

The Honorable Thomas T. Glover  
Chapter: 11  
Hearing Date: June 2, 2006  
Hearing Time: 9:30 a.m.  
Hearing Location: Seattle, WA  
Response Date: May 26, 2006

UNITED STATES BANKRUPTCY COURT  
WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

In Re: NO. 02-25434-TTG

WADE COOK FINANCIAL CORPORATION;  
THE STOCK MARKET INSTITUTE OF  
LEARNING, INC.; INFORMATION QUEST,  
INC.; and LIGHTHOUSE BOOKS, INC. fka  
LIGHTHOUSE PUBLISHING GROUP, INC.,  
Debtors.

Pursuant to 11 U.S.C. § 502(a) and Fed. R. Bankr. P. 3007, chapter 11 trustee Diana K. Carey ("Trustee"), by and through her attorneys Foster Pepper PLLC, hereby makes this omnibus objection to the allowance of certain claims against the estate seeking priority pursuant to 11 U.S.C. § 507(a)(6).

I. FACTS

Separate involuntary petitions were filed against Wade Cook Financial Corporation ("WCFCo") and the Stock Market Institute of Learning ("SMILE") on December 19, 2002 ("Petition Date"), and on January 17, 2003, an Order for relief was entered against both entities. On the same day, this Court entered an order converting the case from a chapter 7 to a chapter 11, and directing the appointment of a chapter 11 trustee. On January 23, 2003, this Court entered an order appointing Diana Carey the chapter 11 trustee. By order of this Court, on April 28, 2003, the estates of WCFCo and SMILE were substantively consolidated with the estates

TRUSTEE'S OMNIBUS OBJECTION TO THE ALLOWANCE  
OF CERTAIN CLAIMS SEEKING PRIORITY PURSUANT TO  
11 U.S.C. § 507(a)(6) - 1

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of Information Quest, Inc. ("IQ"), and Lighthouse Books, Inc. fka Lighthouse Publishing Group, Inc. ("Lighthouse").

On or about February 16, 2005, the Trustee entered into a Claims Agent Agreement with The Grassmuck Group ("The Grassmuck Group" or "Claims Agent") whereby The Grassmuck Group agreed to, among other things, conduct the notice, intake, processing, review and auditing of those claims having § 507(a)(6) priority status. By order of this Court, entered on March 1, 2005, the employment of The Grassmuck Group as Claims Agent was approved. On August 22, 2005, this Court entered an order establishing the claims procedure and establishing a claims bar date of November 15, 2005. On March 22, 2006, this Court entered an order approving the notice procedure for the treatment of claims seeking priority treatment under 11 U.S.C. § 507(a)(6).

In response to notification of the claims bar date, the Claims Agent received over 2,800 claims from the Debtors' former customers who claim to have paid for seminars and services prepetition but did not receive the items or services for which they paid ("Customer Deposit Claims"). Declaration of Michael A. Grassmuck In Support of Trustee's Omnibus Objection to the Allowance of Certain Claims Seeking Priority Pursuant to 11 U.S.C. § 507(a)(6) ("Grassmuck Dec."), at ¶ 3. The amount of these Customer Deposit Claims totals nearly \$13.6 million. *Id.*

As of March 17, 2006, the Trustee has \$1,509,247 in her trust account available for distribution on the Customer Deposit Claims, after payment of administrative expenses. Declaration of Diana K. Carey In Support of Trustee's Ex Parte Motion to Establish Notice Procedure, filed in this action on March 21, 2006 [Docket No. 804] at ¶ 2. Concurrent with the filing of this Omnibus Objection, the Trustee will file a motion to approve certain of the Customer Deposit Claims. The Trustee now seeks to object, either in whole or in part, to the remainder of the Customer Deposit Claims.

TRUSTEE'S OMNIBUS OBJECTION TO THE ALLOWANCE  
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11 U.S.C. § 507(a)(6) - 2

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11. CLAIMS OBJECTIONS

The Grassmuck Group, on behalf of the Trustee and in accordance with the claims procedures previously approved by the Court, has received, reviewed, and reconciled the Customer Deposit Claims with the Debtors' records and other such documents as available to facilitate the claims process. Grassmuck Dec. at ¶ 4. The Trustee has objected to those claims listed on Exhibit A to the Grassmuck Dec. for one of the following reasons:

A. Claims That Either Lack Sufficient Documentation to Support the Claim Amount or Require Clarification of the Claim Amount.

