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Attorneys for Receiver

NEW JERSEY BUREAU OF SECURITIES:	:	SUPERIOR COURT OF NEW JERSEY
et al.,	:	CHANCERY DIVISION-ESSEX COUNTY
	:	DOCKET NO. C-243-95
	:	
Plaintiff,	:	
	:	
v.	:	Civil Action
	:	
ROBERT E. BRENNAN, et al.	:	
	:	
Defendants.	:	

**PLAN OF DISTRIBUTION OF THE LITIGATION ESTATE
TO CUSTOMERS OF L.C. WEGARD & CO., INC.**

DONALD F. CONWAY, the duly appointed statutory receiver in the above-captioned matter (the "Receiver"), by and through his attorneys Drinker Biddle & Reath LLP, hereby submits his proposed Plan of Distribution (the "Distribution Plan") of the Litigation Estate to Customers of L.C. Wegard & Co., Inc. ("L.C. Wegard"), as may be approved by the Court.

I. BACKGROUND

1) On August 9, 1995, the Attorney General of the State of New Jersey and Chief of the New Jersey Bureau of Securities (the "Bureau") filed a Complaint, as amended, supplemented and superseded, and all supportive pleadings, including affidavits, declarations, schedules and exhibits (collectively, the "Complaint Documents") alleging violations of New Jersey Uniform Securities Law, N.J.S.A. 49:3-47 et seq., and the New Jersey Racketeer Influenced and Corrupt Organizations Act, N.J.S.A. 2C:41-1 to -6.2, against Robert E. Brennan ("Brennan") and others including L.C. Wegard in the above captioned action (the "Securities Litigation").

2) On or about August 7, 1995, Brennan filed a voluntary Chapter 11 bankruptcy petition with the United States Bankruptcy Court for the District of New Jersey, I/M/O Robert E. Brennan, Case No. 95-35502 (the "Bankruptcy Case"). On June 29, 1999, a non-dischargeable judgment in the amount of \$45 million was docketed against Brennan and his companies in favor of the Bureau in connection with the claims asserted in the Securities Litigation. In addition, the Bureau obtained consent judgments against Leonard Greer, Rodger S. Barnett, Robert G. Berkson, Richard P. Brown, Michael K. Hart and Michael J. Mc Dermott and Wegard for claims asserted in the Securities Litigation.

3) As a result of the collection efforts of the Bureau and distributions made in the Bankruptcy Case, the Bureau recovered \$5,594,255.17 (the "Litigation Estate") on account of claims asserted in the Securities Litigation.

4) By motion brought by the Bureau, an Order was entered appointing Donald F. Conway as the post-judgment receiver of the Litigation Estate charged with the duty of formulating, in consultation with the Bureau, an equitable plan to distribute the assets of the Litigation Estate to defrauded investors who were customers of L.C. Wegard and invested in the following securities (the "Relevant Securities") during the period from October 1, 1991 to and including September 31, 1994 (the "Relevant Period"):

- AGP&Co.
- Chefs International Inc.
- Consolidated Technology Group, Ltd. (f/k/a Sequential Information Systems, Inc.)
- Diamond Entertainment Corp.
 - Common stock
 - Warrants
- Futurebiotics, Inc.
- Gates / FA Distributing, Inc.
- Gentner Communications Corp
- Great American Recreation, Inc.
 - Common stock

- Zero Coupon Subordinated Debentures
 - Subordinated Pay in Kind Debentures
- Immunotherapeutics Corp
- Lafayette Industries Inc.
- Linkon Corp
- Metalclad Corp
- Nacoma Consolidated Industries, Inc.
- Non-Invasive Monitoring Systems, Inc.
- Officeland, Inc.
- PDK Labs, Inc.
- Primedex Health Systems, Inc.
 - Common stock
 - Subordinated Convertible Debentures
- Process Equipment, Inc.
- Sanyo Industries, Inc.
- Site Holdings, Inc. (f/k/a Site-Based Media, Inc.)
- US Transportation Systems, Inc.

5) On or about November 2, 2007, the Receiver received a check in the amount of \$5,594,255.17 from the Bureau representing the funds held in the Litigation Estate. The Receiver deposited and is holding the funds in an interest bearing escrow account maintained at the Bank of America which is collateralized by United States Treasury securities.

