being submitted at this time.

III. Completion of the Receivership

The Receiver now submits his final report to the Court.

- Cash held for account holders in the sum of \$17,024,006 was secured by the Receiver promptly after he was appointed.
- Sales of properties, collections on instruments and recoveries in litigation yielded a gross recovery of \$7,436,221.
- All assets held by QP1 as administrator of a retirement or similar account were transferred to a successor administrator or, absent designation of a successor by the account holder, directly to the account holder, or, absent being able to locate the account holder, directly to the custodial banks. Assets of this type had a book value of approximately \$378 million.
- Expenses of this receivership, including the distribution of account assets, totaled \$3,050,519.
- In accordance with the Court's orders, \$21,717,505 net cash was distributed to account holders.
- No funds were paid to general creditors.
- The Receiver filed United States and California tax returns for QPI for 1995, 1996, 1997 and 1998. The Receiver has negotiated a flat fee with his accountant, who is currently preparing the 1999 closing Federal and State tax returns.
- The Receiver's final accounting is hereby attached.
- During this receivership, there were seven mailings to all retirement account customers, numerous additional mailings to Republic retirement account customers who had not been paid in full, and hundreds of letters responding to specific inquiries from claimants, their investment advisors or their attorneys.
- Since the last full report, the Receiver concluded to abandon two uncollected judgments:
 - (a) A \$160,000 judgment was obtained in March 1997 against a former QPI employee who embezzled funds. Aggressive attempts to enforce and collect on the judgment were unsuccessful. The former employee filed a Chapter 13 bankruptcy case and then a Chapter 7 bankruptcy case. Two debtor's examinations, other asset searches and litigation in the Chapter 13 case failed to uncover any assets or any likely source of future recovery. Therefore, the Receiver did not object to the dischargeability of the judgment in the Chapter 7 case.
 - (b) A \$10,000 default judgment was obtained against an individual who had borrowed that amount from Allison. After the Receiver obtained the judgment, the individual was terminated from his job and appears to have no source of repayment. The Receiver determined that further expense to attempt collection is not warranted. Because this judgment is now viewed as essentially worthless, the Receiver

chose not to decrease the final distribution by expending legal fees to make an assignment to the U.S. Treasury.

- The Receiver has concluded that it is also unlikely to be cost efficient to pursue liquidation or collection of a second-priority deed of trust on a single family residence in Los Angeles, securing an obligation to repay a \$30,000 loan by Allison. The Receiver has concluded that the first-priority deed of trust, in the amount of \$270,000, is equal to or greater than the property value.
- The Receiver and the SEC have arranged for storage of records of QPI and the Receiver for six years, in conformity with IRS regulations. Customers and others seeking access may contact the SEC.

IV. Review of Final Performance against Budget

The final accounting of operating expenses and cash flow is being furnished as an attachment to this Order. While there were variances within categories from Budget XIII, total expenses were \$1,017 less than the last approved budget. The Receiver's own fees and expenses were \$5,182 less than budget.

The final accounting includes a small budget for estimated future expenses such as responding to account holders about the final distribution and dealing with returned mail from that distribution. If there are any excess funds, the Receiver will remit them to the SEC. If expenses exceed that budget, they will not be paid with assets of this receivership.

V. Receiver's Fees and Expenses

Fees owing to the Receiver were last approved by Order herein dated April 27, 1999, covering the Receiver's services and personal disbursements through February 28, 1999. Copies of the time records summarizing the Receiver's activities from March 1, 1999 through December 31, 1999, are attached hereto.

VI. Motion

The Receiver has concluded his duties and moves that he be discharged from any further duties, obligations and liabilities whatsoever, upon the Court's approval of this report. The Receiver moves the Court for an order:

1. Approving this final report;
2. Approving payment of the Receiver's expenses, including but not limited to the final fees and expenses of the Receiver totaling \$5,818.12;
3. Ratifying, confirming and approving all of the acts, transactions and forbearances by the Receiver, or by his deputies, staff, counsel or other agents or representatives, as appropriate and in the best interest of the estate and the parties herein;
4. Authorizing the Receiver's abandonment of any and all assets, claims and rights he holds at this time;

and

5. Discharging the Receiver from any further duties, obligations and liabilities whatsoever.

Dated: January 13, 2000

Respectfully submitted,

BROBECK, PHLEGER & HARRISON LLP

By: Frederick D. Holden, Jr.

(D.C. Bar No. 452766)

One Market

Spear Street Tower

San Francisco, CA 94105

or

701 Pennsylvania Avenue, N.W.

Market Square East, Suite 220

Washington, DC 20004

Attorneys for Robb Evans, Court-Appointed

Receiver