

Jun 20 2005

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UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 04-60573-CIV-MORENO/SIMONTON

SECURITIES AND EXCHANGE  
COMMISSION,

Plaintiff,

v.

MUTUAL BENEFITS CORP.,  
JOEL STEINGER a/k/a JOEL  
STEINER, LESLIE STEINGER  
a/k/a LESLIE STEINER, PETER  
LOMBARDI and STEVEN STEINER,

Defendants,

VIATICAL BENEFACTORS, LLC,  
VIATICAL SERVICES, INC.,  
KENSINGTON MANAGEMENT, INC.  
RAINY CONSULTING CORP.,  
TWIN GROVES INVESTMENTS, INC.,  
P.J.L. CONSULTING, INC., SKS  
CONSULTING, INC. and CAMDEN  
CONSULTING, INC.,

Relief Defendants.

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**FIFTH REPORT OF THE RECEIVER**

Roberto Martínez, court-appointed receiver (the "Receiver") of Mutual Benefits Corp., Viatical Benefactors, LLC, Viatical Services, Inc., and Anthony Livoti, Jr. and Anthony Livoti, Jr. P.A. solely in their capacity as trustee (collectively the "Receivership Entities"), hereby submits this Fifth Report of the Receiver, as directed by the Court's Order dated June 15, 2005 [D.E. 1107].

**Colson Hicks Eidson**

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**A. The Amount of Funds Remaining in Receivership Accounts.**

The Receivership Entities had the following amounts available to them in their operating accounts as of June 15, 2005:

<b>Mutual Benefits Corp.</b>	<b>\$ 450,181</b>
<b>Viatical Services, Inc.</b>	<b>\$ 1,680,676</b>
<b>Viatical Benefactors, LLC</b>	<b>\$ 158,402</b>

A breakdown of the operating accounts for each of the Receivership Entities is attached as **Exhibit A**. A summary of other funds presently administered by the Receiver or held by the Receivership Entities is attached as **Exhibit B**. In addition, a summary of the funds presently in the pre-closing purchaser escrow accounts is attached as **Exhibit C**. Pursuant to the Court's February 22, 2005 Order, the funds in these accounts are not part of the Receivership Estate, and are presently the subject of the disbursement procedures order by the Court.

The amounts in the operating accounts do not reflect the payment of any fees or costs for the work of the Receiver or of the Receiver's attorneys since June 18, 2004. Although the Court has authorized the payment of fees and expenses submitted in fee applications for work performed through January 31, 2005, the Receiver has not paid out these amounts.<sup>1</sup>

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<sup>1</sup> The amounts in the operating accounts do reflect the payment of fees to the Receiver's accountants and to Integrity Plus Services, but only for their work through September 30, 2004. Although the Court has authorized the payment of fees and expenses submitted in fee applications by these professionals for work performed through January 31, 2005, the Receiver has not paid out any amounts for work performed since September 30, 2004.

**B. The Amount of Funds in the Premium Escrow Accounts.**

The premium escrow accounts had a balance of \$67,236,661 as of June 15, 2005. A breakdown of the premium escrow accounts is attached as **Exhibit D**. (By way of comparison, at the inception of the Receivership, as of May 5, 2004, there was approximately \$104 million in the premium accounts.) As directed and authorized by the Court, the Receiver continues to pay the premiums on all insurance policies, and no insurance policies have been allowed to lapse since the inception of the Receivership. The premiums for all policies are now being paid out of the premium accounts at Regions Bank (f/k/a Union Planters Bank, N.A.).<sup>2</sup> All funds in the Citibank accounts previously maintained by Anthony Livoti, Jr., P.A. as trustee have been exhausted to pay premiums (with the exception of a nominal balance to avoid an overdraft), as have all funds in the VSI "Reserve Account" previously held at Northern Trust Bank. Other than the funds in the operating accounts and other accounts described above, there are no other funds available for the payment of premiums at this time.

**C. The Rate of Usage of Available Funds.**

There are two separate issues regarding the rate of usage of available funds as it relates to the Receivership: (1) the rate of usage for the operations of the Receivership Entities, and (2) the rate of usage for the payment of premiums on all life insurance policies.

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<sup>2</sup> The Regions Bank accounts are money market accounts only, so the Receiver has opened checking accounts at Bank of America to cut the checks needed for payment of premiums. Although there are accounts reflected at Bank of America in Exhibit D, all funds in those checking accounts are in fact drawn from the Regions Bank accounts.

First, with respect to the operations of the Receivership Entities, MBC's approximate monthly expense budget is \$95,000. VSI's approximate monthly expense budget is \$94,000. VBLLC's monthly expenses are negligible at this point. These operational budgets reflect the significant cost savings achieved as a result of moving the Receivership Entities to a new location, as well as other cost savings implemented by the Receiver's operational representatives.

The situation is most serious with respect to MBC. As noted above, the MBC operational accounts held \$450,181 as of June 15, 2005. With monthly expenditures of approximately \$95,000, MBC will likely have exhausted all funds remaining in its operating accounts in slightly less than five months – that is, before November 15, 2005. These monthly expenses do not reflect any expenses for the Receiver or the Receiver's professionals, including accountants, attorneys, tax advisers and certain security personnel.

Second, with respect to the payment of premiums, the monthly average of premiums paid from February 1, 2005 to May 31, 2005 was \$3,134,296. As noted above, as of June 15, 2005, the premium accounts at Regions Bank held a balance of \$67,236,661. Thus, if the monthly premium payments continue at roughly the same rate, the funds in the premium accounts will be exhausted in approximately **21½ months**. A breakdown of this analysis is attached at **Exhibit E**.

It is important to note that this is a non-actuarial estimate and is necessarily lacking in precision. It does not take into account the reductions in average monthly premiums that will result from maturities, which will of course continue to occur. On the other hand, it also does not take into account the increases in average monthly

premiums caused by either scheduled premium increases or the depletion of the cash value balances of specific policies – increases which can be extremely large depending on the face value of the policy, among other things.<sup>3</sup>

**D. Financial Statements for the Receivership Entities.**

This Report also includes the financial statements for the Receivership Entities for the year ending December 31, 2004, and for the first quarter of 2005, which are attached as **Exhibit F** and **Exhibit G**, respectively. The financial statements are unaudited, and the data is derived from the Receivership Entities' accounting records and bank statements.

**E. Status of the Receivership Entities' Move.**

The Receiver was authorized by the Court to terminate the existing leases for the Receivership Entities and enter into new leases in an Order dated March 28, 2005. The Receiver promptly began seeking viable, less expensive alternatives to house the operations and documents of the Receivership Entities. The Receiver has since entered into a lease for office space located at 3000 Gateway Drive in Pompano Beach, Florida. The rent for the new space is approximately \$14,000 per month, which represents a significant savings over the combined monthly rent of \$68,000 previously paid by the Receivership Entities.

The space is sufficient to house the operations of VSI and the remaining

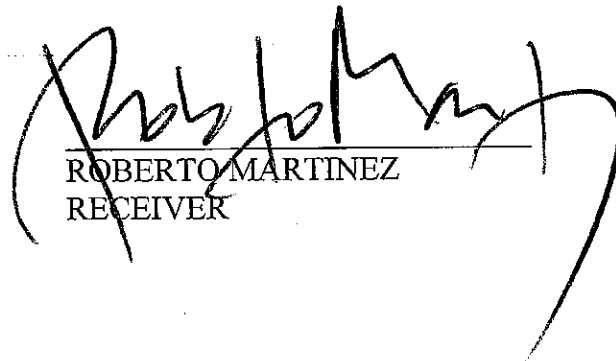
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<sup>3</sup> For example, premiums are currently being paid in connection with two \$5 million dollar life insurance policies for which MBC estimated a life expectancy of 24 months. Based on the insurance carrier's initial projections, a \$90,000 premium payment was made per quarter, per policy, or \$720,000 per year for the two policies. In May 2004, the carrier's re-projections for continuation of coverage increased from \$90,000 to \$217,769 per policy, per quarter, or \$1,742,756.00 per year for the two policies, an increase in excess of \$1 million per year. This insured is already two years beyond life expectancy as estimated by MBC.

operations of MBC, as well as roughly 2,000 boxes of documents moved from MBC. Over the weekend of June 17, 2005, both MBC and VSI were moved to the new office location in Pompano Beach. In addition to saving the Receivership Entities substantial amounts in monthly rent payments, the move will also conserve costs spent on security personnel for the premises, allow the Receivership Entities to share certain office equipment, and increase efficiency by having the Receivership Entities operating out of the same offices.