6) By Motion of the Bureau and Order of the Court dated February 25, 2008, the Receiver paid over to the Bureau the sum of \$583,310 representing the Bureau's reasonable counsel fees related to the Securities Litigation and Bankruptcy Case.

7) As of September 30, 2009, the Receiver is holding the sum of \$5,137,393.39 in the Litigation Estate.

8) Since the Receiver's appointment, he has met on numerous occasions and conducted numerous conference calls with present and past employees of the Bureau to determine the best, and most efficient method for distributing the proceeds of the Litigation Estate to defrauded customers of L.C. Wegard (the "L.C. Wegard Customers"). This Distribution Plan is the culmination of these efforts.

II. L.C. WEGARD CUSTOMERS AND RECORDS

9) There are potentially thousands of L.C. Wegard Customers, who invested in Relevant Securities during the Relevant Period and may be eligible to receive a distribution under this Distribution Plan. During the Securities Litigation, the Bureau obtained affidavits from more than 100 L.C. Wegard Customers (the "L.C. Wegard Affiants") wherein L.C. Wegard Affiants describe losses incurred by them during the Relevant Period. Other than the L.C. Wegard Affiants, no comprehensive list of L.C. Wegard Customers exists. It is estimated that L.C. Wegard employed approximately 400 salesmen and had approximately 27,000 customers at its peak. It operated out of seven (7) office locations as follows:

- New York City, NY
- Tarrytown, NY
- Providence, RI
- Chicago, IL
- Bensalem, PA
- Pittsburgh, PA
- Princeton, NJ

10) The L.C. Wegard Customer account records for the Relevant Period are maintained on microfiche (the "Microfiche"). With an estimated 27,000 customers, the account records are voluminous. The Microfiche is old and is in various formats making it cumbersome to sort and manage.

III. FORM OF PROOF OF CLAIM

11) In order to be eligible to receive a distribution under the Distribution Plan, L.C. Wegard Customers will be required to submit a proof of claim, substantially in the form annexed hereto as Exhibit "A" (the "Proof of Claim"). Each L.C. Wegard Customer will be given the option of electing treatment under the Distribution Plan as a "Comprehensive Claimant" or as a "Convenient Claimant".

12) *L.C. Wegard Customers electing treatment as a "Convenient Claimant" will have less stringent proof requirements and will have the amount of their claim capped at no more than \$10,000.* Convenient Claimants will be required to disclose under oath the following information in the Proof of Claim: (i) their name, (ii) social security number, (iii) current address, (iv) name of Relevant Securities purchased during the Relevant Period, (v) approximate date(s) of purchase, and (vi) estimated cost of the Relevant Securities purchased (collectively, the "Minimum Data").

13) *L.C. Wegard Customers electing treatment as a "Comprehensive Claimant" will be required to disclose more detailed information regarding their losses.* The amount of a Comprehensive Claimant's claim will not be limited. Comprehensive Claimants will be required to disclose under oath the following information in the Proof of Claim: (a) the Minimum Data plus, (b) for each Relevant Security purchased during the Relevant Period: i) the trade date of each purchase or sale, ii) number of securities purchased or sold, and (iii) total cost or sales amount, along with available documentation supporting each transaction (the "Comprehensive Data").

14) The Receiver believes that the creation of two classes of claims under the Distribution Plan is fair and reasonable given the amount of time that has lapsed since the Relevant Period and likelihood that L.C. Wegard Customers may no longer be in possession of trade records balanced against the cost and expense to the Litigation Estate in verifying each claim. The creation of the class of Convenient Claimants ensures that claimants who may no longer be in possession of supporting documentation may still realize a recovery from the Litigation Estate so long as they provide the Minimum Data and their claims are verified by the Receiver. L.C. Wegard Customers who maintained their trade records from the Relevant Period

and suffered verifiable losses in excess of \$10,000 may elect to be treated as a Comprehensive Claimant and may be entitled to a claim in the full amount of their loss subject to verification by the Receiver. Since Comprehensive Claimants are required to provide the Comprehensive Data, the cost and expense to the Litigation Estate to verify each claim should be less burdensome. The Receiver respectfully requests that the Court approve classifications of Convenient Claims and Comprehensive Claims, and the Proof of Claim in substantially the form annexed hereto as Exhibit "A".

