

# **ROBB EVANS & ASSOCIATES LLC**

**Temporary Receiver of  
National Consumer Council (NCC) AZ; NCC CA; NCC NV;  
London Financial Group;  
National Consumer Debt Council, LLC; Solidium, LLC;  
J. P. Landis, LLC; Financial Rescue Services, Inc.;  
Signature Equities, LLC; M&L Springfield Trust;  
PC Hailey Trust; Via Lido Trust;**

## **Report of Temporary Receiver's Activities May 3, 2004 Through May 14, 2004 First Report to the Court**

### **Entry and Control**

After the Court approved the appointment of the Temporary Receiver, the Temporary Receiver's staff entered the premises at four locations occupied by the defendants. At each location the Receiver's designee met with management or the senior person in charge and took control of the facility including the assets, documents, and the electronic and hard copy books and records.

The California Department of Corporations served a Desist and Refrain Order on the Temporary Receiver directing that all unlicensed Prorater activities by National Consumer Council, Inc. (NCC) and London Financial Group (LFG) cease. Prorater activities included receiving money from consumers, and receiving fees for distributing the money in payment or partial payment of the obligations of the consumers. Additionally, the Receiver determined that the businesses could not be operated profitably if the requirements of the Temporary Restraining Order were met. Because of these issues, the Receiver then suspended operations at all locations and furloughed about 400 employees, retaining some accounting and computer personnel.

The locations secured and controlled by the Temporary Receiver included two locations in Irvine, one in Santa Ana, and one location in Burbank. Solidium, LLC (Solidium) and J. P. Landis, LLC (JP Landis) occupied parts of the fourth and sixth floor of an office building in Irvine. LFG shared space with United Consumers Law Group (UCLG) on part of the seventh floor. The printing and mailing department occupied production and warehouse space in an industrial park in Irvine. NCC occupied part of the second floor of an office building in Santa Ana. Financial Rescue Services, Inc. (FRS) occupied the Burbank building.

### **Financial and Consumer Records**

All consumers are issued a LEAD number that is the primary identification for the LEADS database and data management system, which manages all information related to consumer activities. All incoming and outgoing communication and documents, including settlement documents, are scanned and stored in the database under the consumer's LEAD number. The information contained in the database, including telephone numbers and addresses for future solicitations, comprise approximately 150 gigabytes of data. While some hardcopy records exist of the activities and interactions with consumers and creditors, all of the information is accessible from the computer records.

The financial information for all the companies, except FRS but including UCLG, is maintained by a MAS 500 accounting system under the direction of LFG. The accounting system is managed by LFG's Chief Financial Officer, who is also a CPA, and is supported by a controller and a staff of accountants and assistants. The accounting system also interacts with the LEADS database and is subject to daily balancing and verification procedures. The accounting system, the daily control activities, and the integrity of the information, appear to be in good order.

## **Description, Organization, and Ownership of Affiliated Business Entities (Excluding FRS)**

From interviews of non-defendant management personnel and other personnel, reviewing business and accounting records, and from other observations, the Temporary Receiver has compiled the following summary of the business organizations and the common operations. All individual defendants and management personnel were cooperative with the Temporary Receiver.

The interrelated and affiliated group of companies and organizations, which operate as a common enterprise, exists to solicit consumers for the purpose of contracting with them to negotiate reduction of debt in exchange for fees. Under Tab 1 is an organizational structure chart of the common enterprise indicating that the Receivership Defendants, except FRS, are affiliated through common ownership or control of Walter Ledda, Paul Kardos, and Walter Haines.

National Consumer Council, Inc., an Arizona Corporation (NCC-AZ), was formed in February 1995 by Walter Haines as a non-profit corporation. National Consumer Council, Inc., a California Corporation (NCC-CA), was formed in July 2001 as a non-profit corporation. However, the Internal Revenue Service and the Franchise Tax Board of California do not currently recognize its non-profit status. National Consumer Council, Inc., a Nevada Corporation (NCC-NV), was formed in August 2001 also as a non-profit corporation. Harvey Warren was employed by Walter Haines through the board of directors and was holding key positions at each of the three NCC entities.

### Ownership of For-Profit Entities

Walter Haines, Paul Kardos, and Walter Ledda each hold a one-third ownership interest in Signature Equities, LLC (Signature Equities) through M&L Springfield Trust, PC Hailey Trust, and Via Lido Trust, respectively. Signature Equities was formed under Delaware law in February 2001 with an original name of National Consumer Debt Council, LLC and changed to its current name in April 2001.

Signature Equities currently owns National Consumer Debt Council, LLC (NCDC), formed under California law in December 2000, Solidium, formed under California law in March 2002, and JP Landis, formed under California law in June 2003.

LFG was formed as a Nevada Corporation in January 1997. Paul Kardos and Walter Ledda each hold a 50% ownership interest in LFG.

### Summons Issued by the Internal Revenue Service

The IRS has issued Summons to the Temporary Receiver for various accounting and customer records of Signature Equities, NCC-AZ, NCC-NV, NCC-CA, NCDC, Solidium, and LFG.

### Business Activities

Prior to July 2003, NCC-AZ used an 82 unit automated dialing system owned by LFG. The marketing process completed hundreds of thousands of recorded telephone calls to consumers throughout the United States on a daily basis. NCC-AZ identified itself as National Consumer Council, a nonprofit mediator and arbitrator providing free debt relief assistance. Harvey Warren also promoted NCC's business through paid "public service announcements" on television.

When an interested consumer, responding to either automated telephone messages or televised public service announcements, called the toll-free number, one of the pre-screeners in the call center of NCC-CA answered and identified himself/herself simply as from NCC. NCC-CA had about 27 employees in its call center operation. According to the Chief Financial Officer of LFG, the pre-screeners would introduce to the consumer NCC's services in the areas of legal referral, financial guidance, bankruptcy issues, debt reduction, as well as by providing educational documents. For those consumers who were interested in, and qualified for, the debt reduction program, primarily with a minimum level of debt and the ability to make a certain monthly payment, the pre-screeners would document certain personal information. The pre-screener would then arrange a telephone-interview appointment for the consumer with one of the so-called debt consultants from NCDC, introduced as a "Sponsoring Company."

NCDC would call and interview the interested consumers for more detailed information and promote one of its debt negotiation programs from the information obtained. If a sale was completed, the consumer was assigned to one of the following programs: NCDC (itself), UCLG, generally for those cases in which the credit card companies dealt only with a law firm, or Consumer Guidance Corporation (CGC), a third party entity involving Consumer Credit Counseling Services programs sponsored by the credit card companies. NCDC used to have about 60 to 110 employees.

Subsequent to June 2003, JP Landis took over the program sales (or debt consulting) function from NCDC as described above to avoid the name confusion between NCC and NCDC. In addition to its call center operation of program sales (or debt consulting), JP Landis also performed an advertising function using mainly the mass mailing capacity, but with some television and radio advertisements to promote its for-profit services. JP Landis had about 100 employees.

During this period, NCC started using the well equipped mailing production operation owned by LFG to mail hundreds of thousands of solicitation letters, along with auto-dialing recorded messages and paid public service announcements on television, to reach the general public and promote debt reduction programs while featuring NCC's non-profit status.

Company personnel advised the Temporary Receiver that current marketing efforts include using the auto-dialer to initiate about one million recorded messages per day and mailing about one hundred-fifty thousand solicitation letters per day. According to the Information Technology director and certain reviewed documents, the automated dialing system was in the process of being moved to Argentina when the TRO was issued. The Temporary Receiver suspended the installation of T-1 lines and other relocation activities.

#### Fees Charged and Funds Collected

NCDC, and subsequently JP Landis, attempted to obtain an agreement from the consumer to negotiate a reduction in debt for a set of fees. When agreements were executed, consumers were generally charged three types of fees: (1) establishment fee, (2) monthly service fee, and (3) settlement fee.

The establishment fee was accrued upon the sale of a program. It was computed at 3.5% of the total outstanding balances of credit card debts at the date the enrollment agreement was signed, or \$500, whichever was higher. The total establishment fees earned for the period from January 1, 2002 to March 31, 2004 were approximately \$30,119,000.

The monthly service fee was a minimum of \$45.00 for the first six credit cards and \$3.00 for each additional card. Total monthly service fees earned for the period from January 1, 2002 to March 31, 2004 were approximately \$17,125,000.

The settlement fee was 25% of the "money saved", computed as the difference between the final settlement amount and the outstanding balance of the credit card debt at the settlement date (original debt balance plus interest and penalties). In other words, if a consumer had six credit cards, he or she was charged six different settlement fees on up to six different dates, depending on when a credit card debt settled. Total settlement fees earned for the period from January 1, 2002 to March 31, 2004 were approximately \$22,673,000.

All the fees earned were recorded by NCDC, as NCDC was the designated program holder. Total establishment, monthly service, and settlement fees earned by NCDC for the period from January 1, 2002 to March 31, 2004 were approximately \$69,917,000.

In addition, NCDC also charged a \$15.00 fee for each non-sufficient-fund (NSF) item and a \$10.00 check handling fee for each settlement check/letter sent to a creditor in order to cover its delivery expenses. Total NSF fees and check handling fees earned for the period from January 1, 2002 to March 31, 2004 were approximately \$910,000.00.

As part of the agreement, the consumer allowed NCC, through LFG, to deduct a monthly payment amount from the consumer's checking account via the automated clearinghouse system (ACH). The monthly payment was calculated from an estimate factoring in the average debt per credit card, the amount of the establishment fee, the monthly service fee, the estimated settlement percentage, the estimated length of the program, and the credit card companies' minimum monthly payment requirement. The payment was generally less than the minimum required by the credit card companies. The monthly ACH payments were processed by LFG and deposited to a NCDC bank account. LFG also processed ACH payments for UCLG and CGC.

At the point when the consumer had deposited sufficient funds with NCDC through the ACH payments to pay the 3.5 % establishment fee and any accumulated \$45 monthly service charges, the consumer's deposits began to accumulate in a Client Trust sub-account in the accounting system of NCC-NV. Funds were to accumulate in the accounting sub-account and actually held in a co-mingled brokerage account with UBS Paine Webber (less the continuing \$45 monthly service fee), to pay future negotiated settlements. NCC-NV was designated to maintain the Client Trust Account on its books due to its non-profit status. Operation of the co-mingled brokerage account with UBS Paine Webber is discussed in more detail in a following section.