DATED: June 20, 2005.

Respectfully submitted,



ROBERTO MARTINEZ  
RECEIVER

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing was served by electronic mail to the parties on the attached Receiver's Service List on June 20, 2005.

A handwritten signature in black ink, appearing to read 'CBM', written over a horizontal line.

Curtis Miner

## SERVICE LIST OF RECEIVER

Case No.: 04-60573 CIV-Moreno

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**Exhibit "A"**

**(Summary of Operational Accounts for MBC, VSI and VBLLC)**

**Receivership Of Mutual Benefits Corporation &  
Other Entities And Accounts Under Receivership Control  
Summary Of Mutual Benefits Corp. Operating Accounts  
At June 15, 2005**

<u>Bank</u>	<u>Account Name</u>	<u>Balance at 6/15/05</u>
<b>MBC</b>		
Bank Of America	Money Market Account	\$ 310,531
Bank Of America	Operating Account	137,231
South Trust	Travel Account	2,419
<b>Total MBC</b>		<u>\$ 450,181</u>

**Receivership Of Mutual Benefits Corporation &  
Other Entities And Accounts Under Receivership Control  
Summary Of Viatical Services, Inc. Operating Accounts  
At June 15, 2005**

<u>Bank</u>	<u>Account Name</u>	<u>Balance at 6/15/05</u>
<b>VSI</b>		
CitiBank	Operating Account - Receiver	\$ 188,864
CitiBank	Operating Account - Prior to Receiver	(30)
CitiBank	MM Account - Receiver	1,490,842
CitiBank	MM Account - Prior to Receiver	1,000
<b>Total VSI</b>		<u>\$ 1,680,676</u>

**Receivership Of Mutual Benefits Corporation &  
Other Entities And Accounts Under Receivership Control  
Summary Of Viatical Benefactors, LLC Operating Accounts  
At June 15, 2005**

<u>Bank</u>	<u>Account Name</u>	<u>Balance at 6/15/05</u>
<b>VBLLC</b>		
Suntrust	Operating Account - Receiver	\$ 151,708
Suntrust	Operating Account - Prior to Receiver	2,590
Suntrust	Money Market Account - Suntrust	4,104
<b>Total VBLLC</b>		<u>\$ 158,402</u>

**Exhibit "B"**

**(Summary of Other Funds Held by Receivership Entities)**

**Receivership Of Mutual Benefits Corporation &  
Other Entities And Accounts Under Receivership Control  
Summary Of Other Funds Being Held  
At June 15, 2005**

<u>Bank</u>	<u>Account Name</u>	<u>Balance at 6/15/05</u>
<b>Funds Being Held</b>		
Bank of America	Death Benefits Being Held	\$ 14,458,637
Bank of America	Death Benefits Escrow Account	232,084
Bank of America	Asset Recoveries	127,117
Bank of America	Receiver's Supplemental Account	215,899
Bank Of America	Amex Post-Closing Purchaser Interest	52,651
Northern Trust/RBC Centura	Trust Account - Brinkley McNerny	74,222
	<b>Total Funds Being Held</b>	<u>\$ 15,160,610</u>
<b>CDs</b>		
RBC Centura	Admiralty Bank - CD	\$ 129,581
Citibank/RBC	State Bond CDs	153,335
Wachovia	State Bond CDs	25,000
<b>Restricted Cash</b>		
Northern Trust	Holland & Knight f/b/o Mutual Benefits Corp	426,925
	<b>Total Other</b>	<u>\$ 734,841</u>
	<b>Total Funds Being Held and Other</b>	<u>\$ 15,895,451</u>

**Exhibit "C"**

**(Summary of Pre-Closing Purchaser Escrow Accounts)**



**Receivership Of Mutual Benefits Corporation &  
Other Entities And Accounts Under Receivership Control  
Summary Of Cash from Investors Held Pending Viatical Purchase  
At June 15, 2005**

<u>Bank</u>	<u>Account Name</u>	<u>Balance at 6/15/05</u>
Bank Of America	# Amex Escrow - MM	\$ 788,308
Bank Of America	# Amex Purchase Escrow	337,850
Union Planters	# UP Escrow	102,127,889
Union Planters	# UP - BankSide	<u>1,899,404</u>
<b>Total Cash from Investors Held Pending Viatical Purchase</b>		<b><u>\$ 105,153,451</u></b>

**Exhibit "D"**

**(Summary of Premium Escrow Accounts)**

**Receivership Of Mutual Benefits Corporation &  
Other Entities And Accounts Under Receivership Control  
Summary Of Cash for Premiums on Viaticals Sold to Investors  
At June 15, 2005**

<u>Bank</u>	<u>Account Name</u>	<u>Balance at 6/15/05</u>
CitiBank	Anthony M Livoti Jr. PA, Attorney Special Account (DDA)	\$ 29,612
CitiBank	Anthony M Livoti Premium Escrow Account (MMII)	199
RBC Centura	Anthony M Livoti Jr. PA (MMII)	6,510
Bank of America	Livoti MMI and MMII Checking Account	801,322
Union Planters	UPB Livoti Premium Money Market Account	55,274,621
Bank of America	UPB Livoti Premium Checking	363,549
Union Planters	UPB VBLLC Premium Money Market Account	10,354,785
Bank of America	UPB VBLLC Premium Account	406,063
	<b>Total Cash for Premiums on Viaticals Sold to Investors</b>	<b>\$ 67,236,661</b>

**Exhibit "E"**

**(Analysis of Premium Exhaustion Rate)**

**Receivership of Mutual Benefits Corp. and other Related Entities and Accounts  
under Receivership Control**

**Analysis of Current Premium Payment Rate and Months of Premiums Remaining  
As of June 15, 2005**

	Balance at 6/15/05
Premium Accounts	\$ <u>67,236,661</u>
	Period 2/1/2005 - 5/31/2005
Premiums Paid	
Livoti UPB Premium Checking Account	\$ 5,353,532
Livoti Citibank Premium Checking Account	1,432,068
VBLLC Premium Checking Account	5,472,542
MBC Operating Account	<u>279,042</u>
Total Premiums Paid 2/1/2005 - 5/31/2005	\$ <u>12,537,184</u>
Average Monthly Premium Funds Consumption Rate	\$ <u>3,134,296</u>
Remaining Months of Premium Funds at Current Consumption Rate	<u>21.45</u>

**Exhibit "G"**

**(2004 Financial Statements)**

Mutual Benefits Corporation and Affiliated Entities and Accounts Under Receivership Control  
 Combining Statement of Operations  
 May 5, 2004 to December 31, 2004 (Unaudited)

	Mutual Benefits Corporation	Viatical Savvies, Inc.	Viatical Benefactors, LLC	Eliminations	Receivership (Total)
Commission and Fee Income	\$ 259	\$ -	\$ -	\$ -	\$ 259
Premium Servicing Fees (Note 2)	-	881,172	-	-	881,172
Total Revenues	\$ 259	\$ 881,172	\$ -	\$ -	\$ 881,431
Operating Expenses:					
Salaries, commissions and consulting	540,351	567,886	58,539	-	1,166,776
Depreciation (Note 3)	133,355	3,575	4,178	-	141,108
Rent	485,520	67,657	10,867	-	564,044
Equipment Rental	66,110	7,280	8,408	-	81,798
Accounting Fees	2,146	75	-	-	2,221
Other	16,383	15,824	5,196	-	37,403
Trustee Fees	-	-	1,000	-	1,000
Insurance	457,580	43,716	1,782	-	503,078
Licenses and Permits	19,803	812	252	-	20,867
Medical Records and Exams	6,962	-	-	-	6,962
Copy and Office Expenses	57,109	19,810	980	-	77,899
Postage and Delivery	6,226	166	633	-	7,025
Premium Tracking Expense	-	7,926	-	-	7,926
Security	329,999	124,619	-	-	454,618
Telephone	71,770	21,826	2,971	-	96,567
Total Operating Expenses:	2,193,314	881,172	94,806	-	3,169,292
Income (Loss) From Operations	\$ (2,193,055)	-	(94,806)	-	\$ (2,287,861)
Other Income - Primarily Interest (Net)	41,852	27,203	-	-	69,055
Other Expenses:					
Interest on Settlement (Note 4)	86,324	-	-	-	86,324
Writeoff of Goodwill (Note 5)	-	-	152,396	-	152,396
Writeoff of Retainers / Uncollectible Receivables (Note 6)	498,207	896	19,388	-	518,491
Receivership Expenses (Note 9)	891,737	245,801	-	-	1,137,538
Expenses due to Pre-Receiver Commitments (Note 7)	1,082,522	-	7,400	-	1,089,922
Viator Insurance Premiums Paid	45,067	-	606	-	45,673
Net Loss Before Taxes	(4,755,060)	(219,494)	(274,596)	-	(5,249,150)
Federal, State and Local Taxes (Note 8)	-	-	273,695	-	273,695
Net Loss	\$ (4,755,060)	\$ (219,494)	\$ (548,291)	\$ -	\$ (5,522,845)