IV. NOTIFICATION TO L.C. WEGARD CUSTOMERS

15) Given the age of the L.C. Wegard records and sheer number of L.C. Wegard Customers, direct mailings to L.C. Wegard Customers will be costly and not likely effective. The addresses contained in the Microfiche are 14 to 17 years old. It is likely that a majority of the L.C. Wegard Customers no longer reside at the addresses recorded in the Microfiche. Therefore, the Receiver proposes publishing a Publication of Notice substantially in the form annexed hereto as Exhibit "B" (the "Publication of Notice") in newspapers of general circulation covering regions where L.C. Wegard maintained offices. The Publication of Notice will notify readers of the Distribution Plan, how to submit a Proof of Claim, and the last date by which Proofs of Claim must be delivered to the Receiver in order to be considered eligible to receive a distribution from the Litigation Estate (the "Publication Bar Date"). The Receiver intends to publish the Publication of Notice in the following newspapers:

- Asbury Park Press
- New York Times
- Philadelphia Inquirer
- Pittsburgh Gazette
- Trenton Times
- Chicago Tribune
- Providence Business News
- Newark Star Ledger

16) The Receiver proposes to publish the Publication of Notice on at least two (2) occasions. The Receiver shall cause the first Publication of Notice to be published in the aforementioned newspapers within ten (10) days of the entry of an order approving the Distribution Plan (the "Plan Order") or as soon thereafter as reasonably practical, followed by a second publication approximately thirty (30) days thereafter. The Receiver requests that the Court set the Publication Bar Date for a date that is at least 120 days after the entry of the Plan Order so that L.C. Wegard Customers will be provided approximately 120 and 90 days notice of the Publication Bar Date from the respective publication dates.

17) The Receiver shall also issue a press release substantially in the form annexed hereto as Exhibit "C" (the "Press Release") and shall use his reasonable best efforts to have the Press Release published in media outlets.

18) The Receiver believes such notice by publication is reasonable under the circumstances and requests that the Court approve the form and manner of the Publication of Notice and authorize the Receiver to expend the actual costs for publishing the Publication of Notice in the aforementioned newspapers in an amount not to exceed \$75,000.

19) Finally, the Receiver proposes creating an internet website for disseminating relevant information in connection with the Distribution Plan. The website will include, among other things, a description of the Distribution Plan, electronic copies of the Publication of Notice, Press Release, and Proof of Claim, contact information for the Receiver, and provision for submitting the Proof of Claim electronically. The Receiver seeks the authority to pay the actual costs associated with the creation and maintenance of the Distribution Plan website in an amount not to exceed \$15,000.

V. ELECTRONIC DATABASE AND DIRECT MAILINGS

20) Depending on the number of Proofs of Claim delivered to the Receiver by the Publication Bar Date, it may be necessary to convert the Microfiche into a searchable, electronic database. The conversion of the Microfiche to an electronic database would facilitate the identification of potential claimants and verification of claims. Given the age and varying formats¹ of the Microfiche, conversion of the entire database is cost prohibitive². Rather than converting the entire database, the Receiver may convert only a portion of the Microfiche representing the L.C. Wegard Customer account statements for a specified period which will supply sufficient data for identification of L.C. Wegard Customers and the verification of claims. Such a conversion would create an electronic database (the "Electronic Database") of L.C. Wegard Customers capturing the following relevant data such as:

- Name
- Address
- Social Security Number
- Account Number
- Description of Securities Held

21) The creation of the Electronic Database would serve two purposes: (i) identifying L.C. Wegard Customer addresses, and (ii) providing data points which will facilitate the verification of L.C. Wegard Customer claims. If in the judgment of the Receiver, in consultation with the Bureau, the number of Proofs of Claim returned are insufficient to make a meaningful distribution, the Receiver will use the information captured in the Electronic Database to provide direct mail notification to L.C. Wegard Customers. The Receiver shall send to each L.C. Wegard customer a copy of the Distribution Plan and a Proof of Claim by United States mail,

¹ L.C. Wegard used three different clearing houses and as a result, the Microfiche is imaged in three materially different formats.

