

Trustee's Newsletter #6

Tuesday, 13 May 2008

Dear Victims and Other Interested Parties,

Since my last newsletter, we are pleased to announce that we have secured all the Okun jewelry (of which we are currently aware) and will move on with an orderly liquidation of those items. During April, the sales of the vehicles, boats, planes and water-craft ("Toys") netted approximately \$1.6 million for the bankruptcy estate.

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April Newsletter

May 11, 2008

Dear Victims and Other Interested Parties,

Since my last newsletter, we are pleased to announce that we have secured all the Okun jewelry (of which we are currently aware) and will move on with an orderly liquidation of those items. During April, the sales of the vehicles, boats, planes and water-craft ("Toys") netted approximately \$1.6 million for the bankruptcy estate.

There has been a flurry of activity over the fee applications filed by the professionals in this case. The total sought by all professionals is approximately \$17.7 million. The total for pre-trustee professionals seeking fees and expenses for work performed before my appointment is approximately \$11.4 million (this includes fees sought by KCC – the claims agent in this case). For work performed by that same group after my appointment the total requested is approximately \$1.6 Million. All fee applications were originally set for hearing on May 5, 2008 but the bankruptcy court has continued these applications to a later date, to be announced by the court. We are hopeful that we will reach a position where the court will allow payment of

some fees currently, while leaving the estate with adequate funds for pursuit of litigation going forward.

Many of you have filed objections to the fee applications. I am very sensitive to the high administrative expenses in this case and, during my tenure, will do my best to keep them under control. While I share your concerns regarding the very high fees charged prior to my appointment (and as already voiced by many of you), I would prefer that we hold all fights about fee applications until later in the case. The last thing I want to be doing is arguing with professionals over fees using your money. However, I do wish to remind you that currently, the cost of administration and discovery in the case is being shouldered by me and my professionals for your benefit. There is always a cost of administration in a bankruptcy case and no one works for free. For some reason many feel that I and my professionals received retainers in this engagement and I assure you that such is not the case. No fees have been paid to me or any of my professionals since their retention. It is my hope to allow some payment, without prejudice to all to object in the future to any professionals' fees.

Related to the issues on fees, many have inquired why we have not converted these cases to one under Chapter 7. We did consider that possibility and have decided, for the moment, that the benefits in a chapter 11 still outweigh the benefits of conversion. That is not to say we will not re-visit this issue at a later date.

We continue our efforts to liquidate the Salina Central mall. Over 50 packages have been sent to parties who have signed non-disclosure agreements and expressed some interest in the property. We have settled in principal with the estate of West Oaks mall. The law firm of Gilbert and Randolph has been evaluating our insurance issues. We continue our discovery efforts and have issued over 65 subpoenas. Over 45 banks and financial institutions were served with subpoenas. We have conducted several interviews or depositions of interested parties. We hope to be able to get a clear picture of what actually occurred, where the funds went and who knew what and when. This will allow us to focus on what causes of action may be available to the estate.

Edward Okun's bail hearing was held on May 9, 2008 and Judge Lauck in the Eastern District of Virginia, the location of the criminal proceeding, denied bond and made specific findings of fact that Okun was a flight risk.

The arraignment was held and a trial date has been set for October 20th. Okun noted his appeal of the bond hearing and will file his appeal next week.

Thanks for the many e-mails of support and your continued patience.

The1031Tax Group, LLC

Gerard
A. McHale, Jr.

Chapter 11 Bankruptcy Trustee