

THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION

IN RE: §
§
SANDBOX STUDIOS DEVELOPMENT § CASE NO. 02-10845-R
COMPANY § CHAPTER 7
§
DEBTOR §

TRUSTEE'S
FINAL REPORT AND PROPOSED DISTRIBUTION
IN CASE WITH PENDING DISMISSAL

LINDA S. PAYNE, trustee of the estate of the above-named Debtor(s), certifies under penalty of perjury, to the Court and the United States Trustee, that the trustee has faithfully and properly fulfilled the duties of her office and that the trustee has examined all proofs of claims as appropriate under the proposed distribution, and that the proposed distribution, attached hereto, is proper, and consistent with the law and rules of court. The Trustee applies for the commissions and expenses set forth herein and states that they are reasonable and proper.

I hereby authorize the Office of the United States Trustee to file by electronic means this Trustee's Final Report, Application for Compensation and Report of Proposed Distribution on my behalf, and I agree and acknowledge that the designation of my signature on this document once filed, constitutes my valid signature for the purposes of 11 U.S.C. § 704(9) and Fed.R.Bankr.Pro.9011.

Therefore, the Trustee requests that the Final Report, Application for Compensation and Report of Proposed Distribution be approved.

Date: March 27, 2004

/s/ Linda Payne
Linda Payne, Trustee

I declare under penalty of perjury that this Report and attached Schedules are true and correct to the best of my knowledge and belief.

Dated: March 27, 2004

/s/ Linda Payne
Linda Payne, Trustee

EOD

07/25/2003

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF TEXAS
SHERMAN DIVISION

FILED
BANKRUPTCY COURT
EASTERN DISTRICT OF TEXAS
03 JUL 23 AM 10:31

IN RE:	§	
	§	
PRODUCTION SOFTWARE ALLIANCE, INC.,	§	CASE NO. 02-10095
	§	
	§	
Debtor.	§	CHAPTER 7

IN RE:	§	
	§	
SANDBOX STUDIOS CANADA COMPANY,	§	CASE NO. 02-10905
	§	
	§	
Debtor.	§	CHAPTER 7

IN RE:	§	
	§	
SANDBOX STUDIOS DEVELOPMENT COMPANY,	§	CASE NO. 02-10845-S
	§	
	§	
Debtor.	§	CHAPTER 7

AGREED ORDER DISMISSING BANKRUPTCY CASES

ON THIS DATE the Court considered Steve Bergenholtz's ("Bergenholtz") *Motion to Dismiss Bankruptcy Cases* (the "Motion"), and the parties having reached an agreement, which is contained herein, it is therefore

ORDERED that the above-referenced bankruptcy cases are hereby dismissed with prejudice to refile within 180 days of the date of this order; it is further

ORDERED that Steve Bergenholtz deposit the sum of \$40,000.00 into the trust account of The Moore Law Firm, L.L.P. (counsel to Linda Payne, the Chapter 7 Trustee for these cases) no later than 10 days of the date of this order (the "Deposit"); it is further

ORDERED that the Trustee's administrative expenses for these bankruptcy cases, as approved by this Court under Sections 326, 327 and 330 of the Bankruptcy Code an amount not to exceed \$40,000 in Trustee compensation and attorney's fees and costs, shall be paid from the Deposit and shall be further limited to the following: the Trustee's fees to be paid from the Deposit are the fees of Linda Payne, Trustee and her counsel, Bill Payne, Esq. of The Moore Law Firm, and the Deposit is not meant to pay any fees of special counsel retained by the trustee ~~nor to the payment of any commissions alleged to be owing based on the amount of the Deposit.~~ To be clear, the Deposit is not for the payment of any fees or expenses or other sums of money to Strasburger & Price or Krieg, Keller, Sloan, Reilley & Roman; it is further

WLM
JY
BYP

ORDERED that any portion of the Deposit remaining after payment to Linda Payne, Trustee and The Moore Law Firm in these bankruptcy cases, as approved by this Court, shall be returned to Steve Bergenholtz; it is further

ORDERED that notwithstanding the dismissal of these bankruptcy cases, as provided herein, this Court shall retain jurisdiction over these cases for the sole purpose of 1) permitting the Trustee and her counsel to seek approval of their fees and expenses to be paid from the Deposit, as provided herein; 2) permitting ISM to file a motion with this Court within 30 days of this Order seeking a claim against the Debtors for attorneys fees and costs. To be clear, the purpose of said claim would be solely to obtain a judicial determination that a claim against the three debtors is justified by the circumstances of the case and that the amount sought is reasonable and necessary under the Jackson Brewing factors. ISM shall not be entitled to any of the Deposit. ISM shall not seek recovery or payment of its claims or any award of attorney's fees and costs in the three bankruptcy cases in this Court. Nor shall ISM or its counsel file on behalf of ISM or their counsel, or any other party, either