² The Receiver has received estimates from third party vendors for conversion of the entire L.C. Wegard microfiche database ranging from approximately \$500,000 to \$700,000.

date of the initial mailing by which Proofs of Claim must be returned in order to be considered eligible to receive a distribution from the Litigation Estate (the "Mail Bar Date"). The Receiver believes in his business judgment that setting a Mail Bar Date, of not less than 90 days from initial mailing for returning Proofs of Claim is reasonable under the circumstances.

22) If in the judgment of the Receiver, in consultation with the Bureau, the number of Proofs of claim returned are so numerous that the manual verification of the claims using the Microfiche is too burdensome, the Receiver may elect to create the Electronic Database. The data captured in the Electronic Database will facilitate the sorting, processing and verification of Proofs of Claim.

23) The Receiver estimates that the costs associated with conversion of the L.C. Wegard Database to the searchable Electronic Database will be approximately \$120,000. Because the conversion of the Microfiche to the Electronic Database is a significant expenditure, the Receiver seeks the authority, but not direction, to pay the actual costs associated with the conversion of the Microfiche into the Electronic Database by a qualified vendor in an amount not to exceed \$120,000 in his discretion and to pay all costs associated with direct mailings to L.C. Wegard Customers.

IV. DISTRIBUTION PLAN

A. Definitions

24) "Available Distribution Fund" means the funds held in the Litigation Estate which as of September 30, 2009 had a balance of \$5,137,393.39 as deposited with the Receiver, plus interest accumulated thereon, less actual and anticipated taxes, fees and expenses related to the administration of the Distribution Plan and Litigation Estate in the reasonable discretion of the Receiver and as approved by the Court.

administration of the Distribution Plan and Litigation Estate in the reasonable discretion of the Receiver and as approved by the Court.

25) “Bar Date” means collectively the Publication Bar Date and Mail Bar Date, as applicable.

26) “Claimant” means a L.C. Wegard Customer submitting a Proof of Claim to the Receiver.

27) “Compensable Loss” means with respect to each Recognized Claim the amount determined by the Receiver which equals the Total Purchase Price of all Relevant Securities purchased during the Relevant Period less the Total Sales Price of all Relevant Securities during the Relevant Period. With respect to a Convenience Claim, the Compensable Loss shall be no greater than \$10,000.

28) “Convenience Claim” means a Recognized Claim in which the Claimant has elected treatment as a Convenient Claimant. By electing treatment as a Convenient Claimant, L.C. Wegard Customers will not be required to submit the Comprehensive Data but the total amount of Compensable Loss shall be capped at no greater than \$10,000. A Comprehensive Claimant must supply the Minimum Data in its Proof of Claim.

29) “Distribution Agent” means the firm of Mercadien P.C., Certified Public Accountants.

30) “Initial Pro Rata Distribution” means such portion of the Available Distribution Fund as shall be distributed to each Recognized Claimant. The amount of the Pro Rata Distribution shall be based on the Pro Rata Distribution Formula.

31) “Minimum Claim Distribution” means \$100 for distributions made pursuant to the Initial Pro Rata Distribution (*i.e., any claimant whose Initial Pro Rata Distribution allocation*

would be less than \$100 will not receive a distribution check). The Minimum Claim Distribution for distributions made pursuant to any and all Subsequent Pro Rata Distributions shall be determined by the Receiver, in consultation with the Bureau, and shall depend upon the dollar amount of the Available Distribution Fund remaining after each distribution.

32) "Pro Rata Distribution Formula" means the product of the Available Distribution Fund multiplied by a fraction whose numerator is the Recognized Claim Amount of a Recognized Claimant and whose denominator equals the sum of all Recognized Claims. The Pro Rata Distribution Formula shall not include the claims of any person whose claim cannot be confirmed by the Receiver or whose name is otherwise deleted from the list of Recognized Claimants maintained by the Distribution Agent in accordance with the Distribution Plan.

33) "Recognized Claim" means a Proof of Claim that is received by the Receiver on or before Bar Date and is verifiable in the L.C. Wegard Database.

34) "Recognized Claim Amount" means the Compensable Loss as determined by the Receiver for each Recognized Claim.

35) "Recognized Claimant" means a holder of a Recognized Claim.