### Debt Reduction Program

NCDC would assign randomly on a rotating basis, the cases (or the leads) to Solidium and FRS for their debt negotiation services. Solidium would first issue an introduction letter to the creditors of the consumer. The LEADS database program determined when a sufficient balance existed in the Client Trust Account to present a settlement offer to a creditor. Usually that event occurred only when the balance of the Client Trust Account carried on NCC-NV's books equaled at least 25% of the client's lowest current credit card debt amount, possibly including penalty interest and late charges. Often

there were multiple creditors included in the debt reduction program. The program average is 5.6 creditors per consumer. The settlement offer letter was computer-generated and sent to the creditor. If the settlement offer was accepted, funds were remitted from the bank account of NCC-NV. The consumer's balance then began to re-build from continued monthly deposits. Sometimes the debt negotiation company suggested to consumers that they deposit an additional lump sum to allow multiple settlement negotiations and agreements.

Statistics taken from the LEADS database, prepared by the IT personnel of the Receivership Defendants, indicate the following debt settlement results that have been concluded over the life of the database:

Number of Cards Settled	Debt Balance at Settlement	Negotiated Settlements		Total Fees Paid by Consumers	Total Consumer Payments	
		<u>Paid by Consumers</u> Amount	% of Debt		<u>Consumer Payments</u> Amount	% of Debt
<u>40,572</u>	<u>\$193,451,977</u>	<u>\$80,419,080</u>	<u>41.57%</u>	<u>\$49,065,896</u>	<u>\$129,484,976</u>	<u>66.93%</u>

To compute the overall consumer payment percentage of 66.93%, the establishment fee calculated at 3.5% of creditor balances (imposed when a consumer executes the debt settlement agreement) and the \$45 monthly service fees (reported to be the period of program inception to current) were included. The actual consumer savings, before any income tax consequences, was 33.07% (100.00% minus 66.93%), compared to the creditors' write-down of 58.43% (100.00% minus 41.57%). To enter the settlement programs, these consumers previously paid Establishment Fees totaling \$24.3 million. However, for these reported settlements, the Establishment Fees included in the above Total Fees Paid were \$5.6 million with the remaining \$18.7 million previously paid fees to be applied to future settlements.

The debt settlement results are part of a database that includes 44,844 consumers. These 44,844 consumers had a total of 250,891 creditors (or "cards") with indicated outstanding debt balances of \$1,308,068,147. Additional activity statistics and details are included in a following section titled Summary of Consumer Activity and Statistics.

### **Description, Organization, and Ownership of FRS**

Various FRS management staff were invited by the Temporary Receiver to remain in order to assist the Temporary Receiver in understanding the business operations of FRS and to retrieve banking, accounting, personnel and electronic data and documents maintained at the FRS premises.

FRS was incorporated in June 2000 under California law and elected to be an S Corporation in February 2002. Martha Levitsky and Mary Beth Harper each hold a 50% ownership interest in FRS.

From interviews of the two owners and other management personnel, and reviewing records, and from other observations, the Temporary Receiver has compiled the following summary of business operations. Martha Levitsky and Mary Beth Harper were cooperative with the Temporary Receiver.

Martha Levitsky had been active in debt negotiation and resolution, working from her home prior to her involvement with NCDC. Walter Haines and Walter Ledda contacted Ms. Levitsky in late 2000 and asked her to organize a company to offer debt negotiation services to consumers assigned from NCDC. On March 5, 2001, FRS signed a service agreement effective January 1, 2001 with NCDC to offer debt negotiation services to consumers obtained from the marketing activities of NCC and

NCDC. Under the agreement, NCDC was responsible for marketing services to consumers. FRS moved into the offices on 415 Varney Street in Burbank in June 2001.

The vast majority of consumers serviced by FRS were referred from NCDC. FRS provided all of the consumer services in tracking debts, taking creditor calls, communications with consumers, referring legal actions to outside counsel, and negotiating and tracking settlements. FRS did not collect any money directly from the consumers. LFG had the ability to transfer funds via the ACH system out of a consumer's account while FRS did not.

Clearly, FRS' financial well being was dependent upon the consumers referred from NCDC. However, FRS appears to be an outside contractor that offered negotiation and debt reduction services to the consumers obtained by NCC.

FRS income was generated in three ways. FRS received a \$30.00 maintenance fee per month from NCDC for each active consumer. FRS also received from NCDC eighty percent of the settlement fee earned by NCDC from the consumer upon settling an account.

The third way FRS generated income was through its internal sales of the debt reduction program. Recently, FRS started to develop an in-house marketing group run by Jim Harper, the husband of Mary Beth Harper, to sell the debt reduction program to consumers directly through FRS. FRS did not use auto dialers and FRS made no unsolicited calls. FRS maintained a website describing the debt reduction program. FRS marketing agents would answer inquiries made by consumers responding to the FRS website. FRS wanted to commence sales activities because the entity responsible for signing up a new consumer kept the initial set up fee of 3.5% of the debt or \$500, whichever was higher. FRS had signed up approximately 55 consumers and set up individual trust accounts in the name of each consumer at Far East National Bank. The accounts are relatively new and no settlement negotiations had started for the FRS consumers.

LFG housed a computer server at the FRS site. FRS and LFG servers were networked together and shared real time information transfer capability. The servers would update their data transfer every fifteen minutes.

FRS maintained all consumer data in a contact management software program called "Uptrends." Every contact with consumers, or on their behalf, was entered into the consumer database. All documents regarding consumers were scanned and stored in their particular file in Uptrends. FRS was in the process of transferring the consumer database to a program developed by personnel at Solidium. FRS did not pay for the "Solidium" program, but provided training to various Solidium employees in exchange for the software program.

Employees in the FRS consumer services department were the only personnel that would communicate with consumers. The consumer services department would conduct orientations and conduct consumer interviews and were responsible for the ongoing service and maintenance services for each consumers. The FRS creditor department would handle all incoming calls from creditors. Two staff members were dedicated to handling calls from attorneys. During the orientation stage of the program, consumers were advised to send all correspondence from creditors directly to FRS. Consumers were also encouraged to log the number of calls from creditors and periodically provide the log to FRS. If FRS learned that a creditor made a settlement offer to a consumer, FRS would contact the creditor and attempt to negotiate a settlement. The Temporary Receiver was unable to determine what percentage of the total settlements were a result of initial offers by the creditors as opposed to negotiation efforts by FRS staff.

When a sufficient balance existed in the Client Trust Account carried on NCC-NV's books, FRS staff would send a settlement offer to the creditor. Company management confirmed that in most cases, it took at least six months before enough funds accumulated in a consumer's account to start the settlement process. Occasionally, FRS staff would contact a consumer and invite them to deposit additional funds to settle a pending offer from a creditor.

When a creditor accepted a settlement offer, FRS would forward this information to LFG, who would then prepare and send the settlement check issued by NCC-NV. After a settlement check had been sent from LFG, personnel in the FRS verification division would track the air bill number and confirm receipt of the settlement funds. The verification division would attempt to get confirmation of the debt settlement in writing and post it in the customer database.

### Summons Issued by the Internal Revenue Service

The IRS has issued Summons to the Temporary Receiver for various accounting and customer records of FRS.

### **Indicated Difficulties with the Debt Reduction Program**

Officers and personnel from the companies confirmed that at least three months were usually required to pay off the initial establishment fee and the accumulated monthly service fees. After that, additional monthly deposits had to accumulate before any meaningful settlement offers could be presented. Documents and interviews also suggested that the business operated on the assumption that creditors are much more willing to consider a compromise when a debt was six or seven months delinquent than when it was only 30 or 60 days past due. Company officers also confirmed that interest and late charges continued to accrue on a consumer's debt, and collection activity usually continued, while the required time for the debt reduction process moved along. Unlike a court-administered process, such as a Chapter 13 wage earner bankruptcy, the debt reduction program did not provide any legal protection or stay from collection and litigation activities of creditors.

The debt reduction process was promoted to potential and existing consumers as the opportunity to reduce consumer debt by 25% to 50% and then become debt free. Statistics from the LEADS database, presented in greater detail in a following section, document that 638 consumers, or 1.4% of the 44,844 consumers that entered the program, have completed the debt reduction program. 19,235 consumers, or 43% of the 44,844 consumers, have cancelled the program after incurring fees that were 64% of the funds remitted to NCC for the debt reduction program.

The database of current consumers included \$131 million of account balances owed to Citibank or to MBNA. This liability represents 27% of all balances owed. Company information and disclosures made available to consumers state that these two financial institutions demand settlements between 50% and 85% of the outstanding balance. With a limited reduction possibility from these two institutions, program fees including settlement commissions, combined with creditor-imposed late charges and additional interest, could consume much of any savings from negotiated debt reduction.

Mr. Walter Ledda thoroughly explained the disclosure process to a representative of the Temporary Receiver. The process of refining disclosure information provided to consumers has evolved over time and, according to Mr. Ledda, is improved upon based on experience. The disclosures provided to consumers whose debt is composed of 50% or more in obligations to Citibank or MBNA are examples of that refinement. Company personnel stated that even after those disclosures about 75% to 80% of the consumers enter the program.

## Summary of Consumer Activity and Statistics

The Temporary Receiver, with the assistance of the companies' computer staff, has extracted certain statistical data from the LEADS database. The database statistics, summarized in the following table, include all program activities of the common enterprise, UCLG, and FRS. The data provides the volume of activity over the life of the database, a snapshot of the current consumer activity, and other activity. The earliest entry on the database is three years and four months old and the totals confirm a substantial volume over that period.

Total consumer debt in the programs has reached nearly \$1.3 billion. Total fees paid by consumers over the life of the database have exceeded \$101 million. Fees as a percentage of total payments from the 638 consumers completing the debt program were 29%. However, fees as a percentage of total payments for the 19,235 consumers canceling the programs were 64%. For all consumers over the life of the database, fees were 50% of the total receipts.