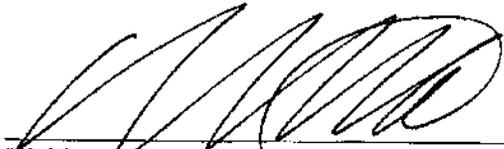
directly or through the Chapter 7 Trustee, except for the motion for determination of attorney's fees and costs referred to in paragraph 2 above any further motion, request, plea, notice, adversary proceeding or other paper in this Court - it being the intention of the parties that all further litigation between the parties will take place in the Federal District Court in California; and 3) permitting an examination to be taken within 45 days of this order under Bankruptcy Rule 2004 of Bruce Sostak, Steve Walker and Paul Hoffman, for the limited purpose of questioning relating to documents relating to these cases. Nothing in this Order is intended to or shall prevent ISM from asserting the full amount of its claimed damages, attorney's fees and costs in litigation pending in Federal District Court in California.

ORDERED that the trial subpoena served on Steve Bergenholtz in connection with the motions to dismiss these cases shall be deemed to have been served on Steve Bergenholtz solely in the California federal district court litigation between ISM and Steve Bergenholtz (rather than the three above-referenced cases) except for date of appearance and production under such subpoena and preserving for Steve Bergenholtz any applicable rights to object to same, and shall be subject to the laws and procedures of the court in that case and the Order of May 27, 2003 signed by Magistrate Judge Maria-Elena James.

SIGNED: July 23, 2003.

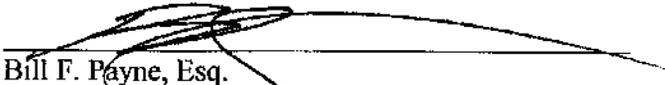

HONORABLE DONALD R. SHARP,
UNITED STATES BANKRUPTCY JUDGE

AGREED:



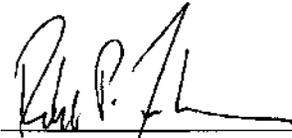
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CHAPTER 7 TRUSTEE



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COUNSEL FOR ISM

Form 1

Individual Estate Property Record and Report

Asset Cases

Case Number: 02-10845 DRS
 Case Name: SANDBOX STUDIOS DEVELOPMENT CO.
 DBA SANDBOX STUDIOS DEVELOPMENT CO

Trustee: (631540) LINDA S. PAYNE
 Filed (f) or Converted (c): 01/31/02 (f)
 \$341(a) Meeting Date: 03/18/02
 Claims Bar Date: 06/03/03

Period Ending: 03/27/04

Ref. #	Asset Description (Scheduled And Unscheduled (u) Property)	1	2	3	4	5	6
		Asset Description	Petition/ Unscheduled Values	Estimated Net Value (Value Determined By Trustee, Less Liens, Exemptions, and Other Costs)	Property Abandoned OA=\$554(a) abandon. DA=\$554(c) abandon.	Sale/Funds Received by the Estate	Asset Fully Administered (FA)/ Gross Value of Remaining Assets
1	REFUND FROM STATE COMPTROLLER (u)		0.00	161.40		161.40	FA
2	Alter Ego cause of action		Unknown	Unknown		0.00	FA
3	Settlement re court order with debtor (u)		0.00	40,000.00		40,000.00	FA
Int	INTEREST (u)		Unknown	N/A		14.94	Unknown
4	Assets	Totals (Excluding unknown values)	\$0.00	\$40,161.40		\$40,176.34	\$0.00

Major Activities Affecting Case Closing:
 Motion to dismiss pending
 Initial Projected Date Of Final Report (TFR): July 1, 2003

Current Projected Date Of Final Report (TFR): January 1, 2004

Form 2

Cash Receipts And Disbursements Record

Case Number: 02-10845 DRS
 Case Name: SANDBOX STUDIOS DEVELOPMENT CO.
 DBA SANDBOX STUDIOS DEVELOPMENT CO
 Taxpayer ID #: 99-9999999
 Period Ending: 03/27/04

Trustee: LINDA S. PAYNE (631540)
 Bank Name: JPMORGAN CHASE BANK
 Account: 312-8897263-65 - Money Market Account
 Blanket Bond: \$300,000.00 (per case limit)
 Separate Bond: N/A