36) "Rejected Claims" means a Proof of Claim that is submitted to the Receiver after the Bar Date or cannot be verified in the L.C. Wegard Database by the Receiver.

37) "Rejected Claimant" means a holder of a Rejected Claim.

38) "Subsequent Pro Rata Distribution(s)" means such portion of the Available Distribution Fund as shall be distributed to each Recognized Claimant. The amount of the Pro Rata Distribution shall be based on the Pro Rata Distribution Formula.

39) "Total Purchase Price" means the actual price that the Relevant Securities were purchased for, or as may be determined by the Receiver based on all available data including the

Complaint Documents and L.C. Wegard Database, multiplied by the number of Relevant Securities, plus commissions and taxes paid.

40) “Total Sales Price” means (a) the actual price that the Relevant Securities were sold for during the Relevant Period, or as may be determined by the Receiver based on all available data including the Complaint Documents and L.C. Wegard Database, less commissions and taxes paid, or (b) in the event that the Relevant Securities were purchased during the Relevant Period but not sold during the Relevant Period, such Relevant Securities shall be valued at \$0.

B. Motion to Approve Distributions

41) In order to be eligible for a distribution out of the Available Distribution Fund, Claimants electing treatment as a Convenient Claimant must submit a Proof of Claim containing the Minimum Data and Claimants electing treatment as Comprehensive Claimants must submit a Proof of Claim containing the Comprehensive Data. Each Proof of Claim will be verified by the Receiver and confirmed with the account data in the L.C. Wegard Database and/or Complaint Documents. A Proof of Claim shall be deemed a Recognized Claim if (i) it is received by the Receiver on or before the Bar Date, (ii) contains either the Minimum Data or Comprehensive Data, as applicable, (iii) is confirmed by the account data in the L.C. Wegard Database and/or Complaint Documents, and (iv) evidences a Compensable Loss. A Proof of Claim that cannot be verified by the Receiver in the L.C. Wegard Database or is received after the Bar Date shall be deemed a Rejected Claim. A Claimant electing treatment as a Convenient Claimant or Comprehensive Claimant that fails to provide the Minimum Data shall be ineligible for a distribution and their claim shall be deemed a Rejected Claim. The Receiver may deem a

Claimant electing treatment as a Comprehensive Claimant that fails to provide the Comprehensive Data as a Rejected Claim.

42) Within 180 days from the last Bar Date, the Receiver shall file a Motion (the "Distribution Motion") with the Court on thirty (30) days written notice to all Claimants seeking this Court's authority to make the Initial Pro Rata Distribution to Recognized Claimants. The Distribution Motion shall be supported by an affidavit of the Receiver setting forth: (i) the number of Proofs of Claims that were received by the Receiver, (ii) the number of Proofs of Claims that were verified and deemed Recognized Claims, (iii) the number of Proofs of Claims that were deemed Rejected Claims, and (iv) the estimate percentage recovery per Recognized Claim. The Distribution Report shall contain (a) a schedule of all Recognized Claimants and the Recognized Claim Amount, and (b) a schedule of all Rejected Claimants and an explanation of the basis for rejection. All determinations made by the Receiver of Recognized Claims, Recognized Claim Amounts and Rejected Claims shall be final.

C. Distributions to Recognized Claimants

43) As soon as practicable after the entry of an Order granting the Distribution Motion, the Receiver shall make the Initial Pro Rata Distribution. The Receiver shall not make any distribution to any Recognized Claimant whose Recognized Claim Amount's Initial Pro Rata Distribution is less than the Minimum Claim Distribution. The sum of the less than Minimum Claim Distribution allocations will be reallocated pro rata to those Recognized Claimants whose Initial Pro Rata Distribution equals or exceeds the Minimum Distribution. All distributions to Recognized Claimants shall be made by check and shall be deemed made at the time such check is duly deposited in the United States mail, postage prepaid. Except as otherwise agreed with the

Recognized Claimant in writing, all checks shall be distributed by mail, to the latest mailing address listed in the Proof of Claim submitted by the Recognized Claimant.

44) Notwithstanding any other provisions of the Distribution Plan to the contrary, no payment of fractional cents will be made under the Distribution Plan. Checks will be issued to Reorganized Claimants in whole cents (rounded-down to the nearest whole cent when and as necessary).