**Mutual Benefits Corporation and Affiliated Entities and Accounts Under Receivership Control**  
**Notes to Combining Statement of Operations for Partial Year**  
**May 5, 2004 to December 31, 2004 (Unaudited)**

**Note 1. Basis Of Preparation.** The *Combining Statements of Operations of Mutual Benefits And Affiliated Entities And Accounts Under Receivership Control* include the following entities and accounts: Mutual Benefits Corporation ("MBC"), Viatical Services, Inc ("VSI"), and Viatical Benefactors LLC ("VBLLC"). The combining financial statements were not prepared in accordance with GAAP (the notes herein describe the basis of accounting methods used), but are based upon MBC et. al. continuing as a going concern wherein the assets will be realized and liabilities will be paid in the ordinary course of business.

On May 4, 2004, the United States Southern District Court entered a Temporary Restraining Order (the "TRO"), in part restraining MBC and VBLLC from engaging in new business. At the same time the Court entered its Order Appointing Receiver, which among other things appointed the Receiver and directed him to take control of the Receivership Entities. While the ultimate resolution of the entities' status remain uncertain, there is substantial doubt that the entities will be able to continue as going concerns. The accompanying financial statements do not include any adjustments to present the entities on a liquidating basis and such adjustments could be material.

**Note 2. Premium Servicing Fees.** VSI was paid a fee at the closing of each policy. These fees were intended to provide VSI with the funds required to service the premium payments and track the insureds over the remaining life of each policy and to file the death claim upon each policy's maturity. When the Receiver assumed control over VSI, its books and records reflected unearned revenues of \$2,492,366.86. Given the current unavailability of reliable actuarial estimates, premium servicing fees earned for the period have been limited to the expenses incurred during the period. The Receiver and his professionals are currently analyzing the appropriate financial statement and tax treatment of these revenue recognition policies.

**Note 3. Depreciation expense.** This is based on an allocation of the full year depreciation expense with eight months being allocated to the Receivership and 4 months to the pre-Receivership timeframe.

**Note 4. Interest on Settlement.** Under the terms of a Settlement Agreement dated June 2003, as amended, the Company was previously obligated to pay to certain parties a principal amount of \$2,165,000 and interest on the outstanding principal balance. The amount shown as interest expense represents interest payable for the last 8 months of the year. No payments of interest were made during this period.

**Note 5. Goodwill.** In 2004, a Receiver was appointed over various entities including Viatical Benefactors LLC ("VBLLC"). Per Court Order, VBLLC was prevented from obtaining new life insurance policies. Since this was the primary function of the business, the company has essentially ceased all business practices. As of January 1, 2004, the company had Goodwill on its books of \$134,801. Subject to a reversal of the decision of the courts, the value of the Goodwill of the company is considered fully impaired as of December 31, 2004 and was fully written off at this date.

**Note 6. Writeoff of Uncollectible Receivables.** The Receivership has analyzed receivables due from various parties and has established certain reserves to reflect the costs of collections and the possible writeoff of bad debt for certain uncollectible receivables.

**Note 7. Expenses due to Pre-Receiver Commitments.** MBC, VSI and VBLLC had certain arrangements with vendors prior to May 5, 2004 and the entities continue to receive invoices per these arrangements. Pending the ultimate resolution of claims made by creditors, the receivership entities continue to record these payables and related expenses.

**Note 8. Income Taxes Payable.** Prior to the Receivership, Viatical Benefactors, LLC elected to treat itself as a tax paying entity. As such an accrual was made for the anticipated federal, local and state taxes payable by the entity.



**Mutual Benefits Corporation and Affiliated Entities and Accounts Under Receivership Control**  
**Notes to Combining Statement of Operations for Partial Year**  
**May 5, 2004 to December 31, 2004 (Unaudited)**

**Note 9. Professional Fees and Costs.** The Receiver has retained various professionals to support the operations of the Receivership. A first fee application was submitted to the court for professional fees and costs incurred from May 5, 2004 through June 18, 2004. Judge Moreno issued Orders in November 2004 and December 2004 approving these professional fees. Second Fee Applications were submitted in December 2004. While these fees are not included in Accrued Expenses, the following chart summarizes the total fees and costs submitted, the amounts approved and the amounts pending as of December 31, 2004:

<u>Company</u>	<u>Fees Sought</u>	<u>Costs Sought</u>	<u>Total Amount Sought</u>	<u>Amount Approved</u>	<u>Amount Paid</u>	<u>Amount Pending @12/31/04</u>
Colson Hicks Eidson	508,657	16,481	525,138	227,460	80,709	444,429
Kozyak Tropin & Throckmorton, P.A.	550,230	51,304	601,534	376,041	376,041	225,493
Berkowitz Dick Pollack & Brant	422,396	-	422,396	228,589	228,589	193,807
Integrity Plus Services	266,313	6,909	273,222	190,689	190,689	82,533
Garden City Group	98,687	1,316	100,004	50,946	50,946	49,058
Rachlin Cohen & Holtz	41,321	135	41,456	33,693	33,693	7,763
Allen Norton & Blue	12,256	316	12,572	10,547	10,547	2,025
<b>Totals</b>	<b>\$ 1,899,860</b>	<b>\$ 76,461</b>	<b>\$ 1,976,321</b>	<b>\$ 1,117,965</b>	<b>\$ 971,214</b>	<b>\$ 1,005,107</b>

Mutual Benefits Corporation and Affiliated Entities and Accounts Under Receivership Control  
 Combining Balance Sheet  
 December 31, 2004 (Unaudited)

**ASSETS**

Current Assets:

Cash Available for Operations (Note 2)	\$ 1,314,014	\$ -	\$ -	\$ 214,800	\$ 2,580,509	\$ -	\$ -	\$ -	\$ 4,109,323
Cash for Premiums on Viaticals Sold to Investors (Note 9)	-	82,071,619	-	-	-	401,868	-	-	82,473,487
Restricted Cash (Note 8)	-	426,925	-	-	720,610	-	-	-	1,147,535
Note Receivable - Officer (Note 4)	1,227,994	-	-	-	-	-	-	(590,584)	1,227,994
Due from Receivership Entity (Note 5)	590,584	-	-	-	-	-	-	-	-
Prepaid Expenses (Note 7)	192,833	-	-	-	301,054	-	-	-	493,887
Total Current Assets	3,325,425	82,498,544	214,800	214,800	3,602,173	401,868	(590,584)	-	89,452,226

Office Furniture and Equipment, net (Note 8)

365,680

Other Assets:

Restricted Cash from Death Benefit Proceeds, includes earned interest of \$7,089 (Note 3)	5,277,879	-	-	-	-	-	-	-	5,277,879
Funds Held - Other (Note 6)	139,601	-	-	-	-	-	-	-	139,601
Investments in Policies, at Cost (Note 10)	2,440,893	-	-	-	-	-	-	-	2,440,893
Lease Deposits and Other (Note 11)	413,342	-	-	-	-	-	-	-	413,342
Retainers, net (Note 12)	697,409	-	-	-	-	-	-	-	697,409
Other	2,158	-	-	-	-	-	-	-	2,158

Total Assets

\$ 12,662,387

**LIABILITIES AND SHAREHOLDER'S EQUITY**

Current Liabilities:

Accounts Payable and Accrued Expenses (Notes 13, 16)	\$ 260,451	\$ -	\$ 23,329	\$ 31	\$ -	\$ -	\$ -	\$ -	\$ 283,811
Income Taxes Payable (Note 14)	-	-	255,000	-	-	-	-	-	255,000
Due to Receivership Entity (Note 5)	-	-	-	-	590,584	-	-	(590,584)	-
Funds Held for Premiums on Viaticals Sold to Investors (Note 9)	-	82,071,619	-	-	-	401,868	-	-	82,473,487
Funds Held for Restricted Use (Note 8)	-	426,925	-	-	248,328	-	-	-	675,253
Other Payables	-	-	-	-	5,629	-	-	-	5,629
Total Current Liabilities	260,451	82,498,544	278,329	844,572	844,572	401,868	(590,584)	-	83,693,180

Long Term Liabilities:

Funds Held from Death Benefit Proceeds (Note 3)	5,270,790	-	-	-	-	-	-	-	5,270,790
Funds Held - Other (Note 6)	139,601	-	-	-	-	-	-	-	139,601
Investments in Policies Held for Restricted Use (Note 10)	2,440,893	-	-	-	-	-	-	-	2,440,893
Pre-Receivership Obligations (Note 15)	2,443,852	-	-	-	-	-	-	-	2,443,852
Settlement Payable (Note 16)	1,590,857	-	-	-	-	-	-	-	1,590,857
Unearned Viatical Management Services (Note 17)	-	-	-	-	2,326,888	-	-	-	2,326,888
Total Long Term Liabilities	11,885,993	-	-	-	2,326,888	-	-	-	14,212,881

Shareholder's Equity (Deficit):

Common Stock	100	-	100	-	-	-	-	-	300
Additional Paid-In Capital	19,900	-	50,000	-	-	-	-	-	69,900
Retained Earnings (Accumulated Deficit)	495,943	-	(67,228)	436,083	-	-	-	-	864,798
Total Shareholder's Equity (Deficit)	515,943	-	(17,128)	436,183	-	-	-	-	934,988

\$ 12,662,387

\$ 82,498,544

\$ 261,201

\$ 3,607,643

\$ 401,868

\$ (590,584)

\$ 98,841,059

Mutual Benefits Purchase Escrow Accounts (Non-Consolidated)  
Combining Balance Sheet  
December 31, 2004 (Unaudited)

**ASSETS**

Current Assets:	
Due from Escrow Agent (Note 19)	\$ 105,280,324
Total Assets	<u>\$ 105,280,324</u>

**LIABILITIES AND SHAREHOLDER'S EQUITY**

Current Liabilities:	
Purchaser deposits held by escrow agent (Note 19)	\$ 105,280,324
Total Liabilities	<u>105,280,324</u>
Total Shareholder's Equity	<u>-</u>
Total Liabilities and Shareholder's Equity	<u>\$ 105,280,324</u>

**Mutual Benefits Corporation and Affiliated Entities and Accounts Under Receivership Control**  
**Combining Statements of Operations and Retained Earnings (Accumulated Deficit)**  
**Year Ended December 31, 2004 (Unaudited)**

	Mutual Benefits Corporation	Viatical Benefactors LLC	Viatical Services, Inc.	Eliminations	Receivership (Total)
Commission and Fee Income	\$ 107,789,324	\$ 5,067,405	\$ -	\$ (860,472)	\$ 111,996,257
Premium Servicing Fees	-	-	1,316,547	-	1,316,547
Direct Costs	(74,783,461)	(4,758,692)	-	860,472	(78,681,681)
Gross Profit	\$ 33,005,863	\$ 398,713	\$ 1,316,547	\$ -	\$ 34,631,123
Operating Expenses:					
Salaries, Commissions and Consulting	28,545,433	125,043	878,235	-	29,548,711
Contributions	1,578,560	-	2,500	-	1,581,060
Copying and Office Expenses	197,975	8,346	30,420	-	236,741
Depreciation and Amortization	200,033	4,178	5,363	-	209,574
Insurance	767,837	3,363	85,167	-	856,367
Licenses and Permits	89,157	4,092	999	-	94,248
Marketing, Advertising and Seminars	1,048,654	-	-	-	1,048,654
Medical Records and Exams	232,664	6,000	-	-	238,664
Other	201,776	55,768	35,640	-	293,184
Postage and Delivery	315,985	1,908	6,212	-	324,105
Premium Tracking Expense	-	-	8,830	-	8,830
Professional Fees - Accounting	93,005	9,961	75	-	103,041
Professional Fees - Legal	1,483,396	27,148	3,210	-	1,513,754
Rent - Equipment	111,105	12,715	10,596	-	134,416
Rent - Office	670,688	16,247	92,188	-	779,123
Security	329,989	-	124,619	-	454,618
Telephone	199,803	5,068	32,493	-	237,364
Travel	662,016	-	-	-	662,016
Trustee Fees	322,540	12,000	-	-	334,540
	\$ 37,050,626	\$ 291,837	\$ 1,316,547	\$ -	\$ 38,659,010
Income (Loss) From Operations	(4,044,763)	16,876	-	-	(4,027,887)
Other Income - Primarily Interest	47,018	4	39,565	-	86,587
Other Expenses:					
Interest on Settlement (Note 16)	181,309	-	-	-	181,309
Write-Off of Goodwill (Note 20)	-	152,396	-	-	152,396
Write-Off of Retainers / Uncollectible Receivables	488,207	19,290	896	-	518,393
Receivership Expenses	1,061,118	-	245,801	-	1,306,919
Viator Insurance Premiums Paid	721,688	731	-	-	722,419
Loss before Taxes	(6,460,067)	(155,537)	(207,132)	-	(6,822,736)
Federal, State and Local Taxes	-	273,764	-	-	273,764
Net Loss	(6,460,067)	(429,301)	(207,132)	-	(7,096,500)
Retained Earnings - Beginning of the Year	11,149,870	342,933	643,215	-	12,136,018
Reduction in Equity for Investments Stated at Cost (Note 10)	(2,440,899)	-	-	-	(2,440,899)
Distributions to Shareholder	(1,752,967)	-	-	-	(1,752,967)
Retained Earnings (Accumulated Deficit) - End of the Year	\$ 495,943	\$ (96,368)	\$ 436,083	\$ -	\$ 845,658

**Mutual Benefits Corporation and Affiliated Entities and Accounts Under Receivership Control**  
**Notes to Combining Financial Statements**  
**December 31, 2004 (Unaudited)**

**Note 1. Basis Of Preparation.** The *Combining Balance Sheet of Mutual Benefits Corporation And Affiliated Entities And Accounts Under Receivership Control* include the following entities and accounts: Mutual Benefits Corporation ("MBC"), Mutual Benefits Corporation Premium Accounts, Viatical Services, Inc ("VSI"), Anthony Livoti PA ("Livoti") Premium Accounts, Viatical Benefactors LLC ("VBLLC"), and Viatical Benefactors LLC Premium Accounts (referred to collectively as "MBC et. al."). The *Combining Statements of Operations and Retained Earnings of Mutual Benefits And Affiliated Entities And Accounts Under Receivership Control* include the following entities and accounts: Mutual Benefits Corporation ("MBC"), Viatical Services, Inc ("VSI"), and Viatical Benefactors LLC ("VBLLC"). The combining financial statements were not prepared in accordance with GAAP (the notes herein describe the basis of accounting methods used), but are based upon MBC et. al. continuing as a going concern wherein the assets will be realized and liabilities will be paid in the ordinary course of business. Additionally, MBC et al. has elected to present selected note disclosures to the combining financial statements and has omitted the combining statement of cash flows.

On May 4, 2004, the United States Southern District Court entered a Temporary Restraining Order (the "TRO"), in part restraining MBC and VBLLC from engaging in new business. At the same time the Court entered its Order Appointing Receiver, which among other things appointed the Receiver and directed him to take control of the Receivership Entities. While the ultimate resolution of the entities' status remains uncertain, there is substantial doubt that the entities will be able to continue as going concerns. The accompanying financial statements do not include any adjustments to present the entities on a liquidating basis and such adjustments could be material.

**Note 2. Cash Available for Operations.** Cash available for operations arise primarily from funds that were in the operating and money market accounts of the Receivership Entities at the time the receivership was put in place. On June 29, 2004, an order was entered by the Court giving the Receiver the authority to pay insurance premiums for all policies from the various premium escrow accounts including premiums for those policies that were previously paid out of the MBC operating account. As such, the Receiver paid premiums previously paid out of the MBC operating account, first, using funds from the VSI Northern Trust Premium Reserve account and then from the Union Planters Premium Accounts. The only other source of funds for the operating accounts is interest earned on operating funds.