	<u>Consumers</u>		<u>Total Recorded</u>	<u>Total</u>	<u>Total</u>
	<u>Number</u>	<u>%</u>	<u>Fees From</u>	<u>Consumer</u>	<u>Consumer</u>
			<u>Consumers</u>	<u>Debt Payments</u>	<u>Debt</u>
				<u>Excluding</u>	<u>Under the</u>
				<u>Fees</u>	<u>Programs</u>
<b>In 3 year-and-4 month Period:</b>					
Current Consumers	24,973	55.7%	\$ 64,011,627	\$ 73,240,474	\$ 725,842,857
Cancelled Consumers	19,235	42.9%	34,217,769	19,158,498	567,815,057
Debt Programs Completed	638	1.4%	3,316,665	8,297,084	14,478,326
(Data Table Rounding)	<u>(2)</u>	<u>0.0%</u>	<u>(8,307)</u>	<u>(6,382)</u>	<u>(68,093)</u>
All Consumers	<u>44,844</u>	<u>100.0%</u>	<u>\$101,537,754</u>	<u>\$100,689,674</u>	<u>\$1,308,068,147</u>

## Liquidity of the Common Enterprise at April 30, 2004, Excluding FRS

The financial condition of the companies at April 30, 2004 can be summarized by the combined cash balance sheet prepared by LFG's accounting department. The primary assets of the companies are the cash balances maintained in operating accounts with the banks and the cash and investments held by a designated brokerage account with Paine Webber for the benefit of the consumers. However, according to the wording in the individual agreements with the consumers, any interest accruing to the UBS Paine Webber account belongs to NCC, not to the beneficiaries of the account. The liabilities to consumers and funds collected but not yet transferred to the UBS Paine Webber account are also computed and shown on the cash balance sheet.

The funds frozen by this Court's Order totaled \$24,332,794, which exceeded total liabilities to consumers.

## Discussion of the Commingled Brokerage Account with UBS Paine Webber

The Trust and Standards Agreement between the consumers and the National Consumer Council set forth a certain requirement that consumer funds received by "NCC" shall be held in a common undivided trust account. A Business Services Account (BSA) with UBS PaineWebber held in the name of "National Consumer Council" was established to meet that requirement. The BSA was also used to meet the trust requirement in the agreements between NCC and those consumers whose

purchased programs were held by UCLG and CGC. In short, the same BSA held in the name of NCC is holding the individual trust funds of all consumers, including programs held by NCCDC, UCLG and CGC. UBS PaineWebber was instructed to invest the funds it held in safe-grade securities only. NCC-NV's books carry the balance of the BSA.

In addition, cash receipts from consumers (upon or after reaching the positive-balance status) and settlement payments to credit card companies (with checks issued by NCC- NV) were not deposited directly to or deducted directly from the BSA. They offset each other to avoid numerous BSA daily deposit and withdrawal activities. However, an accounting mechanism was established to monitor the difference between the required balance of the BSA, i.e., balance of the Client Trust ledger account, and the actual BSA account balance and to ensure that the difference would generally not exceed \$1,000,000.

The April 30, 2004 statement of the BSA shows a balance of \$20,980,432. However, on May 7, 2004, the Client Trust Account on NCC-NV's books had a balance of \$23,034,368 and the BSA had an actual balance of \$20,980,771, which resulted in an unfunded difference of \$2,053,597. After allowing for this unfunded amount to be segregated in the BSA, the remaining available cash per the books totaled \$1,798,847.

### **Common Enterprise Operating History: 1/01/02 through 3/31/04 Excluding FRS**

The Temporary Receiver believes that consolidated financial statements, viewing the common enterprise as a single economic entity under joint ownership and management control with all intercompany relationships eliminated, are more meaningful than separate financial statements.

#### Consolidated Statement of Operations

Under Tab 2 is a consolidated statement of operations for the period from January 1, 2002 to March 31, 2004. The highlights of the statement are as follows:

Total revenue of approximately \$73,687,000 from consumers and unrelated parties:

- Establishment fees, settlement fees, and monthly service fees of approximately \$30,119,000, \$22,673,000, and \$17,125,000, respectively, for a total of \$69,917,000;
- Approximately \$1,177,000 from LFG's second mortgage loan origination business, which ceased operations during 2002;
- Approximately \$910,000 in check handling and NSF fees;
- Approximately \$289,000 in interest and dividend income mainly from the BSA, which was abandoned by the customers;
- Approximately \$623,000 in other income, mostly under the servicing of a pass-through function and was offset against other expenses of the same amount;
- Third-party contributions of approximately \$141,000, of which \$7,500 was contributions in cash and \$134,000 was a non-cash contribution of bookkeeping software; and
- Contributions of \$630,000 in total from FRS, the debt negotiation company, and used such contributions to fund the operations of NCC-CA.

Total expenses incurred of approximately \$75,000,000 to unrelated parties:

- Salaries and related benefits of approximately \$29,464,000 and expenses for temporary help of approximately \$1,650,000;
- Auto-dialing telephone expenses of approximately \$7,900,000;
- Postage and delivery expenses of approximately \$4,643,000;

- Marketing expenses of approximately \$3,200,000, of which approximately \$1,900,000 was incurred by NCC-CA mainly for the public service announcements on television and \$1,300,000 was incurred primarily by NCDC on behalf of JP Landis;
- Professional fees, mostly legal fees unrelated to debt negotiations, of approximately \$1,900,000;
- Rent and parking expenses (utilities included) of approximately \$1,500,000;
- Printing and reproduction expenses of approximately \$1,089,000;
- Other operating expenses totaling approximately \$7,654,000; and
- Debt negotiation fee expenses to FRS of approximately \$16,000,000.

During the period from January 1, 2002 to March 31, 2004, Harvey Warren received compensation totaling approximately \$575,000 in the form of salary and bonus from NCC-CA.

In addition to the regular salary, NCC-CA also paid a \$10,000 bonus to Mr. Warren on April 9, 2004. During the period from January 1, 2002 to March 31, 2004, the three ultimate owners/controllers of the common enterprise received compensation of approximately \$5,354,000 in total in the form of salaries and bonuses, and approximately \$5,620,000 in total in the form of earnings distributions (equivalent to the cash dividends received by stockholders from a regular for-profit corporation). Such payments totaled approximately \$10,974,000 and are summarized as follows:

	<b>Walter Ledda</b>	<b>Paul Kardos</b>	<b>Walter Haines</b>	<b>Total</b>
Salaries and bonuses:				
From LFG	\$2,382,000	\$ 2,182,000	\$ 500,000	\$ 5,064,000
From Solidium	<u>145,000</u>	<u>145,000</u>	<u>-</u>	<u>290,000</u>
Subtotal	2,527,000	2,327,000	500,000	5,354,000
Earnings distributions-				
From Signature Equities	<u>2,104,000</u>	<u>2,098,000</u>	<u>1,418,000</u>	<u>5,620,000</u>
Total	<u>\$4,631,000</u>	<u>\$ 4,425,000</u>	<u>\$ 1,918,000</u>	<u>\$10,974,000</u>

Payments to Walter Haines were substantially less than those to either Walter Ledda or Paul Kardos, as Mr. Haines had primarily been compensated by UCLG.

In addition, between April 1 and April 23, 2004, additional payments of approximately \$1,098,800 in total were made by the common enterprise to the three ultimate owners/controllers as follows:

	<b>Walter Ledda</b>	<b>Paul Kardos</b>	<b>Walter Haines</b>	<b>Total</b>
Salaries-				
From LFG	\$ 61,200	\$ 66,000	\$ -	\$ 127,200
Earnings distributions-				
From Signature Equities	<u>350,000</u>	<u>396,600</u>	<u>225,000</u>	<u>971,600</u>
Total	<u>\$ 411,200</u>	<u>\$ 462,600</u>	<u>\$ 225,000</u>	<u>\$ 1,098,800</u>

In summary, during a 27.7-month period between January 1, 2002 and April 23, 2004, the common enterprise paid \$12,072,800 to its three ultimate owners/controllers, an average of approximately \$435,000 per month.

### Intercompany Relationships of Revenues and Expenses

The fees earned by NCDC from customers were used to finance the operations of the three NCC entities and JP Landis, to pay the settlement fee expenses charged by Solidium and FRS, and to pay management fees charged by LFG.

As previously described, JP Landis was formed to take over the program-sale (or debt consulting) function of NCDC; however, almost no revenues were recorded by JP Landis while expenses totaling approximately \$6,800,000 were recorded for the period from January 1, 2002 to March 31, 2004, as revenue stream for JP Landis had not yet been determined by the management. JP Landis had been borrowing its operating funds from NCDC interest free.

Attached under Tab 3 is a revenue/expense flowchart, which summarizes the intercompany income/expense relationships among these affiliated entities and the earnings distributions to the ultimate three owners/controllers of the common enterprise for the period from January 1, 2002 to March 31, 2004.

### Statements of Operations of the Individual Companies

Following is a list of tab numbers and the names of the corresponding companies with a statement of operations attached:

<b>Tab No.</b>	<b>Name of Company</b>
4	Signature Equities
5	NCC-AZ
6	NCC-NV
7	NCC-CA
8	NCDC
9	JP Landis
10	Solidium
11	LFG

The titles of the accounts included in such statements are taken from the original company descriptions. Accounts of significance are explained in the Notes contained in each statement.

### Consolidated Statement of Financial Condition

Under Tab 12 is a consolidated statement of financial condition of the common enterprise at March 31, 2004. The statement disclosed the following regarding the common enterprise:

- Owed approximately \$16,410,000, \$5,700,000, and \$90,000 to the consumers with programs held by NCDC, UCLG, and CGC, respectively, which totaled \$22,200,000, had the enterprise ceased operations at March 31, 2004;
- Had a cash balance of approximately \$3,800,000, of which approximately \$1,700,000 should have been segregated into the BSA; and
- Had no debt, other than regular payables and accruals, except for obligations under automobile leases.

## **FRS Operating History: 1/1/02 through 3/31/04**

### Statement of Operations

Under Tab 13 is a statement of operations of FRS for the period from January 1, 2002 to March 31, 2004. The statement disclosed the following:

- Revenue of approximately \$17,800,000 in fees primarily from NCDC;
- Paid service fees of approximately \$606,500 in total to three affiliated companies, M & M Enterprises, Inc. (M&M), Financial Rescue Consumer Services, Inc., and Financial Rescue Support Services, Inc. (these three affiliated companies are not engaged in the business of credit card debt negotiation); and
- Contributed \$630,000 in total to NCC-CA to subsidize its operations.