1 Trans. Date	2 {Ref #}/ Check #	3 Paid To / Received From	4 Description of Transaction	5 T-Code	6 Receipts \$	7 Disbursements \$	8 Money Market Account Balance
02/14/02	{1}	State Comptroller of Public Accounts	State State Franchise Refund	1229-000	161.40		161.40
02/28/02	Int	THE CHASE MANHATTAN BANK	Interest posting at 0.8500%	1270-000	0.04		161.44
03/29/02	Int	THE CHASE MANHATTAN BANK	Interest posting at 0.8500%	1270-000	0.12		161.56
04/30/02	Int	THE CHASE MANHATTAN BANK	Interest posting at 0.8500%	1270-000	0.11		161.67
04/30/02	Int	JPMORGAN CHASE BANK	Reverse Interest Posting	1270-000	-0.08		161.59
05/31/02	Int	JPMORGAN CHASE BANK	Interest posting at 0.8000%	1270-000	0.11		161.70
06/28/02	Int	JPMORGAN CHASE BANK	Interest posting at 0.8000%	1270-000	0.11		161.81
07/31/02	Int	JPMORGAN CHASE BANK	Interest posting at 0.8000%	1270-000	0.11		161.92
08/30/02	Int	JPMORGAN CHASE BANK	Interest posting at 0.7500%	1270-000	0.10		162.02
09/30/02	Int	JPMORGAN CHASE BANK	Interest posting at 0.7500%	1270-000	0.10		162.12
10/31/02	Int	JPMORGAN CHASE BANK	Interest posting at 0.7500%	1270-000	0.10		162.22
11/29/02	Int	JPMORGAN CHASE BANK	Interest posting at 0.4300%	1270-000	0.07		162.29
12/31/02	Int	JPMORGAN CHASE BANK	Interest posting at 0.4300%	1270-000	0.06		162.35
01/31/03	Int	JPMORGAN CHASE BANK	Interest posting at 0.4300%	1270-000	0.06		162.41
02/28/03	Int	JPMORGAN CHASE BANK	Interest posting at 0.4300%	1270-000	0.05		162.46
03/31/03	Int	JPMORGAN CHASE BANK	Interest posting at 0.4000%	1270-000	0.06		162.52
04/30/03	Int	JPMORGAN CHASE BANK	Interest posting at 0.4000%	1270-000	0.05		162.57
05/30/03	Int	JPMORGAN CHASE BANK	Interest posting at 0.4000%	1270-000	0.06		162.63
06/30/03	Int	JPMORGAN CHASE BANK	Interest posting at 0.3000%	1270-000	0.04		162.67
07/22/03	{3}	Smith Barney Citigroup	Settlement with debtor	1249-000	40,000.00		40,162.67
07/25/03	1001	BILL PAYNE	Court approved atty fees	3210-000		30,450.00	9,712.67
07/25/03	1002	BILL PAYNE	Court approved attorney expenses	3220-000		410.56	9,302.11
07/31/03	Int	JPMORGAN CHASE BANK	Interest posting at 0.3000%	1270-000	2.67		9,304.78
08/29/03	Int	JPMORGAN CHASE BANK	Interest posting at 0.2500%	1270-000	1.98		9,306.76
09/18/03	1003	BILL PAYNE	Attorney fees approved 9/15/03	3210-000		2,050.00	7,256.76

Subtotals :

\$40,167.32

\$32,910.56

Form 2

Cash Receipts And Disbursements Record

Case Number: 02-10845 DRS
 Case Name: SANDBOX STUDIOS DEVELOPMENT CO.
 Taxpayer ID #: 99-9999999
 Period Ending: 03/27/04

Trustee: LINDA S. PAYNE (631540)
 Bank Name: JPMORGAN CHASE BANK
 Account: 312-8897263-65 - Money Market Account
 Blanket Bond: \$300,000.00 (per case limit)
 Separate Bond: N/A

1 Trans- Date	2 {Ref #} / Check #	3 Paid To / Received From	4 Description of Transaction	T-Code	5 Receipts \$	6 Disbursements \$	7 Money Market Account Balance
09/18/03	1004	BILL PAYNE	Count approved attorney expenses	3220-000		10.47	7,246.29
09/30/03	Int	JPMORGAN CHASE BANK	Interest posting at 0.2500%	1270-000	1.79		7,248.08
10/31/03	Int	JPMORGAN CHASE BANK	Interest posting at 0.2000%	1270-000	1.39		7,249.47
11/28/03	Int	JPMORGAN CHASE BANK	Interest posting at 0.2000%	1270-000	1.19		7,250.66
12/31/03	Int	JPMORGAN CHASE BANK	Interest posting at 0.2000%	1270-000	1.23		7,251.89
01/30/04	Int	JPMORGAN CHASE BANK	Interest posting at 0.2000%	1270-000	1.23		7,253.12
02/27/04	Int	JPMORGAN CHASE BANK	Interest posting at 0.2000%	1270-000	1.15		7,254.27
03/27/04	Int	JPMORGAN CHASE BANK	Current Interest Rate is 0.1500%	1270-000	1.04		7,255.31
03/27/04		To Account #312889726366	Final Report in Dismissed Case	9999-000			0.00

