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Attorneys at Law

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Chapter 7 Trustee

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Mr. Tim O'Neal
110 N. College, Suite 300
Tyler, Texas 75702

Re: Chapter 7 Bankruptcy of Edward Blount, No. 09-90510, U. S. Bankruptcy Court,
Eastern Dist. Of Texas, Lufkin Division

Dear Mr. O'Neal:

Mr. Blount and his siblings were the beneficiaries of what was promoted to be a "spendthrift" trust. The first issue to be considered was the question as to whether this was actually a spendthrift trust. The second issue was that if the trust was a spendthrift trust, had Mr. Blunt, by his actions, voided the spendthrift provisions of the trust so that it was no longer a spendthrift trust. A third question was should Mr. Blunt be required to turn over any distributions he received during the six months following filing. Special counsel was hired to litigate the issue of the nature of the trust.

The issue of the turnover of the funds was tried to the Court. The court found that because there was an intervening inter-vivos trust, the Debtor was not required to turnover the distributions he received during the six months following filing.

Because the law involving spendthrift trusts, and voiding those trusts was so complex and fact intensive, special counsel was required to use extensive discovery in pinning down the action of the debtor and his siblings, as well as prepare for trial. The case subsequently settled with Court approval, but for a sum of money far less than had originally been anticipated.

Finally, the Debtor had issued prior financial statements showing furniture and other non-exempt assets in excess of those allowed under the state exemptions chosen by the Debtor. An appraiser was hired and an on site inspection was conducted by the Trustee and the Appraiser who prepared an appraisal of the assets of the debtor. In spite of the values placed on his assets by the Debtor, the value determined by the appraisal indicated that the property was within the exemption limits.

The matter was settled for a payment of \$20,000. The Special counsel attorney's fee was based on a contingent fee plus expenses. In addition a number of other contentious issues were litigated by counsel at an expense to the estate. It was impossible to predict

the outcome of this litigation or the ultimate cost. Without the litigation however, of these issues there would have been no recovery at all.

I trust this answers your question. If you need any further information, please contact me.

Sincerely,

Daniel J. Goldberg
Chapter 7 Trustee

DJG/kd

cc: Bruce Campbell