

UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF OHIO  
EASTERN DIVISION

In re: ) Case No. 10-50494  
)  
FAIR FINANCE COMPANY ) Chapter 7  
)  
Debtor. ) Chief Judge Marilyn Shea-Stonum  
)

**STATUS REPORT FOR MAY 11, 2010 STATUS CONFERENCE**

Brian A. Bash, Trustee herein, submits the following summary of the status of the Trustee’s administration of the estate:

Since the April 15, 2010 Status Conference before this Court, the Trustee, with the assistance of his professionals, has accomplished the following:

(a) Negotiated the turnover of valuable artwork possessed by Timothy Durham and secured that artwork.

(b) Negotiated the consensual assignment of all the assets of Fair Holdings Incorporated, and D.C. Investments, LLC, to Debtor, which the Trustee expects will be filed soon.

(c) Negotiated a turnover order with Key Bank and received \$132,680.97 which had been held in a Key Bank account.

(d) Negotiated voluntary liens in favor of the Trustee on all vehicles owned by Diamond Investments LLC, doing business as Diamond Auto Sales, and turnover of proceeds of any sales.

(e) Notified the Second Circuit of the entry of an order modifying the automatic stay to permit the entry of a decision with regards to litigation between Debtor and FCS Advisors, Inc., doing business as Brevet Capital Advisors.

(f) Contacted collections agencies utilized by Debtor to ensure that any collected funds are forwarded to the Trustee.



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(g) Filed a fee application on behalf of Vestige Digital Investigations for its work in securing Debtor's computers.

(h) Determined that the expense of an auctioneer is not warranted for most of the personal property at Debtor's leased premises, and negotiated preliminary agreements to sell the personal property at Debtor's Cuyahoga Falls, Medina, and Wooster locations to either the landlord or a prospective tenant; appropriate motions to compromise or to sell the property will be forthcoming shortly. Negotiations are ongoing with the remaining landlords.

(i) Negotiated a preliminary agreement to continue leasing a portion of the Debtor's Cuyahoga Falls location to store Debtor's voluminous documents. The Trustee will file a motion to approve the agreement at the appropriate time.

(j) Negotiated to retain a consultant to handle the termination of the Debtor's 401(k) plan; a motion to retain will be forthcoming shortly.

(k) Discovered that hundreds of thousands of dollars worth of property purchased with the proceeds of loans from Debtor to its parent entities were sold to pay for legal expenses.

(l) Continued to review documents seized by the Federal Bureau of Investigation at their storage facility.

(m) Monitored and filed a suggestion of stay in the CLST dissolution proceedings pending in Texas state court.

(n) Began to address the withdrawal of Taft Stettinius & Hollister as counsel for Fair Finance. A letter from Mr. Michael O'Neil is attached as **Exhibit A**.

(o) Negotiated with Debtor's health insurance company regarding a refund of overpaid premiums.

(p) Negotiated with Debtor's pension consultant regarding doing ERISA-required compliance testing.

(q) Continued to investigate the organizational structure of entities owned and controlled by common owners of Debtor.

(r) Prepared for the § 341 meeting.

(s) Located ninety-nine percent of original dealer contracts.

(t) Determined that the Debtor may have significant equity in accounts managed and controlled by Duvera Financial and Fortress Investment Group LLC, and demanded an accounting.

(u) Continued investigation regarding assets.

In the following weeks, the Trustee intends to focus on accomplishing the following key actions:

(a) File Schedules / Statements of Financial Affairs (NOTE: The Schedules and Statements of Financial Affairs are substantially complete and will be updated as new information becomes available. For the reasons set forth in the letter from Michael O'Neil attached as **Exhibit A**, the Debtor is not likely to produce a representative who would sign the schedules. As such, the Trustee's forensic accountant may ultimately sign the schedules.)

(b) Follow up with Fortress Investments LLC regarding estate's potential equity in accounts held at Key Bank.

(c) Finalize an assignment of all assets owned or controlled by Fair Holdings, Inc. or D.C. Investments LLC, and obtain Court approval of the same.

(d) Monitor and appear in foreclosure proceedings on Laikin properties.

(e) Commence additional actions to recover assets.

(f) File motions for authority to sell personal property located at leased premises.

(g) Investigate and assert claims, if any, against Debtor's insurance

(h) Continue to monitor and appear, as necessary, in CLST dissolution proceedings.

- (i) Investigate and pursue the sale of accounts owned by the Debtor.
- (j) File additional motions, as necessary, regarding disposition of Debtor's contracts and leases.
- (k) Reach agreements with the remaining landlords.
- (l) File an application to retain an auctioneer to sell the artwork obtained from Timothy Durham.

Date: May 10, 2010

Respectfully submitted,

/s/ Brian A. Bash

Brian A. Bash, Trustee (0000134)

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*Counsel for the Trustee*

**EXHIBIT A**

Letter from Michael O'Neil

May 5, 2010

Brian Bash  
Baker Hostetler  
3200 National City Center  
1900 East 9<sup>th</sup> Street  
Cleveland, OH 44114-3485

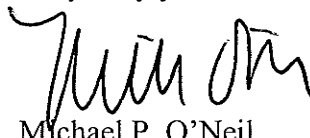
Re: Fair Finance Company  
Case No. 10-50494

Dear Trustee Bash:

We received notice recently regarding the Section 341 meeting scheduled for May 17, 2010. We have no ability to produce a witness for the debtor and, even if someone were qualified and available, we assume that person would likely decline to answer questions and assert Fifth Amendment privileges (however, we have been advised that Doug DeRose is not a "target" of any federal investigation). We further assume that if you need to examine individuals or obtain documents, you will use the processes and procedures available to you under the Bankruptcy Code and Rules.

Under all of these circumstances, we would like to formally withdraw as Debtor's counsel and, while not technically necessary, would appreciate your acquiescence. Please contact Tony Paganelli or me if you have any questions or concerns.

Very truly yours,



Michael P. O'Neil

MPO:dw

cc: F. Anthony Paganelli,

**CERTIFICATE OF SERVICE**

A copy of the foregoing has been served via ECF or regular, U.S. Mail, on May 10, 2010,  
on the attached service list.

*/s/ Brian A. Bash*

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Brian A. Bash

## SERVICE LIST

### Electronic Mail Notice List

The following is the list of **parties** who are currently on the list to receive e-mail notice/service for this case.

- J Douglas Drushal ddrushal@ccj.com
- H Ritchey Hollenbaugh hrh@cpmlaw.com, rms@cpmlaw.com;slq@cpmlaw.com
- Kimberlie L Huff khuff@taftlaw.com, sschmidt@taftlaw.com
- Cynthia A Jeffrey ecfndoh@reimerlaw.com
- Stuart A. Laven slaven@beneschlaw.com,  
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- Clinton E. Preslan ndohbky@jbandr.com
- Vance P Truman medinaatty@yahoo.com
- United States Trustee
- Wayne County Litigants ddrushal@ccj.com

### Manual Notice List

The following is the list of **parties** who are **not** on the list to receive e-mail notice/service for this case (who therefore require manual noticing/service).

F Anthony Paganelli  
Taft Stettinius & Hollister LLP  
One Indiana Square, Suite 3500  
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