ACCOUNT TOTALS
 40,176.34 40,176.34 **\$0.00**
 Less: Bank Transfers 0.00 7,255.31
Subtotal 40,176.34 32,921.03
 Less: Payments to Debtors 0.00
NET Receipts / Disbursements 40,176.34 \$32,921.03

Form 2

Cash Receipts And Disbursements Record

Case Number: 02-10845 DRS
Case Name: SANDBOX STUDIOS DEVELOPMENT CO.
 DBA SANDBOX STUDIOS DEVELOPMENT CO
Taxpayer ID #: 99-9999999
Period Ending: 03/27/04

Trustee: LINDA S. PAYNE (631540)
Bank Name: JPMORGAN CHASE BANK
Account: 312-8897263-66 - Checking Account
Blanket Bond: \$300,000.00 (per case limit)
Separate Bond: N/A

1 Trans. Date	2 {Ref #}/ Check #	3 Paid To / Received From	4 Description of Transaction	T-Code	5 Receipts \$	6 Disbursements \$	7 Checking Account Balance
03/27/04		From Account #312889726365	Final Report in Dismissed Case	9999-000	7,255.31		7,255.31

ACCOUNT TOTALS
 Less: Bank Transfers 7,255.31
Subtotal 0.00
 Less: Payments to Debtors 0.00
NET Receipts / Disbursements \$0.00

	Net Receipts	Net Disbursements	Account Balances
TOTAL - ALL ACCOUNTS	40,176.34	32,921.03	0.00
MMA # 312-8897263-65	0.00	0.00	7,255.31
Checking # 312-8897263-66	\$40,176.34	\$32,921.03	\$7,255.31

SCHEDULE A-1

FINAL ACCOUNT AS OF: 3/27/04

A: Receipts		\$40,176.34
B. Disbursements		
1. Secured Creditors-----	\$	
2. Administrative-----	32,921.03	
3. Priority-----		
4. Other-----		
Total disbursements-----	\$32,921.03	
C. Current Balance		\$7,255.31

SCHEDULE B

APPLICATION FOR COMPENSATION

TRUSTEE COMPENSATION:

Total Receipts	\$40,176.34	25% of First \$5,000.00	\$1,250.00
Balance	\$ _____	10% of Next \$45,000.00	\$ 3,517.63
Balance	\$ _____	5% of Next \$950,000.00	
Balance	\$ _____	3% of Remaining Balance	\$
TOTAL COMMISSIONS			\$ 4,767.63

UNREIMBURSED EXPENSES: (See attached breakdown)

Recording Fees-----	
Premium on bond-----	
Travel-----	
Clerical & Stenographic-----	183.00
Copies-----	71.75
Postage-----	35.86
Certified Mail (1)-----	
Court Certification-----	
Federal Express-----	

TOTAL UNREIMBURSED EXPENSES \$290.61

RECORDS:

Trustee did not take possession of business or personal records of the debtor. X

Trustee did take possession of business or personal records of the debtor. _____

Notice given to debtor on _____
to pick up business or personal records in
hands of trustee. If not picked up within
30 days such records or work files may be
destroyed. _____

Exhibit "A"
 Expenses of Sandbox Studios Development Co
 Sandbox Studios Canada
 Production Software Alliance

Travel:

Total miles = @ 0.35 a mile = \$

<u>Secretarial, Copies & Postage:</u>	<u>Copies</u>	<u>Postage</u>
Application to Employ Attorney for Trustee (#8 on docket) 0.20	25	0.80
Application to Pay Attorney (#92 on docket) 3.75	147	19.47
Supplemental Application to Pay Attorney (# 109 on docket) 3.20	87	11.64
Final Report (E filed) 1.00	20	
Supplemental Final Report (E filed) 1.00	8	
Mail Checks and Statements to UST		3.95

Totals:

Travel = miles @ 0.35 per mile-----
 Secretarial = 9.15hrs @ \$20.00 per hour ----- 183.00
 Copies = 287 @ \$0.25 each----- 71.75
 Postage----- 35.86