Compensation of and earnings withdrawals by the two owners of FRS during the period between January 1, 2002 and March 31, 2004 are summarized as follows:

	<b>Mary Beth Harper</b>	<b>Martha Levitsky</b>	<b>Total</b>
Salaries:			
From FRS	\$ 285,000	\$ 278,000	\$ 563,000
From M&M	<u>70,000</u>	<u>70,000</u>	<u>140,000</u>
Subtotal	355,000	348,000	703,000
Earnings withdrawals-			
From FRS	<u>269,000</u>	<u>270,000</u>	<u>539,000</u>
Total	<u>\$ 624,000</u>	<u>\$ 618,000</u>	<u>\$ 1,242,000</u>

The salaries earned from M&M are included in the above table, as M&M earned service fee of \$406,500 during the period from FRS.

### Statement of Financial Condition

Under Tab 14 is a statement of financial condition of FRS at March 31, 2004. The statement disclosed the following:

- Had an accounts receivable balance of approximately \$2,600,000, which mainly was due from NCDC;
- Had an outstanding loan balance of approximately \$10,000 in connection with a \$28,000 bank loan; and

- Had an equity of approximately \$3,000,000.

## Observations and Conclusions

The three NCC entities are an integral part in the operation of the common enterprise. They promoted a non-profit service to consumers who responded to NCC's telephone and mail solicitations and public service announcements on television. Mostly from this marketing base, the common enterprise (excluding UCLG) accumulated revenues over expenses in excess of \$12 million in the 27-month period ended March 31, 2004.

Additionally, the for-profit entities contributed about \$8,000,000 to NCC-CA to carry out its marketing and advertising programs, NCC-CA did not generate any third-party income, and without these contributions, it could not have created the potential for the earnings of the common enterprise. In addition to the \$8,000,000 in contributions, LFG absorbed another \$7,900,000 of expense to operate the automated dialers that delivered the pre-recorded solicitations from NCC to consumers.

As the detail and text previously described, the principals of the common enterprise have paid themselves about \$12 million in the last 27.7 months.

FRS, although not an entity affiliated to the common enterprise, accumulated revenues over expenses of \$3.3 million in the 27-month period ended March 31, 2004, primarily from the customers of the common enterprise. FRS also contributed \$630,000 in total during the same period to subsidize the operations of NCC-CA. During the same 27-month period the principals of FRS paid themselves about \$1.2 million.

All consumers paid fees of about \$101.5 million, equaling 50.2% of the \$202.2 million of their funds remitted to NCC/NCDC for the debt reduction programs.

43% of all customers cancelled the debt reduction programs and incurred fees that were 64% of their funds remitted to NCC/NCDC for the debt reduction programs.

One of the principals stated that consumers are put through a "fire walk" for 36 to 42 months to try to get a discounted resolution of their debts. The debt reduction programs do not provide any legal protection or stay from collection and litigation activities of the creditors.

According to current Internal Revenue Code, income from the discharge of indebtedness is generally includible in taxpayers' gross income. Based on our observations, it appears that the consumers were not informed about this potential tax liability during the presentation of the debt reduction programs. The calculations of the monthly payments and the projected savings from the debt reduction programs did not include any allowance for the potential tax liabilities arising from the discharge of debt.

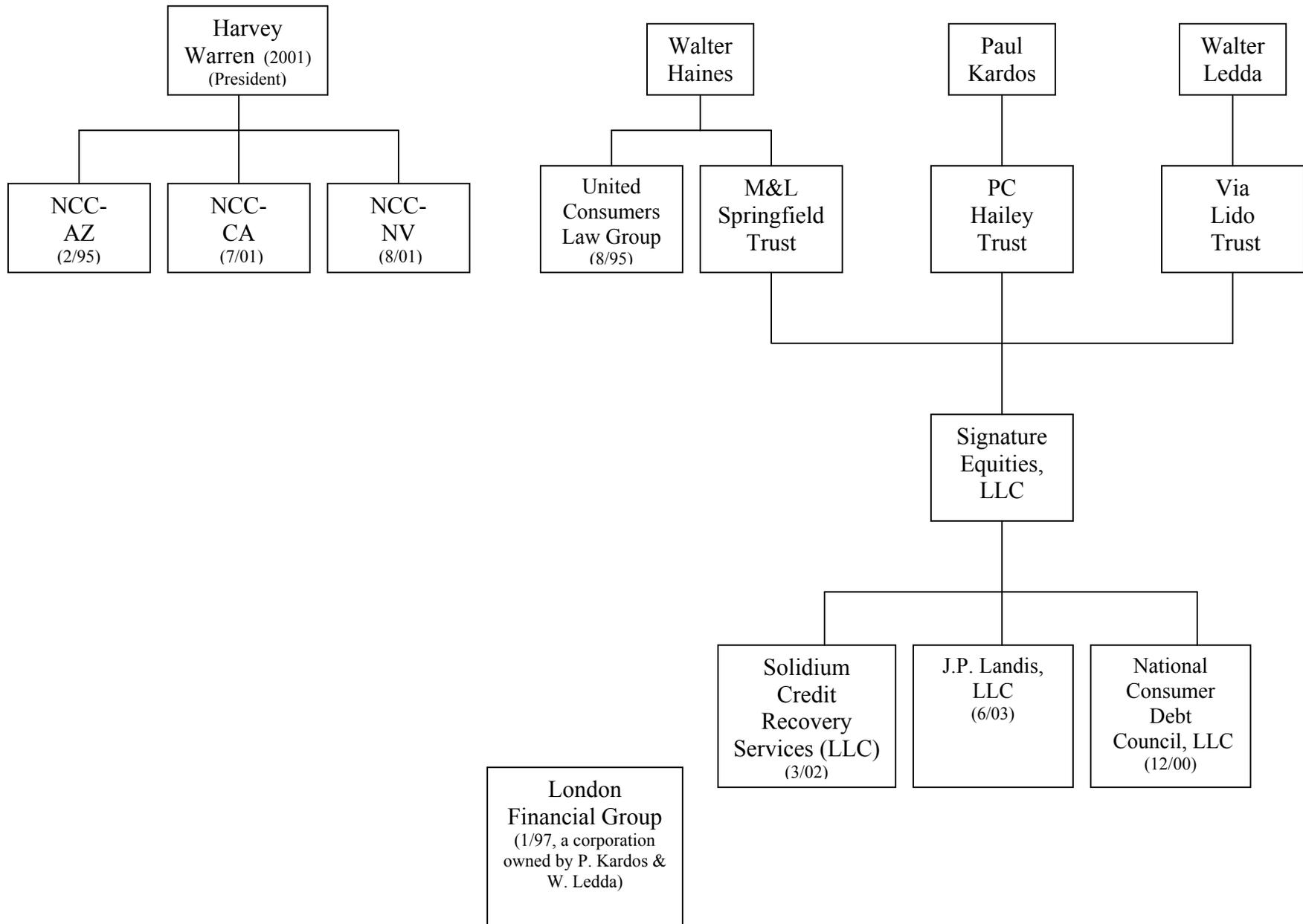
Respectfully Submitted,

Robb Evans & Associates LLC, Temporary Receiver

/s/

By: \_\_\_\_\_  
Robb Evans, Chief Executive Officer

Organizational Structure of the Common Enterprise



**A COMMON ENTERPRISE CONTROLLED BY WALTER HAINES, PAUL KARDOS, AND WALTER LEDDA  
(Under Temporary Receivership of Robb Evans & Associates LLC)**

**CONSOLIDATED STATEMENT OF OPERATIONS  
PERIOD FROM JANUARY 1, 2002 TO MARCH 31, 2004**

	Signature Equities	NCC- AZ	NCC- NV	NCC- CA	NCDC	JP Landis	Solidium	LFG	Total	Eliminations	Consolidated Amounts
<b>INCOME:</b>											
Establishment fee	\$ -	\$ -	\$ -	\$ -	\$ 30,119,188.53	\$ -	\$ -	\$ -	\$ 30,119,188.53	\$ -	\$ 30,119,188.53
Settlement fee	-	-	-	-	22,673,282.84	-	6,470,561.85	-	29,143,844.69	(6,470,561.85)	22,673,282.84
Monthly service fee	-	-	-	-	17,125,799.56	-	4,598,772.97	-	21,724,572.53	(4,598,772.97)	17,125,799.56
Income from mortgage operations	-	-	-	-	-	-	-	1,177,228.97	1,177,228.97	-	1,177,228.97
Check handling fee	-	-	-	-	498,856.23	-	-	-	498,856.23	-	498,856.23
NSF fee	-	-	-	-	411,695.45	-	-	93,675.00	505,370.45	(93,675.00)	411,695.45
Interest and dividend income	-	191.15	176,335.77	129,825.08	987.63	-	-	30,393.18	337,732.81	(48,395.03)	289,337.78
Non-cash contributions	-	133,982.00	-	-	-	-	-	-	133,982.00	-	133,982.00
Marketing income	-	-	-	-	-	25,368.40	-	2,173,213.75	2,198,582.15	(2,173,213.75)	25,368.40
Contributions received	-	27,000.00	500.00	7,173,430.00	-	-	-	-	7,200,930.00	(7,193,430.00)	7,500.00
Referral fee income	-	-	-	-	-	-	-	10,893,163.45	10,893,163.45	(10,893,163.45)	-
Management fee	-	-	-	-	-	-	-	87,225.00	87,225.00	(87,225.00)	-
Administration fee	-	-	-	-	-	-	-	49,025.00	49,025.00	(49,025.00)	-
Investment income	5,631,200.00	-	-	-	-	-	-	-	5,631,200.00	(5,631,200.00)	-
Management fees	-	-	-	-	-	-	-	4,257,891.35	4,257,891.35	(4,257,891.35)	-
Other income	-	3,072.71	30,085.55	1,499.78	531,352.31	334.43	48.42	31,891.37	598,284.57	-	598,284.57
<b>Subtotal</b>	<u>5,631,200.00</u>	<u>164,245.86</u>	<u>206,921.32</u>	<u>7,304,754.86</u>	<u>71,361,162.55</u>	<u>25,702.83</u>	<u>11,069,383.24</u>	<u>18,793,707.07</u>	<u>114,557,077.73</u>	<u>(41,496,553.40)</u>	<u>73,060,524.33</u>
Revenues earned from UCLG:											
Settlement fee	-	-	-	-	3,069,500.00	-	2,251,436.55	-	5,320,936.55	-	5,320,936.55
Establishment fee	-	-	-	-	4,419,110.00	-	-	-	4,419,110.00	-	4,419,110.00
Management fees	-	-	-	-	-	-	-	1,847,305.27	1,847,305.27	-	1,847,305.27
Monthly service fee	-	-	-	-	-	-	1,509,857.35	-	1,509,857.35	-	1,509,857.35
Referral fee income	-	-	-	-	-	-	-	743,661.08	743,661.08	-	743,661.08
Contributions received	-	-	-	200,000.00	-	-	-	-	200,000.00	-	200,000.00
NSF fee	-	-	-	-	-	-	-	75,465.00	75,465.00	-	75,465.00
<b>Subtotal</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000.00</u>	<u>7,488,610.00</u>	<u>-</u>	<u>3,761,293.90</u>	<u>2,666,431.35</u>	<u>14,116,335.25</u>	<u>-</u>	<u>14,116,335.25</u>
Revenues earned from FRS:											
Contributions received	-	-	-	630,000.00	-	-	-	-	630,000.00	-	630,000.00
Establishment fee	-	-	-	-	5,153.31	-	-	-	5,153.31	-	5,153.31
Management fee	-	-	-	-	-	-	-	1,800.00	1,800.00	-	1,800.00
<b>Subtotal</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>630,000.00</u>	<u>5,153.31</u>	<u>-</u>	<u>-</u>	<u>1,800.00</u>	<u>636,953.31</u>	<u>-</u>	<u>636,953.31</u>
<b>TOTAL INCOME</b>	<u>5,631,200.00</u>	<u>164,245.86</u>	<u>206,921.32</u>	<u>8,134,754.86</u>	<u>78,854,925.86</u>	<u>25,702.83</u>	<u>14,830,677.14</u>	<u>21,461,938.42</u>	<u>129,310,366.29</u>	<u>(41,496,553.40)</u>	<u>87,813,812.89</u>