Approximately 183 of the Customer Deposit Claims either lacked documentation sufficient to support the full amount of the claim, or require clarification of the amount of the claim. For those claims lacking sufficient documentation, the claimant either submitted the claim electronically as permitted, but failed to follow the electronic filing with submission of the necessary documentation as required, or submitted documentation that may substantiate a claim without submitting the underlying proof of claim form.

For those claims that require clarification of the claim amount, the total claim amount set forth in the "Total Claim Amount as of December 19, 2002" portion of the proof of claim form is inconsistent with the underlying amounts set forth in portions of the proof of claim form reflecting (a) the dates and price of goods and services purchased from Debtors, and (b) the dates and amount/value of goods and services received from Debtors. Accordingly, the Trustee requests that this Court disallow each claim, in whole or in part, that either lacks the necessary documentation to support the claim, or lacks clarification of the amount of the claim.

B. Claims Lacking Proof of Payment.

Approximately 94 of the Customer Deposit Claims lacked sufficient proof of payment to support the full amount of the claim, or lacked proof that the claimant actually incurred the loss as claimed. The Claims Agent attempted to reconcile these claims with the Debtors' records, and to the extent the Claims Agent was not able to do so, the Trustee seeks disallowance of these

claims. Accordingly, the Trustee requests that the Court disallow each claim, in whole or in part, identified as lacking proof of payment or lacking proof that the claimant incurred the loss as claimed.

C. Claims Lacking an Original Signature.

Approximately 32 Customer Deposit Claims were submitted to the Claims Agent without an original signature. Pursuant to Fed. R. Bankr. P. 3001, each claim against the Debtors' estate must be executed by the creditor or the creditor's authorized agent. Without this original signature, the Trustee requests that the Court disallow these claims.

D. Duplicate Claims.

Approximately 47 of the Customer Deposit Claims are duplicate claims. The Trustee requests that the Court disallow each duplicative claim.

E. Claims That are Not Entitled to Payment as Priority Pursuant to § 507(a)(6).

Approximately 419 of the Customer Deposit Claims submitted to the Claims Agent include claims for which the claimants are not entitled to payment as a priority expense. For example, claims have been filed for (a) hotel, restaurant, or gasoline charges incurred when attending one of the Debtors' seminars, (b) free or bonus materials provided by the Debtors, (c) coupons for free seminars provided by Debtors, (d) interest accrued, and (e) losses for goods and services for which the customer paid via credit card, but for which the customer has already been reimbursed by his/her credit card company.

In addition or as an alternative to asserting a claim for a customer deposit, approximately 22 of the Customer Deposit Claims assert claims for interest, penalties, accrued or unpaid commissions, and/or miscellaneous fees. The portions of these claims that do not represent a claim for a customer deposit, as defined by 11 U.S.C. § 507(a)(6), are therefore not entitled to priority treatment. Accordingly, the Trustee requests that the Court disallow, as a priority claim, the portion of these claims for charges not entitled to priority.

TRUSTEE'S OMNIBUS OBJECTION TO THE ALLOWANCE OF CERTAIN CLAIMS SEEKING PRIORITY PURSUANT TO 11 U.S.C. § 507(a)(6) - 3

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TRUSTEE'S OMNIBUS OBJECTION TO THE ALLOWANCE OF CERTAIN CLAIMS SEEKING PRIORITY PURSUANT TO 11 U.S.C. § 507(a)(6) - 4

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1 **F. Claims Objected to on Other Bases.**

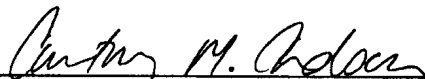
2 Approximately 412 of the Customer Deposit Claims submitted to the Claims Agent are  
3 objected to on some other basis. The majority of these claims constitute Customer Deposit  
4 Claims that were amended or otherwise superseded by another claim. Accordingly, the Trustee  
5 requests that the Court disallow these claims, in whole or in part,

6 **III. CONCLUSION**

7 Therefore, the Trustee requests an order from this Court adjusting the claims on Exhibit  
8 A to the Grassmueck Dec., to reflect the amount, if any, of the claim the Trustee seeks to allow,  
9 and allowing the claims in the stated amounts.

10 DATED this 14th day of April, 2006.

11 FOSTER PEPPER PLLC

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