TOTAL: \$ 290.61

**SCHEDULE C
EXPENSES OF ADMINISTRATION**

	AMOUNT CLAIMED	AMOUNT PAID	AMOUNT DUE
1. 11 U.S.C. Sec 507(a)(1) <u>Court Cost and Fees</u>			
A. Notice & Claim Fees \$			
B. Adv. filing fees			
C. Quarterly Chapt 11			
2. 11 U.S.C. Sec 503(b)(1)(a) <u>Preservation of estate</u>			
A. Transportation			
B. Storage			
C. Wages			
D. Estates share FICA			
E. Insurance			
F. Other (itemize)			
3. 11 U.S.C. Sec.503(b)(2) <u>Post-Petition Taxes and related penalties</u>			
4. 11 U.S.C. Sec.503(b)(2) <u>Compensation and Reimbursement</u>			
A. Trustee Fees	4,767.63	0	4,767.63
B. Trustee Expenses	290.61	0	290.61
C. Attorney to Trustee (# 103 & 111 on docket	32,500.00	32,500.00	0
D. Expenses for Attorney To Trustee	421.03	421.03	0
E. Attorney for Debtor			
F. Auctioneer Fees (#29 on docket)			
G. Auctioneer Expenses			
5. Other (Itemize)			
 TOTAL-----	 \$37,979.27	 32,921.03	 5,058.24

SCHEDULE D

SECURED CLAIMS

Claim #	Claimant	Amount Claimed	Amount Not Determined	Amount Allowed	Previously Paid	Amount Due
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Totals \$ 0

SCHEDULE E

**PRIORITY CLAIMS OTHER THAN ADMINISTRATIVE EXPENSES
IN THE FOLLOWING ORDER OF PRIORITY**

	(1)	(2)	(3)	(4)	(5)
	Claim	Amt.	Amt.	Amt.	Amt.
	No.	Claimed	Allowed	Paid	Due
1. For Credit Extended §364(e)(1)					
2. Claims from failure of adequate protection §307 (a)(b)					
3. "Gap Claims" §507 (a)(2)					
4. Wages, etc. §507 (a)(3)					
5. Contributions to benefit plans §507 (a)(4)					
6. Engaged in raising of grain or fisherman §507 (a)(5)					
7. Consumer deposits §507 (a)(6)					
8. Alimony or child support §507 (a)(7)					
9. Taxes §507 (a)(8)					

TOTAL ALLOWED PRIORITY CLAIMS: \$0
TIMELY FILED ALLOWED UNSECURED CLAIMS TOTAL: \$
LATE UNSECURED CLAIMS: \$

Claims Distribution Register

Case: 02-10845 SANDBOX STUDIOS DEVELOPMENT CO.

Claim #	Date	Pri	Claimant / Proof / <Category> / Memo	Amount Filed	Amount Allowed	Paid to Date	Claim Balance	Proposed Payment
Admin Ch. 7 Claims:								
	01/31/02	200	LINDA S. PAYNE 100 NORTH MAIN ST. PARIS, TX 75460 <2200-00 Trustee Expenses>	290.61	290.61	0.00	290.61	290.61
	01/31/02	200	LINDA S. PAYNE 100 NORTH MAIN ST. PARIS, TX 75460 <2100-00 Trustee Compensation>	4,767.63	4,767.63	0.00	4,767.63	4,767.63
	01/31/02	200	Bill Payne <3210-00 Attorney for Trustee Fees (Other Firm)>	30,450.00	30,450.00	30,450.00	0.00	0.00
	01/31/02	200	Bill Payne <3220-00 Attorney for Trustee Expenses (Other Firm)>	410.56	410.56	410.56	0.00	0.00
	01/31/02	200	Bill Payne <3210-00 Attorney for Trustee Fees (Other Firm)>	2,050.00	2,050.00	2,050.00	0.00	0.00
	01/31/02	200	Bill Payne <3220-00 Attorney for Trustee Expenses (Other Firm)>	10.47	10.47	10.47	0.00	0.00
Total for Priority 200: 100% Paid				\$37,979.27	\$37,979.27	\$32,921.03	\$5,058.24	\$5,058.24
Total for Admin Ch. 7 Claims:				\$37,979.27	\$37,979.27	\$32,921.03	\$5,058.24	\$5,058.24
Unsecured Claims:								
1	01/31/02	650	Sandbox Studios Development Co c/o Weldon Moore 8234 Douglas Avenue, Suite 1100 Dallas, TX 75225 <8200-00 Surplus Funds Paid to Debtor § 726 (a)(6) (incl pmts to shareholders & ltd part)>	2,196.03	2,196.03	0.00	2,196.03	2,196.03
Priority 650: 100% Paid								
Total for Case :				\$40,175.30	\$40,175.30	\$32,921.03	\$7,254.27	\$7,254.27