**Note 3. Restricted Cash from Death Benefit Proceeds.** Funds received from insurance policy maturity claims are being deposited into a separate interest bearing account. These funds include death benefit proceeds, interest on death benefits paid by the insurance companies, return of unearned insurance premiums and interest on the funds in the account paid by the bank.

**Note 4. Note Receivable - Officer.** This account includes a demand note receivable, principal balance of \$1,160,000 dated February 28, 2002, from Steven Steiner. MBC earns interest on the principal balance, accrued at the IRS blended annual rate as specified in the note, which amounted to \$67,994 through December 31, 2004. The Receiver has made a demand for repayment of the note and has filed a lawsuit in an attempt to collect these funds. At this time, the Receiver believes the principal and accrued interest are fully collectible.

**Note 5. Due from/(to) Receivership Entity.** The amount due to MBC from VSI is composed of two parts. MBC made payments, approved by the court, to various professionals. An allocation of these amounts determined that VSI was responsible for a portion of these costs. At December 31, 2004, the amount due to MBC for this expense allocation was \$118,301. On June 29, 2004, an order was entered allowing the Receiver to use all premium accounts to pay any premiums due. The Receiver has determined that premiums paid out of the MBC operating account on and after June 29, 2004 be reimbursed firstly from the VSI premium reserve account at Northern Trust and then from the Union Planters Premium Accounts. At December 31, 2004, MBC was due a reimbursement from the VSI account in the amount of \$472,283, which was paid in January 2005.

**Note 6. Other Funds Being Held.** Over the course of the Receivership, the Receiver has collected funds on behalf of the Receivership from various sources including death benefit proceeds from insurance policies, stock dividends, interest and other ancillary revenues. These funds are being deposited into interest bearing accounts pending determination of their ultimate disposition. Historically, these funds were used to pay existing policy premiums.

**Note 7. Prepaid Expenses.** Prepaid expenses include \$379,315 in prepaid insurance policy premiums relating to the year ended 2005. Additionally, prepaid expenses also include prepaid rents and other insurance expenses, paid in 2004, relating to 2005.

**Mutual Benefits Corporation and Affiliated Entities and Accounts Under Receivership Control**  
**Notes to Combining Financial Statements**  
**December 31, 2004 (Unaudited)**

**Note 8. Restricted Cash.** Consists of: (1) \$426,925 in a Holland & Knight escrow trust account for the benefit of MBC, which are restricted pending legal matters. The Holland & Knight escrow trust account balance is as of June 30, 2004 and does not reflect any accrued interest and/or bank fees incurred from July 1, 2004 through December 31, 2004. (2) \$720,610 in a Brinkley McNerney trust account for the benefit of VSI, which contains insurance premium reserves set aside at the closings. \$100 from each closing was placed in this account as a reserve for future premium payments. As of June 29, 2004, premiums being paid from the MBC operating account were to be reimbursed from this Trust Account. The total amount of premiums paid from the MBC Operating Account from June 29, 2004 to December 31, 2004 was \$472,282. This amount is reflected in the Due to Receivership Entity line for VSI. At December 31, 2004, the remaining \$248,328 of the Trust Account remained as a liability of VSI and was used to pay premiums in January 2005.

**Note 9. Cash For Premiums On Viaticals Sold To Investors & Funds Held For Premiums On Viaticals Sold To Investors.** At the time life insurance policies were sold to investors, a portion of the investors' funds were paid into a premium account to pay life insurance policy premiums during the insured's life expectancy. Information has come to the attention of the Receiver that suggests that: (a.) a significant number of insureds outlived the life expectancy that was represented to the respective investors by MBC; (b.) the premiums set aside for such policies have been exhausted; (c.) in order to continue to fund these insurance policies, MBC used premium funds that were received from other investors that purchased other policies and to a lesser extent other sources of funds (e.g., policy dividends, proceeds from demutualization of insurance policies, etc.); and (d.) that significant additional insureds are likely to outlive the life expectancies represented by MBC. The combining financial statements do not reflect any reserves or other adjustment related to these potential circumstances.

Beginning in 1996, Livoti, as trustee, entered into an agreement with MBC whereby, in addition to serving, at times, as the owner of most of the policies, Livoti also agreed to make the payment of premiums from funds identified at the time of closing and transferred to Livoti's control. According to VSI and Livoti, the funds used by Livoti to make the premium payments on these policies were maintained in four money market accounts located at three different banks. The money market accounts are referred to by MBC, VSI, and Livoti as MMI for one of the accounts or MMII collectively for a group of three money market accounts. As of December 31, 2004, the balance in these accounts was approximately \$401,868. The Receiver continued to use these funds until mid-January 2005, at which point the funds were exhausted to their current level of \$29,612. Currently, premiums for these policies are being paid from the Union Planters Mutual Benefits Corporation premium account.

With the exception of policies sold to investors by MBC in the early years (1994 - 1997) which are paid from MBC's operating account (these amounts are subject to reimbursement from the Premium accounts since June 29, 2004), all other premiums are paid through premium accounts maintained at Union Planters Bank, N.A. ("UPBNA") which is now known as Regents Bank. The UPBNA accounts are used to pay premiums for policies owned by MBC and VBLLC (Texas and California policies). The funds in these accounts are made up of monies escrowed for the payment of premiums for policies purchased by or through MBC or VBLLC beginning around June, 2002 when MBC entered into an escrow agreement with American Express Business Services, Inc. ("AMEX") whereby, among other services, AMEX set up a premium account at Bank of America to pay premiums from funds paid into the account at the time of closing.

In approximately April, 2003, pursuant to an agreement and a purchase escrow agreement between UPBNA and MBC, the funds in the AMEX premium accounts were transferred to premium accounts set up a UPBNA. The VBLLC premium funds were also transferred at that time into a separate VBLLC UPBNA premium account; however, there does not appear to be a separate premium escrow agreement between VBLLC and UPBNA. For most policies purchased after April 2003, MBC designated funds that were to be used to pay premiums on closed policies. These funds were collected at closing and deposited into UPBNA premium accounts.

**Mutual Benefits Corporation and Affiliated Entities and Accounts Under Receivership Control**  
**Notes to Combining Financial Statements**  
**December 31, 2004 (Unaudited)**

**Note 10. Investments in Policies at Cost.** MBC has acquired interests in various policies over time by refunding monies to investors. These interest in policies are stated at cost. It is anticipated at this time that any assets realized from the sale/maturity of these investments will be distributed in some manner to investors of MBC.

Additionally, certain policies were not fully placed with investors as of May 5, 2004. The unplaced portion of these investments represented \$52,960,167 of the total death benefits of these policies which is \$84,904,300. On certain of these policies, no funds were received for payment of premiums. Based on life expectancies projected by MBC prior to the Receivership, \$9,176,704 should have been deposited in the UPBNA premium account. However, because of the timing of the Receivership, this \$9,176,704 remains in the Purchase Escrow Accounts which the Court has determined is outside of the Receivership. Nonetheless, the need to fund these premiums remains an obligation of the Receivership.

Although MBC has no cost basis in these policies, certain additional amounts may be realized upon their sale/maturity. The value of these investments, and any gain/loss realized, will be determined upon their disposition.

**Note 11. Lease Deposits and Other Assets.** Includes a \$129,581 CD backing a \$60,000 letter of credit securing the lease on 200 East Broward Blvd., 11th floor, \$31,033 CD securing the lease on 200 East Broward Blvd., 10th floor, approximately \$252,000 in CDs securing various State bonds in conjunction with licenses.

**Note 12. Retainers.** MBC, prior to the receivership, paid monies to various law firms in anticipation of the need for their legal services. At December 31, 2004, the gross amount of Retainers was \$997,409. While the Receiver has initiated steps to have these retainers returned to MBC, \$300,000 has been written off, with the remainder expected to be recovered. Retainers are reported net of this writeoff.

**Note 13. Accounts Payable.** Accounts Payable represents only those payables where the Receiver has made a determination that the payment of which provides on-going and/or necessary benefits to the Receivership. Amounts representing obligations that existed or were caused to be incurred prior to the Receivership have been included in the Other Liabilities Section under Pre-Receivership Obligations. Accrued expenses include those expenses that were paid in 2005 for which services/goods were provided in 2004.