**A COMMON ENTERPRISE CONTROLLED BY WALTER HAINES, PAUL KARDOS, AND WALTER LEDDA  
(Under Temporary Receivership of Robb Evans & Associates LLC)**

**CONSOLIDATED STATEMENT OF OPERATIONS  
PERIOD FROM JANUARY 1, 2002 TO MARCH 31, 2004**

	Signature Equities	NCC- AZ	NCC- NV	NCC- CA	NCDC	JP Landis	Solidium	LFG	Total	Eliminations	Consolidated Amounts
<b>EXPENSES:</b>											
Payroll and benefits	-	-	-	4,666,196.30	8,846,481.25	2,384,462.86	5,287,662.47	8,279,519.33	29,464,322.21	-	29,464,322.21
Telephone, auto-dialers	-	-	-	-	-	-	-	7,900,272.01	7,900,272.01	-	7,900,272.01
Postage and delivery	-	-	-	28,916.99	875,350.97	2,902,357.04	610,203.49	226,526.60	4,643,355.09	-	4,643,355.09
Marketing expenses	-	-	-	1,928,489.23	6,855,525.62	2,150.00	-	-	8,786,164.85	(5,536,492.15)	3,249,672.70
Professional fees	5,936.20	-	-	399,015.62	1,164,786.53	50,790.06	144,073.85	159,358.34	1,923,960.60	-	1,923,960.60
Temporary help	-	-	-	105,571.07	69,910.85	180,559.80	1,084,940.37	209,298.01	1,650,280.10	-	1,650,280.10
Bad debt expense	-	4,500.00	(153.00)	-	-	-	1,000,000.00	470,489.17	1,474,836.17	-	1,474,836.17
Rent and parking (utilities included)	-	-	-	63,262.09	568,681.35	194,144.30	414,681.96	293,202.54	1,533,972.24	-	1,533,972.24
Printing and reproduction	-	-	-	424,283.56	100,245.81	461,533.35	50,121.65	52,763.35	1,088,947.72	-	1,088,947.72
Supplies	-	-	-	47,903.00	318,241.63	213,083.31	104,330.79	263,286.78	946,845.51	-	946,845.51
Travel and entertainment	-	-	-	89,282.63	95,953.35	6,858.16	22,940.24	469,810.51	684,844.89	-	684,844.89
Credit reports	-	-	-	228.60	464,239.87	160,107.28	-	-	624,575.75	-	624,575.75
Depreciation	-	-	-	24,565.62	35,883.63	4,638.04	37,945.02	363,279.92	466,312.23	-	466,312.23
Bank charges	914.58	1,110.62	10,607.54	6,032.70	223,994.33	820.94	2,766.69	147,494.58	393,741.98	-	393,741.98
Insurance	-	-	-	76,264.44	102,923.71	45,336.47	65,751.71	94,075.28	384,351.61	-	384,351.61
Employee relations	-	-	-	17,585.28	1,056.00	64,337.09	82,105.47	105,907.31	270,991.15	-	270,991.15
Automobile expense	-	-	-	1,154.89	1,846.32	2,839.01	-	211,981.89	217,822.11	-	217,822.11
Advertising	-	-	-	131,162.86	16,233.96	4,819.10	16,127.57	37,782.36	206,125.85	-	206,125.85
Non-capitalized equipment	-	-	-	7,406.97	121,294.43	-	11,392.05	56,526.43	196,619.88	-	196,619.88
Expenses of mortgage operations	-	-	-	-	-	-	-	177,167.03	177,167.03	-	177,167.03
Telephone, excluding auto-dialers	-	-	241.08	85,780.47	32,016.21	16,548.48	10,051.62	23,030.76	167,668.62	-	167,668.62
Membership dues and subscriptions	-	-	-	9,263.94	109,429.67	1,673.20	2,136.14	108,133.36	230,636.31	(90,000.00)	140,636.31
Outside services	-	-	-	61,250.79	15,602.78	20,991.79	12,625.86	30,053.42	140,524.64	-	140,524.64
Advertising, non-cash	-	133,982.00	-	-	-	-	-	-	133,982.00	-	133,982.00
Equipment lease	-	-	-	462.16	925.25	44,866.28	5,390.59	49,668.09	101,312.37	-	101,312.37
Taxes	1,700.00	72.45	-	3,989.31	26,142.38	800.00	7,598.13	52,927.62	93,229.89	-	93,229.89
Management fee	-	-	-	-	3,534,259.26	-	834,600.00	-	4,368,859.26	(4,345,116.35)	23,742.91
Contributions	-	-	116,395.03	40,750.61	4,843,901.25	-	5,000.00	79,160.00	5,085,206.89	(5,070,287.45)	14,919.44
NO CALL register	-	-	-	10,610.00	-	-	-	-	10,610.00	-	10,610.00
Management fee	-	-	-	-	-	-	52,255.00	-	52,255.00	(49,025.00)	3,230.00
Settlement fee	-	-	-	-	6,470,561.85	-	594.00	-	6,471,155.85	(6,470,561.85)	594.00
Monthly service fees	-	-	-	-	14,210,195.60	-	-	150.00	14,210,345.60	(14,210,195.60)	150.00
NSF fee expense	-	-	-	-	93,675.00	-	-	-	93,675.00	(93,675.00)	-
Other expenses	225.00	1,215.00	576.00	54,890.45	511,299.46	59,869.70	29,031.16	159,658.55	816,765.32	-	816,765.32
Subtotal	8,775.78	140,880.07	127,666.65	8,284,319.58	49,710,658.32	6,823,586.26	9,894,325.83	20,021,523.24	95,011,735.73	(35,865,353.40)	59,146,382.33

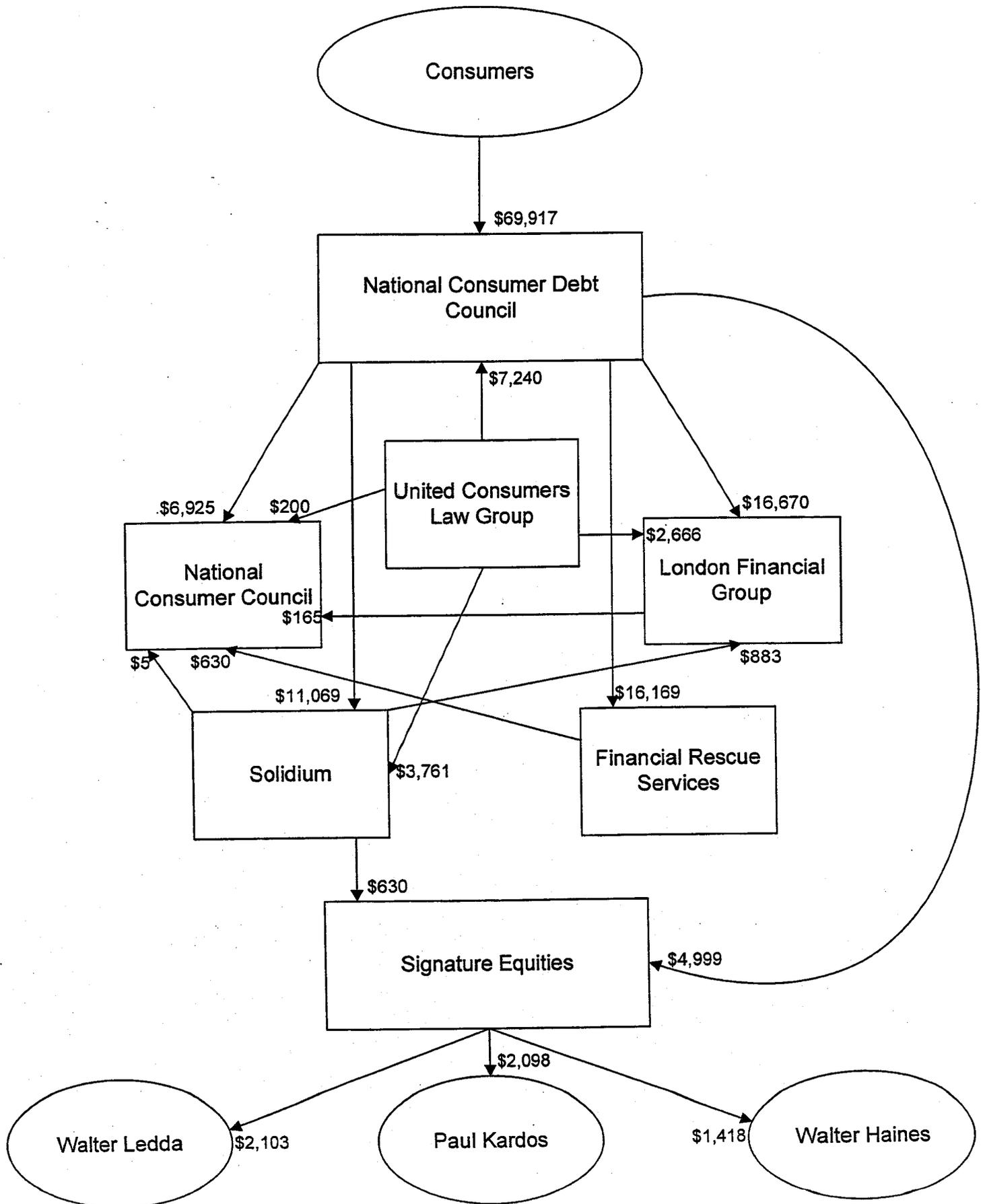
**A COMMON ENTERPRISE CONTROLLED BY WALTER HAINES, PAUL KARDOS, AND WALTER LEDDA  
(Under Temporary Receivership of Robb Evans & Associates LLC)**

