

Dear Ms. O'Vuka

Pursuant to our conversation yesterday, enclosed please find a copy of the audited 1990 balance sheet

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.

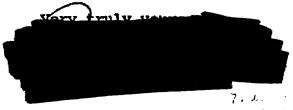
I thought it might be helpful to set forth an excerpt from the agreement between the insurance company and the proposed acquired company which describes the mechanism

for the handling of fiduciary funds. In the following

reinsurance proceeds and other funds relating to the

ered to Company, the insured, the claimant or the reinsurers as applicable. The trust relationship and Company's ownership of unpaid premiums which have not been collected by Administrator shall not be modified, affected or waived by the keeping of an account on Company's or Administrator's books as a creditor and debtor account, the payment of balances at stated periods, the retention of administrative fees by Administrator or the acceptance of net premiums from agents and brokers. Administrator will maintain Company's monies in one or more separate bank accounts and will not mingle such monies with its own funds. Administrator may withdraw such monies to pay reinsurance premiums, return premiums and losses or to pay Administrator its fees and income on such monies."

If you have any questions with respect to the enclosed financial statements or otherwise, please do not hesitate to call me.



Nancy O'Vuka, Esq., Federal Trade Commission,

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BALANCE SHEETS

AS OF DECEMBER 31, 1990 AND 1989

ASSETS

·	1990	1989
CURRENT ASSETS:		
Cash and cash equivalents Cash and temporary investments, rectricted	\$ 1,952,136	\$1,397,963
insurance claim receivable (Note 3) Accounts receivable, including \$616,821	4.954.188	***
restricted in 1990 for premiums payable Prepaid insurance premium (Note 3)	636,884	419,484
Due from related parties Other current assets	683,918 166,209	268,463 61,487
Total current assets	22,483,282	7,562,376
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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.

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BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' EQUITY

	1990	1989	
CURRENT LIABILITIES: Current portion of notes payable Accounts payable and accrued expenses Stock repurchase obligation Prantitum navable to insurance demandes	\$ 3,046,455 1,423,621 108,306	573,236	
Total current liabilities	18,240,751	6,069,935	
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	32,413 280,954 303,043 108,306	187,696	•
Total long-term liabilities	.724,716	586,216	
COMMITMENTS AND CONTINGENCIES (Note 6)			
SHAREHOLDERS' EQUITY: Common stock, par value \$0.01 per share; authorized 100,000 shares; 19,000 and 25,500 issued and outstanding at December 31, 1990 and 1989, respectively	190	255	
Additional paid-in capital Retained earnings	39,999 3,855,105	232,636	
and the distance . A man at 1 to 11 Dan	44444 4444		

Total liabilities and shareholders' equity \$22,860,761 \$8,012,146

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

furniture, Equipment and Leasehold Improvements

furniture and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, generally five to ten years. Leasthold improvements are amortised over the useful lives

Income Taxes

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Effective January 1, 1986, the Company elected to be taxed as an '8' corporation. As a result, taxable earnings of the Company, subject to certain

Prior Year Reclassifications

Certain prior year reclassifications have been made in the accompanying

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1990, the Company has racognized revenue of approximately \$5.0 million under the policy and anticipates recognizing an additional \$2.6 million over the term of the policy, which ends December 31, 1992. The \$3.0 million premium for the policy is being amortized ratably in relation to recoveries under the policy.

4. RESTRICTED TEMPORARY INVESTMENTS:

The Company maintains fiduciary accounts for premiums due to insurance companies. The Company retains the interest earned on these funds but is restricted from using the principal balance. Temporary investments are carried at cost, which approximates market value. These investments consistents are carried at cost, which approximates market value. These investments consistents are carried at cost, which approximates market value.

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accompanying balance sheets.

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. Ea 3	Current p Accounts Stock rep Premium Total LONG-TERN Accrued Deferred Notes pt Stock re	SHAPE COMM COMM COMM COMM COMM COMM COMM COM	
DRAFT BALANCE As of December	2,845,812 2,845,812 0 867,048 0 83,750	YEMENTS 775,209 (469,637) 305,572 16,796	\$17,897,803
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