45) On or after the 90th day from the date the Initial Pro Rata Distribution is made, the Receiver shall cause all checks distributed pursuant to the Initial Pro Rata Distribution that have not cleared the related distribution checking account to be cancelled. The Receiver shall cause each check delivered pursuant to the Initial Pro Rata Distribution that is returned as undeliverable to be cancelled as soon as is reasonably practical after its return.

46) Each Recognized Claimant who was sent a check pursuant to the Initial Pro Rata Distribution that has been cancelled or is returned as undeliverable shall be removed from the register of Recognized Claimants maintained by the Receiver and shall not be entitled to receive any further distribution from the Available Distribution Fund.

47) Within 180 days after the Initial Pro Rata Distribution, the Receiver shall make the first Subsequent Pro Rata Distribution. The Receiver shall not make any distribution to any Recognized Claimant whose Recognized Claim Amount's Subsequent Pro Rata Distribution is less than the Minimum Claim Distribution. The sum of the less than Minimum Claim Distributions will be reallocated pro rata to those claimants whose Subsequent Pro Rata Distribution equals or exceeds the Minimum Claim Distribution.

48) On or after the 90th day from the date the Receiver makes the first Subsequent Pro Rata Distribution, the Receiver shall cause all checks distributed pursuant to the first Subsequent

Pro Rata Distribution that have not cleared the related distribution checking account to be cancelled. The Receiver shall cause each check delivered pursuant to the Subsequent Pro Rata Distribution that is returned as undeliverable to be cancelled as soon as is reasonably practical after its return.

49) Each Recognized Claimant who was sent a check pursuant to the Subsequent Pro Rata Distribution that has been cancelled or is returned as undeliverable shall be removed from the register of Recognized Claimants maintained by the Receiver and shall not be entitled to receive any further distribution from the Available Distribution Fund.

50) The Receiver shall make such Subsequent Pro Rata Distributions pursuant to the procedures set forth above until such time as the Receiver determines in his reasonable discretion that insufficient funds remain in the Available Distribution Fund, less anticipated costs, fees and taxes, to make additional Subsequent Pro Rata Distributions to Recognized Claimants. At such time, the Receiver will seek authority of the Court to pay the remaining funds to the Bureau.

D. Distribution Agent

51) The Receiver shall in his sole discretion employ the services of the Distribution Agent to assist in the administration of the Distribution Plan, including the noticing, handling and processing of claims. The reasonable fees and actual expenses of the Distribution Agent shall be payable from the Available Distribution Fund upon appropriate application to and approval of the Court.

E. Miscellaneous

52) The headings used in the Distribution Plan are inserted for convenience only and neither constitute a portion of the Distribution Plan nor in any manner shall affect the provisions or interpretation(s) of the Distribution Plan.

53) The laws of the State of New Jersey shall govern the construction and implementation of the Distribution Plan and any agreements, documents, and instruments executed in connection with the Distribution Plan, without regard to the conflict of laws provisions of the State of New Jersey.

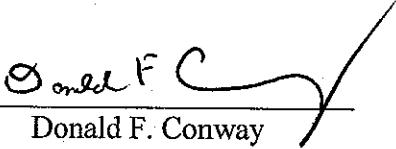
54) The Receiver shall be entitled to rely on orders of the Court in this action, and may not be held liable to any persons for any act of omission to act in the course of administering the Available Distribution Fund, except upon finding by the Court of willful failure to comply with the terms of the Distribution plan or any orders issued in this case.

55) The proposed Distribution Plan is fair and reasonable. The Distribution Plan attempts to compensate as many victims of the L.C. Wegard fraud as possible. The Distribution Plan also attempts to locate as many Claimants within a range of reasonable administrative cost and to allocate the available funds and distribute to them in as equitable a manner as possible given the limited information available to the Bureau and the Receiver so many years after the fraud was perpetrated.

V. CONCLUSION

56) For all of the foregoing reasons, the Receiver and the Bureau believes that the proposed Distribution Plan is fair and reasonable, and requests that the Court enter an Order approving the Distribution Plan.

Respectfully submitted,

By: 
Donald F. Conway
Statutory Receiver of
Litigation Estate