**CONSOLIDATED STATEMENT OF OPERATIONS  
PERIOD FROM JANUARY 1, 2002 TO MARCH 31, 2004**

	Signature Equities	NCC- AZ	NCC- NV	NCC- CA	NCDC	JP Landis	Solidium	LFG	Total	Eliminations	Consolidated Amounts
Expenses to FRS:											
Settlement fee	-	-	-	-	13,454,315.10	-	-	-	13,454,315.10	-	13,454,315.10
Monthly service fees	-	-	-	-	1,361,999.02	-	-	-	1,361,999.02	-	1,361,999.02
Establishment fees	-	-	-	-	1,352,542.67	-	-	-	1,352,542.67	-	1,352,542.67
Establishment fees, other	-	-	-	-	5,153.31	-	-	-	5,153.31	-	5,153.31
Subtotal	-	-	-	-	16,174,010.10	-	-	-	16,174,010.10	-	16,174,010.10
<b>TOTAL EXPENSES</b>	<u>8,775.78</u>	<u>140,880.07</u>	<u>127,666.65</u>	<u>8,284,319.58</u>	<u>65,884,668.42</u>	<u>6,823,586.26</u>	<u>9,894,325.83</u>	<u>20,021,523.24</u>	<u>111,185,745.83</u>	<u>(35,865,353.40)</u>	<u>75,320,392.43</u>
<b>NET INCOME (LOSS)</b>	<u>\$ 5,622,424.22</u>	<u>\$ 23,365.79</u>	<u>\$ 79,254.67</u>	<u>\$ (149,564.72)</u>	<u>\$ 12,970,257.44</u>	<u>\$ (6,797,883.43)</u>	<u>\$ 4,936,351.31</u>	<u>\$ 1,440,415.18</u>	<u>\$ 18,124,620.46</u>	<u>\$ (5,631,200.00)</u>	<u>\$ 12,493,420.46</u>

# The Financial Nature of the Common Enterprise

(in thousands of dollars)



**SIGNATURE EQUITIES, LLC**  
**(Under Temporary Receivership of Robb Evans & Associates LLC)**

**STATEMENT OF OPERATIONS**  
**PERIOD FROM JANUARY 1, 2002 TO MARCH 31, 2004**

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	Notes	
<b>INCOME:</b>		
Miscellaneous revenue	2	\$ 4,325,200.00
Fees	2	<u>1,306,000.00</u>
<b>TOTAL INCOME</b>		<u>5,631,200.00</u>
<b>EXPENSES:</b>		
Professional fees - legal fees		5,936.20
Taxes		1,700.00
Bank service charges		914.58
Licenses and Permits		125.00
Filing Fees		<u>100.00</u>
<b>TOTAL EXPENSES</b>		<u>8,775.78</u>
<b>NET INCOME</b>		<u>\$ 5,622,424.22</u>

**Notes:**

1. The company was formed under Delaware law in February 2001 with an original name of National Consumer Debt Council, LLC and changed to its current name in April 2001. It currently owns three companies: Solidium, JP Landis, and NCDC. The company provided three members: M&L Springfield Trust, PC Hailey Trust, and Via Lido Trust.
2. During the period from January 1, 2002 to March 31, 2004, the company received income distributions (similar to dividend income) of \$5,631,200.00, of which, except for a \$2,000.00 difference, \$4,999,200.00 and \$630,000.00 were received from NCDC and Solidium, respectively.

In addition, during the same period, \$2,103,400.00, \$2,098,400.00, and \$1,418,400.00, totaling \$5,620,200.00, were withdrawn by Walter Ledda, Paul Kardos, and Walter Haines, the ultimate owners of the company, respectively. These withdrawals were considered distribution of money of the company's cumulative earnings.

**NATIONAL CONSUMER COUNCIL, INC., AN ARIZONA CORPORATION  
(Under Temporary Receivership of Robb Evans & Associates LLC)**

**STATEMENT OF OPERATIONS  
PERIOD FROM JANUARY 1, 2002 TO MARCH 31, 2004**

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	Notes	
<b>INCOME:</b>		
Quicken software	2	\$ 133,982.00
Contributions received	3	27,000.00
Other income		3,072.71
Interest income		<u>191.15</u>
<b>TOTAL INCOME</b>		<u>164,245.86</u>
<b>EXPENSES:</b>		
Advertising, Quicken software distributions	2	133,982.00
Bad debt expense		4,500.00
Bank service charges		1,110.62
Affiliate expense		1,000.00
Filing fees		170.00
Taxes		72.45
Licenses and permits		<u>45.00</u>
<b>TOTAL EXPENSES</b>		<u>140,880.07</u>
<b>NET INCOME</b>		<u><u>\$ 23,365.79</u></u>

**Notes:**

1. NCC-AZ was formed in February 1995 as a non-profit corporation and was engaged in the business of voice message advertisements promoting mainly NCC's credit card debt settlement programs using the 82 auto-dialers owned by LFG.
2. The value of software donated was stated by the donor. The software were given to the customers free.
3. The amount included \$21,000.00 received from NCDC to cover operating expenses.

**NATIONAL CONSUMER COUNCIL, INC., A NEVADA CORPORATION  
(Under Temporary Receivership of Robb Evans & Associates LLC)**

**STATEMENT OF OPERATIONS**

**PERIOD FROM JANUARY 1, 2002 TO MARCH 31, 2004**

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	Notes	
<b>INCOME:</b>		
Interest income	2	\$ 117,087.27
Dividend income	2	59,248.50
Other income	2	29,813.74
Contributions received		500.00
Gain on investments	2	<u>271.81</u>
<b>TOTAL INCOME</b>		<u>206,921.32</u>
<b>EXPENSES:</b>		
Contributions	3	116,395.03
Bank service charges	4	10,607.54
Miscellaneous expense		436.00
Telephone		241.08
Filing fees		140.00
Bad debt expense		<u>(153.00)</u>
<b>TOTAL EXPENSES</b>		<u>127,666.65</u>
<b>NET INCOME</b>		<u>\$ 79,254.67</u>

**Notes:**

1. NCC-NV was formed in August 2001 as a non-profit corporation and was formed mainly to hold a Business Services Account with UBS PaineWebber ("BSA"). All settlement payment checks were issued from the bank accounts held by NCC-NV.
2. The amounts represent income earned from the BSA.
3. The amount represents cash transfers to NCC-CA to cover its operating expenses.
4. Bank charges for servicing numerous settlement payment checks.

**NATIONAL CONSUMER COUNCIL, INC., A CALIFORNIA CORPORATION  
(Under Temporary Receivership of Robb Evans & Associates LLC)**

**STATEMENT OF OPERATIONS  
PERIOD FROM JANUARY 1, 2002 TO MARCH 31, 2004**

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<b>INCOME:</b>	<b>Notes</b>	
Contributions received	2	\$ 8,003,430.00
Interest income	3	129,803.81
Other income	3	1,499.78
Dividend income	3	<u>21.27</u>
<b>TOTAL INCOME</b>		<u>8,134,754.86</u>
 <b>EXPENSES:</b>		
Payroll and benefits	4	4,666,196.30
Marketing PSA	5	1,203,776.17
Marketing	5	724,713.06
Printing and reproduction	6	424,283.56
Professional fees	7	337,443.10
Advertising		131,162.86
Temporary help		105,571.07
Travel and entertainment	8	89,282.63
Telephone		85,780.47
Insurance		76,264.44
Rent, other		61,281.05
Outside services		61,250.79
Contributions	9	40,750.61
Legal fees	7	37,704.78
Postage and delivery		28,916.99
Office expense		26,262.83
Professional development		26,011.93
Depreciation expense		24,565.62
Office supplies		21,640.17
Associate recognition and reward		13,769.57
Accounting fees		11,849.64
NO CALL register	10	10,610.00
Consulting	11	10,561.13
Director's fees	12	8,000.00
Publications		7,513.78
Non-capitalized equipment		7,406.97
Bank service charges		6,032.70
Dues and subscriptions		5,948.94
Repairs		5,514.94
Taxes		3,989.31
Employee relations		3,815.71
Filing fees		2,719.50
Education		2,352.95

**NATIONAL CONSUMER COUNCIL, INC., A CALIFORNIA CORPORATION  
(Under Temporary Receivership of Robb Evans & Associates LLC)**

**STATEMENT OF OPERATIONS  
PERIOD FROM JANUARY 1, 2002 TO MARCH 31, 2004**

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Contract services		2,000.00
Subscriptions, website	13	2,000.00
Legal library		1,356.97
Membership fees		1,315.00
Automobile expense		1,154.89
Rent, Washington DC Office	14	999.24
Rent, NCC-AZ		892.50
Licenses and permits		494.00
Equipment rental		462.16
Credit report		228.60
Interest expense		127.74
Miscellaneous expense		115.00
Legal fees, settlements		100.00
Parking expenses		89.30
Moving		<u>40.61</u>
<b>TOTAL EXPENSES</b>		<u>8,284,319.58</u>
<b>NET INCOME</b>		<u>\$ (149,564.72)</u>

**Notes:**

1. NCC-CA was formed in July 2001 as a non-profit corporation; however, the IRS and the Franchise Tax Board do not recognize its non-profit status currently. It operated a call center to introduce the debt negotiation programs to those people who responded to NCC-AZ's advertisements and to set up telephone-interview appointments for NCDC or JP Landis.
2. Other than a \$1,000.00 contribution received from Instafi.com, the amount included cash received from NCDC, FRS, LFG, UCLG, NCC-NV & AZ, and SoLidium totaling \$8,002,430.00 to cover operating expenses.
3. The amount represents transfer of NCC-NV's BSA earned income to NCC-CA.
4. NCC-CA had about 32 employees: the president, 27 for call center, 4 for settlement payment or refund checks handling.
5. The marketing expenses were paid mainly for Public Service Announcements on cable TV channels presented by the president of the company.
6. The amount represents cost of producing mailers to promote NCC.
7. The professional or legal fees were paid mainly to third-party legal services, excluding UCLG.

