

This material may be subject to the confidentiality provision of section 7A (h) of the Clayton Act which restricts release under the Freedom of Information Act

Dear Ms. O'Vuka

Pursuant to our conversation yesterday, enclosed please find a copy of the audited 1990 balance sheet (including the relevant portions of the footnotes and

footnotes are not yet available) for the proposed acquired

sum of the "Cash and temporary investments, restricted" and the restricted amount set forth in "Accounts receivable, including \$616,821 restricted in 1990 for premiums payable", is \$13,662,369 and the corresponding liability, "Premiums payable to insurance companies", is the same amount. Note 4

balance sheet. As you can see, at December 31, 1991, the "Cash and temporary investments, restricted" is \$11,947,644, and the corresponding liability, "Premiums payable to insurance companies", is also \$11,947,644.

I thought it might be helpful to set forth an excerpt from the agreement between the insurance company and the proposed acquired company which describes the mechanism

BALANCE SHEETS

AS OF DECEMBER 31, 1990 AND 1989

ASSETS

	<u>1990</u>	<u>1989</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,952,136	\$1,397,963
Cash and temporary investments, restricted	12,048,510	5,414,070
insurance claim receivable (Note 3)	4,954,188	-
Accounts receivable, including \$616,821 restricted in 1990 for premiums payable	636,884	419,484
Prepaid insurance premium (Note 3)	1,074,300	-
Due from related parties	683,918	268,463
Other current assets	166,209	61,487
Total current assets	<u>22,483,282</u>	<u>7,562,376</u>

PROPERTY, PLANT AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION

16,796

26,425

OTHER ASSETS

16,796

26,425

Total assets

\$22,860,761

\$8,012,146

The accompanying notes are an integral part of these balance sheets.

DRAFT BALANCE
As of December 31, 1991

CURRENT ASSETS
Cash and cash equivalents
Accounts receivable
Prepaid expenses
Due from other companies
Other current assets
Total

Investments, restricted
Dividends receivable
Due from other companies
Premiums payable
Prepaid expenses
Due from other companies
Other current assets

FURNITURE AND LEASEHOLD IMPROVEMENTS
Less - accumulated depreciation and amortization

775,209
(469,637)
305,572

OTHER ASSETS

16,796

Total

\$17,897,803

CURRENT LIABILITIES:

Portion of notes payable
Accounts payable and accrued expenses
Stock repurchase obligation
Premium payable to insurance companies
Total current liabilities

\$800,636
663,074
118,058
11,947,844
13,529,410

LONG-TERM LIABILITIES:

Accrued pension liability, net of current portion
Deferred rent
Notes payable, net of current portion
Stock repurchase obligation, net of current portion
Total long-term liabilities

32,414
403,632
252,407
0
688,653

COMMITMENTS AND CONTINGENCIES

SHAREHOLDERS' EQUITY:

Common stock, par value \$0.01 per share; authorized 100,000 shares; 19,000 issued and outstanding at December 31, 1991
Additional paid-in capital
Retained earnings
Total shareholders' equity

190
39,999
3,639,551
3,679,740
\$17,897,803

Total liabilities and shareholders' equity