**Note 14. Income Taxes Payable.** Prior to the Receivership, Viatical Benefactors, LLC elected to treat itself as a tax paying entity. As such an accrual was made for the anticipated federal, local and state taxes payable by the entity.

**Note 15. Pre-Receivership Obligations.** MBC, VSI and VBLLC had certain arrangements with vendors prior to May 5, 2004 and the entities continue to receive invoices per these arrangements. Pending the ultimate resolution of claims made by creditors, the receivership entities continue to record these payables and related expenses.

**Note 16. Settlement Payable.** Under the terms of a Settlement Agreement dated June 2003, as amended, the Company was previously obligated to pay to certain parties a principal amount of \$2,165,000. As a result of certain interest accruals, interest and principal payments, the Company currently reflects an obligation of approximately \$1,590,857 at December 31, 2004 related to this settlement including interest expense recorded, but not paid in 2004.

**Note 17. Unearned Viatical Management Services.** VSI was paid a fee at the closing of each policy. These fees were intended to provide VSI with the funds required to service the premium payments and track the insureds over the remaining life of each policy and to file the death claim upon each policy's maturity. When the Receiver assumed control over VSI, its books and records reflected unearned revenues of \$2,492,366.86. Given the current unavailability of reliable actuarial estimates, premium servicing fees earned for the period have been limited to the expenses incurred during the period. The Receiver and his professionals are currently analyzing the appropriate financial statement and tax treatment of these revenue recognition policies.

**Mutual Benefits Corporation and Affiliated Entities and Accounts Under Receivership Control**  
**Notes to Combining Financial Statements**  
**December 31, 2004 (Unaudited)**

**Note 18. Professional Fees and Costs.** The Receiver has retained various professionals to support the operations of the Receivership. A first fee application was submitted to the court for professional fees and costs incurred from May 5, 2004 through June 18, 2004. Judge Moreno issued Orders in November 2004 and December 2004 approving these professional fees. Second Fee Applications were submitted in December 2004. While these fees are not included in Accrued Expenses, the following chart summarizes the total fees and costs submitted, the amounts approved and the amounts pending as of December 31, 2004:

<u>Company</u>	<u>Fees Sought</u>	<u>Costs Sought</u>	<u>Total Amount Sought</u>	<u>Amount Approved</u>	<u>Amount Paid</u>	<u>Amount Pending @12/31/04</u>
Colson Hicks Eidson	508,657	16,481	525,138	227,460	80,709	444,429
Kozyak Tropin & Throckmorton, P.A.	550,230	51,304	601,534	376,041	376,041	225,493
Berkowitz Dick Pollack & Brant	422,396	-	422,396	228,589	228,589	193,807
Integrity Plus Services	266,313	6,909	273,222	190,689	190,689	82,533
Garden City Group	98,687	1,316	100,004	50,946	50,946	49,058
Rachlin Cohen & Holtz	41,321	135	41,456	33,693	33,693	7,763
Allen Norton & Blue	12,256	316	12,572	10,547	10,547	2,025
<b>Totals</b>	<b>\$ 1,899,860</b>	<b>\$ 76,461</b>	<b>\$ 1,976,321</b>	<b>\$ 1,117,965</b>	<b>\$ 971,214</b>	<b>\$ 1,005,107</b>

**Note 19. Due from Escrow Agent.** According to an order issued by Judge Moreno in February 2004, funds paid by the investor into the various purchaser escrow accounts of MBC are not considered assets of the company and are being held in the purchaser escrow accounts pending a final order for distribution of these funds to the investors. As these are not considered assets of the Receivership, they have been placed in a separate non-combining column with a corresponding liability for the funds.

**Note 20. Goodwill.** In 2004, a Receiver was appointed over various entities including Viatical Benefactors LLC ("VBLLC"). Per Court Order, VBLLC was prevented from obtaining new life insurance policies. Since this was the primary function of the business, the company has essentially ceased all business practices. As of January 1, 2004, the company had Goodwill on its books of \$152,396. Subject to a reversal of the decision of the courts, the value of the Goodwill of the company is considered fully impaired as of December 31, 2004 and was fully written off at this date.



**Exhibit "H"**

**(1<sup>st</sup> Quarter 2005 Financial Statements)**

Mutual Benefits Corporation and Affiliated Entities and Accounts Under Receivership Control  
 Combining Balance Sheet  
 March 31, 2005 (Unaudited)

**ASSETS**

Current Assets:	Mutual Benefits Corporation	Union Planters Premium Accounts	Viatical Benefactors LLC	Viatical Services Inc.	Livoti PA Premium Accounts	Receivership (Total)
Cash Available for Operations (Note 2)	\$ 1,204,262	-	\$ 161,643	\$ 2,073,960	-	\$ 3,439,865
Cash for Premiums on Viaticals Sold to Investors (Note 8)	-	72,737,041	-	-	36,435	72,773,476
Restricted Cash (Note 7)	-	426,925	-	-	-	426,925
Note Receivable - Officer (Note 4)	1,234,073	-	-	-	-	1,234,073
Prepaid Expenses (Note 6)	30,191	-	-	301,054	-	331,245
Total Current Assets	<u>2,468,526</u>	<u>73,163,966</u>	<u>161,643</u>	<u>2,375,014</u>	<u>36,435</u>	<u>78,205,584</u>
Office Furniture and Equipment, net	320,363	-	26,067	9,763	-	356,193
Other Assets:						
Restricted Cash from Death Benefit Proceeds, includes earned interest of \$7,089 (Note 3)	9,981,749	-	-	-	-	9,981,749
Funds Held - Other (Note 5)	180,920	-	-	-	-	180,920
Investments in Policies, at Cost (Note 9)	2,440,893	-	-	-	-	2,440,893
Lease Deposits and Other (Note 10)	413,689	-	-	-	-	413,689
Retainers, net (Note 11)	697,001	-	-	-	-	697,001
Total Assets	<u>\$ 16,503,141</u>	<u>\$ 73,163,966</u>	<u>\$ 187,710</u>	<u>\$ 2,384,777</u>	<u>\$ 36,435</u>	<u>\$ 92,276,029</u>

**LIABILITIES AND SHAREHOLDER'S EQUITY**

Current Liabilities:	\$ 85,912	-	\$ 19,389	\$ 8,406	-	\$ 113,707
Accounts Payable and Accrued Expenses (Notes 12, 17)	-	-	250,000	-	-	250,000
Income Taxes Payable (Note 13)	-	72,737,041	-	-	36,435	72,773,476
Funds Held for Premiums on Viaticals Sold to Investors (Note 8)	-	426,925	-	-	-	426,925
Funds Held for Restricted Use (Note 7)	-	-	-	9,222	-	9,222
Other Payables	-	-	-	-	-	-
Total Current Liabilities	<u>85,912</u>	<u>73,163,966</u>	<u>269,389</u>	<u>17,628</u>	<u>36,435</u>	<u>73,573,330</u>
Long Term Liabilities:						
Funds Held from Death Benefit Proceeds (Note 3)	9,974,660	-	-	-	-	9,974,660
Funds Held - Other (Note 5)	180,920	-	-	-	-	180,920
Investments in Policies Held for Restricted Use (Note 9)	2,440,893	-	-	-	-	2,440,893
Pre-Receivership Obligations (Note 14)	2,543,852	-	-	-	-	2,543,852
Settlement Payable (Note 15)	1,627,853	-	-	1,948,621	-	1,627,853
Unearned Viatical Management Services (Note 16)	-	-	-	1,948,621	-	1,948,621
Total Long Term Liabilities	<u>16,768,178</u>	<u>-</u>	<u>-</u>	<u>1,948,621</u>	<u>-</u>	<u>18,716,799</u>
Shareholder's Equity (Deficit):						
Common Stock	100	-	100	100	-	300
Additional Paid-In Capital	19,900	-	50,000	-	-	69,900
Retained Earnings (Accumulated Deficit)	(370,949)	-	(131,779)	418,428	-	(84,300)
Total Shareholder's Equity (Deficit)	<u>(350,949)</u>	<u>-</u>	<u>(81,679)</u>	<u>418,528</u>	<u>-</u>	<u>(14,100)</u>
	<u>\$ 16,503,141</u>	<u>\$ 73,163,966</u>	<u>\$ 187,710</u>	<u>\$ 2,384,777</u>	<u>\$ 36,435</u>	<u>\$ 92,276,029</u>