**NATIONAL CONSUMER COUNCIL, INC., A CALIFORNIA CORPORATION  
(Under Temporary Receivership of Robb Evans & Associates LLC)**

**STATEMENT OF OPERATIONS  
PERIOD FROM JANUARY 1, 2002 TO MARCH 31, 2004**

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- 8. Travel and entertainment expenses were incurred by the president of the company.
- 9. The amount represents cash transferred to NCC-AZ or NCC-NV to cover their operating expenses.

10. The NO CALL register expenses consisted of the following:

One-time purchase for all states	\$ 1,400.00
Georgia (one payment)	1,110.00
Indiana (two payments)	1,500.00
Idaho (two payments)	125.00
Louisiana (two payments)	1,600.00
Missouri (three payments)	900.00
Minnesota (five payments)	520.00
New York (one payment)	800.00
Oregon (one payment)	120.00
Oklahoma (one payment)	600.00
Texas (two payments)	400.00
Tennessee (two payments)	1,000.00
Wisconsin (one payment)	700.00
Unknown	<u>(165.00)</u>
	<u>\$ 10,610.00</u>

- 11. The consulting expense was for public relations matters.
- 12. The director's fees were paid to two directors.
- 13. The amount represents a payment for website design.
- 14. The company used to rent an office space in Washington DC.

**NATIONAL CONSUMER DEBT COUNCIL, LLC  
(Under Temporary Receivership of Robb Evans & Associates LLC)**

**STATEMENT OF OPERATIONS  
PERIOD FROM JANUARY 1, 2002 TO MARCH 31, 2004**

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<b>INCOME:</b>			<b>Notes</b>
Fees:			
Establishment fee	\$ 34,538,298.53		2
Settlement fee	25,742,782.84		3
Monthly service fee	17,125,799.56		4
Check handling fee	498,856.23		5
Returned check fee	316,855.00		6
Legal fees	217,173.11		7
Legal Advice Line revenue	187,267.15		8
NSF fee	94,655.45		6
Bankruptcy fees	30,000.00		9
Bankruptcy option fee	8,725.00		10
FRS- establishment fee	5,153.31		11
Bank check charges	<u>185.00</u>		
Subtotal	78,765,751.18		
Interest income	987.63		
Miscellaneous revenue	64.59		
Other income	<u>88,122.46</u>		
<b>TOTAL INCOME</b>	<u>78,854,925.86</u>		
<b>EXPENSES:</b>			
Settlement fee	\$ 16,982,305.21		
Settlement expenses- FRS	2,937,105.28		
Settlement due	<u>5,466.46</u>	19,924,876.95	3, 12
Monthly service fees	11,052,182.74		
Monthly recurring fee	<u>4,520,011.88</u>	15,572,194.62	4, 13
Payroll and benefits		8,846,481.25	14
Marketing fee	6,224,483.32		2, 15
Marketing television	298,602.10		
Marketing radio	235,284.00		
Marketing leads	70,926.41		
Marketing	<u>26,229.79</u>	6,855,525.62	
Management fee	3,534,259.26		
Establishment fees	<u>1,352,542.67</u>	4,886,801.93	2, 15
Contributions		4,843,901.25	16
Professional fees		878,116.00	17
Postage and delivery		875,350.97	

**NATIONAL CONSUMER DEBT COUNCIL, LLC**  
**(Under Temporary Receivership of Robb Evans & Associates LLC)**

**STATEMENT OF OPERATIONS**  
**PERIOD FROM JANUARY 1, 2002 TO MARCH 31, 2004**

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Rent, 6th & 7th floor	228,623.50		
Rent	134,813.80		
Rent, parking	70,764.63		
Rent, other	67,554.90		
Parking expenses	<u>66,924.52</u>	568,681.35	
Credit report		464,239.87	
Consulting		266,928.11	18
UCLG legal fees	211,322.84		
Legal fees	<u>36,852.75</u>	248,175.59	7, 9, 10, 19
Legal Advice Line		235,340.72	8, 20
Supplies		229,977.75	
Bank charges		223,994.33	
Non-capitalized equipment		121,294.43	
Insurance		102,923.71	
Printing and reproduction		100,245.81	
Travel and entertainment		95,953.35	
NSF fee expense		93,675.00	6, 21
Membership fees		85,000.00	
Office expense		81,280.12	
Temporary help		69,910.85	
Depreciation		35,883.63	
Telephone		32,016.21	
Taxes		26,142.38	
Membership dues		23,560.53	
Professional development		20,895.81	
Accounting fees		19,742.42	
Repairs		18,597.89	
Advertising	12,176.61		
Advertising, classified ads	<u>4,057.35</u>	16,233.96	
Outside services		15,602.78	
Interest expense		13,630.16	
Office supplies		6,983.76	
Bill of Establishment fees, FRS		5,153.31	11
Automobile expense		1,846.32	
Employee relations		1,056.00	
Equipment rental		925.25	
Filing fees		890.00	
Dues and subscriptions		869.14	
Refund of establishment fees		258.00	
Legal fees, Legal Advice Line		(754.62)	
Miscellaneous expense		<u>(25,734.09)</u>	
<b>TOTAL EXPENSES</b>		<u>65,884,668.42</u>	
<b>NET INCOME</b>		<u>\$ 12,970,257.44</u>	

**NATIONAL CONSUMER DEBT COUNCIL, LLC  
(Under Temporary Receivership of Robb Evans & Associates LLC)**

**STATEMENT OF OPERATIONS  
PERIOD FROM JANUARY 1, 2002 TO MARCH 31, 2004**

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**Notes:**

1. NCDC was formed under California law in December 2000. It was engaged mainly in the sale of credit card debt negotiation programs. It assigned the held programs to FRS and Solidium for their debt negotiation services. In mid-2003, JP Landis took over the sale function of the company, which left the company with only the role of program holding without employees.

The above titles of accounts were in their original descriptions. As the company changed its accounting application software during 2003, different account titles may describe the same nature of transactions.

2. The company earned an establishment fee at 3.5% of credit card debt balance outstanding at program enrollment, or \$500, whichever was higher. It also earned \$1,100.00 from UCLG for each settlement case assigned to UCLG due to UCLG's law-firm status. UCLG would then assign the case to FRS and Solidium for their debt settlement services. The establishment fee consisted of \$30,119,188.53 earned from consumers and \$4,419,110.00 earned from UCLG.
3. The company charged the consumers settlement fees computed at 25% of the difference between the final settlement amount and the outstanding balance of debt (including interest and penalty) at the settlement date. For the settlement fees earned, the company kept 20% and paid the remaining 80% to FRS or Solidium for their debt services. This fee structure was applied to UCLG also. Therefore, UCLG also kept 20% of the earned settlement fees from the cases assigned to it due to its legal-firm status. UCLG would then pay NCDC \$700.00 per settlement from its kept settlement fee earned (the 20%) to NCDC so that the earning would be shared by the three ultimate owners of the company.

The settlement fee consisted of \$22,673,282.84 earned from consumers and \$3,069,500.00 earned from UCLG.

4. The company charged the consumers monthly service fee of \$45.00 for the first six cards enrolled in the program and \$3.00 for each additional card enrolled.
5. To cover the package delivery cost, the company charged consumers \$10.00 for each settlement check/letter sent to the credit card company.
6. The company charged a \$15.00 fee at each occurrence of NSF for ACH processing.
7. The amount represents service fee collected by the company on behalf of UCLG for UCLG's service to those enrolled consumers who still got "hustled" by the credit card companies.
8. The company referred certain consumers to Legal Advice Line and collected the service fees on behalf of Legal Advice Line.
9. This amount represents service fee collected by the company on behalf of UCLG for UCLG's bankruptcy case services.

**NATIONAL CONSUMER DEBT COUNCIL, LLC  
(Under Temporary Receivership of Robb Evans & Associates LLC)**

**STATEMENT OF OPERATIONS  
PERIOD FROM JANUARY 1, 2002 TO MARCH 31, 2004**

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10. The company recently initiated a new program in which current customers may pay \$25.00 per month, in addition to the \$45.00 monthly service fee, at \$450.00 maximum to obtain UCLG's bankruptcy service for \$450.00.
11. FRS did not have a lead system to establish a consumer into the process. When FRS referred consumers to NCDC, NCDC would set the consumers up in the lead system and collect the establishment fee on behalf of FRS.
12. The company assigned the cases to FRS and Solidium for their debt settlement services. Settlement fee expense consisted mainly of \$13,454,315.10 and \$6,470,561.85 service fees charged by FRS and Solidium, respectively.
13. For the \$45.00 monthly service fee earned by the company, \$15.00 was to be paid to LFG and \$30.00 was to be paid to Solidium and FRS for their miscellaneous services. Monthly service fee expense consisted of \$9,611,422.63, \$4,598,772.97, and \$1,361,999.02 monthly service fees charged by LFG, Solidium, and FRS, respectively.
14. The company used to have about 60 to 110 employees before JP Landis took over the company's debt consulting/sales function.
15. In general, of the 3.5% establishment fee earned, the company was to pay 1.0% (of debt balance) to LFG as management fee expense. It also financed the operating expenses of NCC-CA. The total of management fee expense and marketing fee expense accounts amounted to \$11,111,285.25, except for \$711,734.08, \$6,965,470.92, \$2,081,537.58, and
16. The contributions expense also represents the financing of NCC-CA's operating expenses.
17. The professional fees of \$878,116.00 were for legal expenses incurred for class action suits and other legal matters.
18. The consulting expense was related to accounting systems, operating control/flow, and documentation.
19. See Notes 7, 9, and 10.
20. Legal Advice Line expense exceeded Legal Advice Line revenue resulted from outstanding invoices unpaid to Legal Advice Line due to disputed and cancelled services.
21. The NSF fee expenses were payable to LFG, as LFG was the ACH processor.