Mutual Benefits Purchase Escrow Accounts (Non-Consolidated)  
Combining Balance Sheet  
March 31, 2005 (Unaudited)

**ASSETS**

Current Assets:	
Due from Escrow Agent (Note 18)	<u>\$ 105,280,324</u>
Total Assets	<u>\$ 105,280,324</u>

**LIABILITIES AND SHAREHOLDER'S EQUITY**

Current Liabilities:	
Purchaser deposits held by escrow agent (Note 18)	<u>\$ 105,280,324</u>
Total Liabilities	<u>105,280,324</u>
Total Shareholder's Equity	<u>-</u>
Total Liabilities and Shareholder's Equity	<u>\$ 105,280,324</u>

Mutual Benefits Corporation and Affiliated Entities and Accounts Under Receivership Control  
Combining Statements of Operations and Retained Earnings (Accumulated Deficit)  
Three Months Ended March 31, 2005 (Unaudited)

	Mutual Benefits Corporation	Vitalical Benefactors LLC	Vitalical Services Inc.	Eliminations	Receivership (Total)
Premium Servicing Fees (Note 16)	\$ -	\$ -	\$ 378,934	\$ -	\$ 378,934
Operating Expenses:					
Salaries, Commissions and Consulting	192,670	16,279	211,128	-	420,077
Copying and Office Expenses	16,379	494	11,843	-	28,716
Depreciation and Amortization	45,317	1,045	1,887	-	48,249
Insurance	100,540	-	48,825	-	149,365
Licenses and Permits	5,882	1,306	350	-	7,538
Medical Records and Exams	1,874	25	-	-	1,899
Other	1,958	649	9,524	-	12,131
Postage and Delivery	9,563	89	3,034	-	12,686
Premium Tracking Expense	-	-	3,165	-	3,165
Professional Fees - Accounting	1,679	-	-	-	1,679
Rent - Equipment	25,352	2,978	4,046	-	32,376
Rent - Office	182,280	4,200	25,870	-	212,350
Security	69,180	-	54,560	-	123,740
Telephone	17,262	697	4,702	-	22,661
Total Operating Expenses:	669,936	27,762	378,934	-	1,076,632
Income (Loss) From Operations	(669,936)	(27,762)	-	-	(697,698)
Other Income - Primarily Interest	8,312	-	8,257	-	16,569
Other Expenses:					
Interest on Settlement (Note 15)	37,024	-	-	-	37,024
Receivership Expenses	9,431	-	10,286	-	19,717
Expenses related to Commitments - Pre-Receiver (Note 19)	100,622	2,000	-	-	102,622
Viator Insurance Premiums Paid	58,191	-	-	-	58,191
Loss before Taxes	(866,892)	(29,762)	(2,029)	-	(898,683)
Federal, State and Local Taxes	-	15,499	15,627	-	31,126
Net Loss	(866,892)	(45,261)	(17,656)	-	(929,809)
Retained Earnings (Accumulated Deficit) - Beginning of the Year	495,943	(86,518)	436,083	-	845,508
Retained Earnings (Accumulated Deficit) - End of the Period	\$ (370,949)	\$ (131,779)	\$ 418,427	\$ -	\$ (84,301)

**Mutual Benefits Corporation and Affiliated Entities and Accounts Under Receivership Control**  
**Notes to Combining Financial Statements**  
**March 31, 2005 (Unaudited)**

**Note 1. Basis Of Preparation.** The *Combining Balance Sheet of Mutual Benefits Corporation And Affiliated Entities And Accounts Under Receivership Control* include the following entities and accounts: Mutual Benefits Corporation ("MBC"), Mutual Benefits Corporation Premium Accounts, Viatical Services, Inc ("VSI"), Anthony Livoti PA ("Livoti") Premium Accounts, Viatical Benefactors LLC ("VBLLC"), and Viatical Benefactors LLC Premium Accounts (referred to collectively as "MBC et. al."). The *Combining Statements of Operations and Retained Earnings of Mutual Benefits And Affiliated Entities And Accounts Under Receivership Control* include the following entities and accounts: Mutual Benefits Corporation ("MBC"), Viatical Services, Inc ("VSI"), and Viatical Benefactors LLC ("VBLLC"). The combining financial statements were not prepared in accordance with GAAP (the notes herein describe the basis of accounting methods used), but are based upon MBC et. al. continuing as a going concern wherein the assets will be realized and liabilities will be paid in the ordinary course of business. Additionally, MBC et al. has elected to present selected note disclosures to the combining financial statements and has omitted the combining statement of cash flows.

On May 4, 2004, the United States Southern District Court entered a Temporary Restraining Order (the "TRO"), in part restraining MBC and VBLLC from engaging in new business. At the same time the Court entered its Order Appointing Receiver, which among other things appointed the Receiver and directed him to take control of the Receivership Entities. While the ultimate resolution of the entities' status remain uncertain, there is substantial doubt that the entities will be able to continue as going concerns. The accompanying financial statements do not include any adjustments to present the entities on a liquidating basis and such adjustments could be material.

**Note 2. Cash Available for Operations.** Cash available for operations arise primarily from funds that were in the operating and money market accounts of the Receivership Entities at the time the receivership was put in place. On June 29, 2004, an order was entered by the Court giving the Receiver the authority to pay insurance premiums for all policies from the various premium escrow accounts including premiums for those policies that were previously paid out of the MBC operating account. As such, the Receiver paid premiums previously paid out of the MBC operating account, first, using funds from the VSI Northern Trust Premium Reserve account and then from the Union Planters Premium Accounts. The only other source of funds for the operating accounts is interest earned on operating funds.

**Note 3. Restricted Cash from Death Benefit Proceeds.** Funds received from insurance policy maturity claims are being deposited into a separate interest bearing account. These funds include death benefit proceeds, interest on death benefits paid by the insurance companies, return of unearned insurance premiums and interest on the funds in the account paid by the bank.

**Note 4. Note Receivable - Officer.** This account includes a demand note receivable, principal balance of \$1,160,000 dated February 28, 2002, from Steven Steiner. MBC earns interest on the principal balance, accrued at the IRS blended annual rate as specified in the note, which amounted to \$74,073 through March 31, 2005. The Receiver has made a demand for repayment of the note and has filed a lawsuit in an attempt to collect these funds. At this time, the Receiver believes the principal and accrued interest are fully collectible.

**Note 5. Other Funds Being Held.** Over the course of the Receivership, the Receiver has collected funds on behalf of the Receivership from various sources including death benefit proceeds from insurance policies, stock dividends, interest and other ancillary revenues. These funds are being deposited into interest bearing accounts pending determination of their ultimate disposition. Historically, these funds were used to pay existing policy premiums.

**Note 6. Prepaid Expenses.** Prepaid expenses are analyzed only at year end to determine expenses paid that relate to the subsequent fiscal year. The balance reported consists of prepaid premiums and other prepaid expenses recognized at December 31, 2004. The entities do not analyze prepaid expenses each quarter and these amounts may require adjustment.

**Note 7. Restricted Cash.** Consists of \$426,925 in a Holland & Knight escrow trust account for the benefit of MBC, which are restricted pending legal matters. The Holland & Knight escrow trust account balance is as of June 30, 2004 and does not reflect any accrued interest and/or bank fees incurred from July 1, 2004 through March 31, 2005.

**Note 8. Cash For Premiums On Viaticals Sold To Investors & Funds Held For Premiums On Viaticals Sold To Investors.** At the time life insurance policies were sold to investors, a portion of the investors' funds were paid into a premium account to pay life insurance policy premiums during the insured's life expectancy. Information has come to the attention of the Receiver that suggests that: (a.) a significant number of insureds outlived the life expectancy that was represented to the respective investors by MBC; (b.) the premiums set aside for such policies have been exhausted; (c.) in order to continue to fund these insurance policies, MBC used premium funds that were received from other investors that purchased other policies and to a lesser extent other sources of funds (e.g., policy dividends, proceeds from demutualization of insurance policies, etc.); and (d.) that significant additional insureds are likely to outlive the life expectancies represented by MBC. The combining financial statements do not reflect any reserves or other adjustment related to these potential circumstances.

**Mutual Benefits Corporation and Affiliated Entities and Accounts Under Receivership Control**  
**Notes to Combining Financial Statements**  
**March 31, 2005 (Unaudited)**

Beginning in 1996, Livoti, as trustee, entered into an agreement with MBC whereby, in addition to serving, at times, as the owner of most of the policies, Livoti also agreed to make the payment of premiums from funds identified at the time of closing and transferred to Livoti's control. According to VSI and Livoti, the funds used by Livoti to make the premium payments on these policies were maintained in four money market accounts located at three different banks. The money market accounts are referred to by MBC, VSI, and Livoti as MMI for one of the accounts or MMII collectively for a group of three money market accounts. As of December 31, 2004, the balance in these accounts was approximately \$401,868. The Receiver continued to use these funds until mid-January 2005, at which point the funds were exhausted to their current level of \$29,612. . Currently, premiums for these policies are being paid from the Union Planters Mutual Benefits Corporation premium account.

With the exception of policies sold to investors by MBC in the early years (1994 - 1997) which are paid from MBC's operating account (these amounts are subject to reimbursement from the Premium accounts since June 29, 2004), all other premiums are paid through premium accounts maintained at Union Planters Bank, N.A. ("UPBNA") which is now known as Regents Bank. The UPBNA accounts are used to pay premiums for policies owned by MBC and VBLLC (Texas and California policies). The funds in these accounts are made up of monies escrowed for the payment of premiums for policies purchased by or through MBC or VBLLC beginning around June, 2002 when MBC entered into an escrow agreement with American Express Business Services, Inc. ("AMEX") whereby, among other services, AMEX set up a premium account at Bank of America to pay premiums from funds paid into the account at the time of closing.

In approximately April, 2003, pursuant to an agreement and a purchase escrow agreement between UPBNA and MBC, the funds in the AMEX premium accounts were transferred to premium accounts set up a UPBNA. The VBLLC premium funds were also transferred at that time into a separate VBLLC UPBNA premium account; however, there does not appear to be a separate premium escrow agreement between VBLLC and UPBNA. For most policies purchased after April 2003, MBC designated funds that were to be used to pay premiums on closed policies. These funds were collected at closing and deposited into UPBNA premium accounts.

**Note 9. Investments in Policies at Cost.** MBC has acquired interests in various policies over time by refunding monies to investors. These interest in policies are stated at cost. It is anticipated at this time that any assets realized from the sale/maturity of these investments will be distributed in some manner to investors of MBC.

Additionally, certain policies were not fully placed with investors as of May 5, 2004. The unplaced portion of these investments represented \$52,960,167 of the total death benefits of these policies which is \$84,904,300. On certain of these policies, no funds were received for payment of premiums. Based on life expectancies projected by MBC prior to the Receivership, \$9,176,704 should have been deposited in the UPBNA premium account. However, because of the timing of the Receivership, this \$9,176,704 remains in the Purchase Escrow Accounts which the Court has determined is outside of the Receivership. Nonetheless, the need to fund these premiums remains an obligation of the Receivership.

Although MBC has no cost basis in these policies, certain additional amounts may be realized upon their sale/maturity. The value of these investments, and any gain/loss realized, will be determined upon their disposition.

**Note 10. Lease Deposits and Other Assets.** Includes a \$129,581 CD backing a \$60,000 letter of credit securing the lease on 200 East Broward Blvd., 11th floor, \$31,033 CD securing the lease on 200 East Broward Blvd., 10th floor, approximately \$252,000 in CDs securing various State bonds in conjunction with licenses.

**Note 11. Retainers.** MBC, prior to the receivership, paid monies to various law firms in anticipation of the need for their legal services. At December 31, 2004, the gross amount of Retainers was \$997,409. While the Receiver has initiated steps to have these retainers returned to MBC, \$300,000 has been written off, with the remainder expected to be recovered. Retainers are reported net of this writeoff.

**Note 12. Accounts Payable.** Accounts Payable represents only those payables where the Receiver has made a determination that the payment of which provides on-going and/or necessary benefits to the Receivership. Amounts representing obligations that existed or were caused to be incurred prior to the Receivership have been included in the Other Liabilities Section under Pre-Receivership Obligations. Accrued expenses include those expenses that were paid after March 31, 2005 for which services/goods were provided prior to March 31, 2005.

**Note 13. Income Taxes Payable.** Prior to the Receivership, Viatical Benefactors, LLC elected to treat itself as a tax paying entity. As such an accrual was made for the anticipated federal, local and state taxes payable by the entity.

**Mutual Benefits Corporation and Affiliated Entities and Accounts Under Receivership Control**  
**Notes to Combining Financial Statements**  
**March 31, 2005 (Unaudited)**

**Note 14. Pre-Receivership Obligations.** MBC, VSI and VBLLC had certain arrangements with vendors prior to May 5, 2004 and the entities continue to receive invoices per these arrangements. Pending the ultimate resolution of claims made by creditors, the receivership entities continue to record these payables and related expenses.

**Note 15. Settlement Payable.** Under the terms of a Settlement Agreement dated June 2003, as amended, the Company was previously obligated to pay to certain parties a principal amount of \$2,165,000. As a result of certain interest accruals, interest and principal payments, the Company currently reflects an obligation of approximately \$1,628,000 related to this settlement.

**Note 16. Unearned Viatical Management Services.** VSI was paid a fee at the closing of each policy. These fees were intended to provide VSI with the funds required to service the premium payments and track the insureds over the remaining life of each policy and to file the death claim upon each policy's maturity. When the Receiver assumed control over VSI, its books and records reflected unearned revenues of \$2,492,366.86. Given the current unavailability of reliable actuarial estimates, premium servicing fees earned for the period have been limited to the expenses incurred during the period. The Receiver and his professionals are currently analyzing the appropriate financial statement and tax treatment of these revenue recognition policies.

**Note 17. Professional Fees and Costs.** The Receiver has retained various professionals to support the operations of the Receivership. A first fee application was submitted to the court for professional fees and costs incurred from May 5, 2004 through June 18, 2004. Judge Moreno issued an Order in November 2004 approving certain of these professional fees. Second and Third Fee Applications were submitted in December 2004 and March 2005 respectively. The Third Fee applications reflect fees and expenses incurred through January 31, 2005. On June 1, 2005, Judge Moreno issued orders approving certain of these professional fees. Because this order was entered after March 31, 2005, the fees are not reflected in the amount approved column in the chart below. Fee Applications for the time period February 1, 2005 through May 31, 2005 are in process and have not yet been filed with the court. These fees are not included in Accrued Expenses or in the chart below. The following chart summarizes the total fees and costs submitted, the amounts approved, amounts paid and amounts pending as of March 31, 2005:

<u>Company</u>	<u>Fees Sought</u>	<u>Costs Sought</u>	<u>Total Amount Sought</u>	<u>Amount Approved @ 3/31/05</u>	<u>Amount Paid</u>	<u>Amount Pending @ 3/31/05</u>
Colson Hicks Eidson	880,153	46,745	926,898	227,460	227,460	699,438
Kozyak Tropin & Throckmorton, P.A.	654,206	59,528	713,734	376,041	376,041	337,693
Berkowitz Dick Pollack & Brant	689,119	-	689,119	228,589	228,589	460,530
Integrity Plus Services	320,438	8,342	328,780 <sup>1</sup>	190,689	190,689	138,091
Garden City Group	178,403	2,225	180,628	50,946	50,946	129,682
Rachlin Cohen & Holtz	41,321	135	41,456	33,693	33,693	7,763
Allen Norton & Blue	12,256	316	12,572	10,547	10,547	2,025
<b>Totals</b>	<u>\$ 2,775,895</u>	<u>\$ 117,291</u>	<u>\$ 2,893,186</u>	<u>\$ 1,117,965</u>	<u>\$ 1,117,965</u>	<u>\$ 1,775,221</u>

<sup>1</sup> The fee application covers costs through February 4, 2005.

**Note 18. Due from Escrow Agent.** According to an order issued by Judge Moreno in February 2004, funds paid by the investor into the various purchaser escrow accounts of MBC are not considered assets of the company and are being held in the purchaser escrow accounts pending a final order for distribution of these funds to the investors. As these are not considered assets of the Receivership, they have been placed in a separate non-combining column with a corresponding liability for the funds.

**Note 19. Expenses related to commitments - pre-receiver.** MBC, VSI and VBLLC had certain arrangements with vendors prior to May 5, 2004 and the entities continue to receive invoices per these arrangements. Pending the ultimate resolution of claims made by creditors, the receivership entities continue to record these payables and related expenses.