**J. P. LANDIS, LLC**  
**(Under Temporary Receivership of Robb Evans & Associates LLC)**

**STATEMENT OF OPERATIONS**  
**PERIOD FROM JANUARY 1, 2002 TO MARCH 31, 2004**

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	Notes	
<b>INCOME:</b>		
Marketing	2	\$ 25,368.40
Other income		<u>334.43</u>
<b>TOTAL INCOME</b>		<u>25,702.83</u>
<b>EXPENSES:</b>		
Postage and delivery		2,827,569.81
Payroll & benefits	3	2,384,462.86
Printing and reproduction		461,533.35
Supplies		213,083.31
Temporary help		180,559.80
Rent		160,926.30
Credit reports		160,107.28
Freight		74,787.23
Professional fees		50,790.06
Insurance		45,336.47
Equipment lease (Operating)		44,066.28
Parking expense		33,218.00
Associate recognition & reward		32,270.11
Employee relations		32,066.98
Outside services		20,991.79
Repairs		19,069.90
Telephone		16,548.48
Contract labor		16,255.93
Referral fess		15,958.00
Travel & entertainment		6,858.16
Advertising		4,819.10
Depreciation		4,638.04
Interest expense		3,905.27
Utilities		3,839.42
Automotive		2,839.01
Marketing		2,150.00
Membership dues		1,308.20
Bank charges		820.94
Equipment rental		800.00
Taxes		800.00
Dues and subscription		365.00
Filing fees		326.50

**J. P. LANDIS, LLC**  
**(Under Temporary Receivership of Robb Evans & Associates LLC)**

**STATEMENT OF OPERATIONS**  
**PERIOD FROM JANUARY 1, 2002 TO MARCH 31, 2004**

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	Notes	
Professional development		229.00
Licenses and permits		204.00
Moving		50.48
Other expense		<u>31.20</u>
<b>TOTAL EXPENSES</b>		<u>6,823,586.26</u>
<b>NET INCOME</b>		<u>\$ (6,797,883.43)</u>

**Notes:**

1. J. P. Landis, LLC was formed under California law in June 2003. It mainly took over the program-sale (debt consulting) function from NCDC and operated a call center. It also engaged in advertising the programs mainly through mailers.

The company has not yet determined a revenue stream, ie allocation of fees revenue from its affiliates. The funding of operations was provided by NCDC.

2. The amount represents income earned from third parties for mailer service.
3. The company used to have about 60 to 110 employees and had about 100 employees in April 2004.

**SOLIDIUM, LLC**  
**(Under Temporary Receivership of Robb Evans & Associates LLC)**

**STATEMENT OF OPERATIONS**  
**PERIOD FROM JANUARY 1, 2002 TO MARCH 31, 2004**

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	Notes	
<b>INCOME:</b>		
Settlement fees	2	\$ 8,721,998.40
Monthly service fees	3	6,108,630.32
Other income		<u>48.42</u>
<b>TOTAL INCOME</b>		<u>14,830,677.14</u>
<b>EXPENSES:</b>		
Payroll and benefits	4	5,287,662.47
Temporary help		1,084,940.37
Bad debt expense		1,000,000.00
Management fee	5	834,600.00
Postage and delivery		610,203.49
Rent		272,804.44
Supplies		86,988.35
Professional fees		77,462.94
Consulting		66,580.10
Insurance		65,751.71
Parking expenses		64,012.99
Rent, 7th floor		64,008.55
Management fee- London Financial Group	5	52,255.00
Printing and reproduction		50,121.65
Employee relations		47,527.59
Depreciation		37,945.02
Associate recognition and reward		34,577.88
Travel and entertainment		22,940.24
Office expense		15,602.28
Rent, parking		13,855.98
Repairs		12,832.05
Outside services		12,625.86
Advertising		12,525.14
Non-capitalized equipment		11,392.05
Telephone		10,051.62
Taxes		7,598.13
Miscellaneous expense		6,548.00
Interest expense		6,381.40
Contributions	6	5,000.00
Equipment lease (operating)		3,822.86
Advertising, classified ads		3,602.43
Bank charges		2,766.69
Office supplies		1,740.16
Equipment rental		1,567.73
Filing fees		1,357.00

**SOLIDIDIUM, LLC**  
**(Under Temporary Receivership of Robb Evans & Associates LLC)**

**STATEMENT OF OPERATIONS**  
**PERIOD FROM JANUARY 1, 2002 TO MARCH 31, 2004**

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	<b>Notes</b>
Membership dues	1,293.25
Moving	870.00
Dues and subscriptions	842.89
Contract labor	842.71
Settlement fee	594.00
Licenses and permits	150.00
Continuing education	50.00
Reference materials	<u>30.81</u>
<b>TOTAL EXPENSES</b>	<u>9,894,325.83</u>
<b>NET INCOME</b>	<u>\$ 4,936,351.31</u>

**Notes:**

1. SoLidium, LLC was formed under California law in March 2002. It was engaged in providing debt negotiation/settlement service for the customers assigned from NCDC, UCLG, and CGC.
2. The \$8,721,998.40 settlement fee income was earned from NCDC and UCLG and in the amounts of \$6,470,561.85 and \$2,251,436.55, respectively.
3. The \$6,108,630.32 monthly service fee income was also earned from NCDC and UCLG and in the amounts of \$4,598,772.97 and \$1,509,857.35, respectively.
4. The company had about 120 employees.
5. The amounts represent fees payable to LFG, \$5.00 per customer per month, for its services.
6. The amount represents transfer of funds to NCC-CA to cover its operating expenses.

**LONDON FINANCIAL GROUP**  
**(Under Temporary Receivership of Robb Evans & Associates LLC)**

**STATEMENT OF OPERATIONS**  
**PERIOD FROM JANUARY 1, 2002 TO MARCH 31, 2004**

<b>INCOME:</b>		<b>Notes</b>
Referral fee income	\$ 11,636,824.53	2
Management fees	6,106,996.62	2
Marketing income	2,173,213.75	2
Income from originating second mortgage loans:		
Origination income	\$ 877,175.36	
Premium income	226,556.56	
Processing fee income	51,075.05	
Underwriting fee income	13,795.00	
Document fee income	4,550.00	
Credit report fee income	3,032.00	
Appraisal fee income	795.00	
Signing fee income	<u>250.00</u>	1
NSF fee	169,140.00	2
Management fee, SoLidium	87,225.00	2
Administration fee to LFG	49,025.00	2
Interest income	30,641.49	
Other income	24,913.25	
Miscellaneous revenue	6,969.12	
Refund	9.00	
Dividend income	0.42	
Interest fee income	<u>(248.73)</u>	
<b>TOTAL INCOME</b>	<u>21,461,938.42</u>	
<b>EXPENSES:</b>		
Payroll and benefits	8,279,519.33	3
Telephone-dialers	7,900,272.01	4
Bad debt expense	470,489.17	
Travel and entertainment	469,810.51	
Depreciation expense	363,279.92	
Postage and delivery	226,526.60	
Temporary help	209,298.01	
Rent	201,635.02	
Expenses of originating second mortgage loans:		
Marketing	83,418.25	
COS/appraisal fees	43,507.03	
COS/processing fees	9,835.37	
COS/signing fees	7,022.50	
COS/credit report fees	6,359.85	
COS/title fees	5,511.99	
COS/underwriting fees	5,447.56	
COS/flood	4,297.50	
File shortage	2,774.84	
Commission expense	2,500.00	
COS/signing cancellation fees	2,358.75	

**LONDON FINANCIAL GROUP**  
**(Under Temporary Receivership of Robb Evans & Associates LLC)**

**STATEMENT OF OPERATIONS**  
**PERIOD FROM JANUARY 1, 2002 TO MARCH 31, 2004**

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COS/recording fees	2,142.84		
COS/document fees	1,048.05		
COS/title cancellation fees	<u>942.50</u>	177,167.03	1
Bank service charges		147,494.58	
Office expense		142,520.26	
Automotive		109,422.02	
Automobile expense		102,559.87	
Insurance		94,075.28	
Employee relations		93,598.58	
Contributions		79,160.00	5
Professional fees		66,240.80	
Membership dues		62,771.51	6
Membership fees		27,733.70	6
Office supplies		60,726.43	
Supplies		60,040.09	
Non-capitalized equipment		56,526.43	
Printing and reproduction		52,763.35	
Parking expenses		49,906.59	
Taxes		46,041.62	
Equipment lease (operating)		45,731.46	
Rent, other		41,660.93	
Interest expense		41,099.33	
Accounting fees		39,461.30	
Advertising		37,782.36	
Repairs and maintenance		33,991.44	
Consulting		32,251.73	
Outside services		30,053.42	
Loss on sale of investment		28,423.69	7
Telephone		23,030.76	
Legal fees		21,404.51	
Licenses and permits		20,101.05	
Filing fees		18,124.90	
Professional development		17,665.30	
Dues and subscriptions		13,679.24	
Premium recapture		11,483.69	
Associate recognition and reward		8,308.73	
Refund to borrower		7,004.56	
Tax provision		6,886.00	
Annual recognition dinner		4,000.00	
Subscriptions		3,948.91	
Equipment lease		3,152.63	
Equipment rental		784.00	
General and administrative		400.00	
Monthly service fees		150.00	
Franchise fees		114.02	
Contract services		27.59	

**LONDON FINANCIAL GROUP  
(Under Temporary Receivership of Robb Evans & Associates LLC)**

**STATEMENT OF OPERATIONS  
PERIOD FROM JANUARY 1, 2002 TO MARCH 31, 2004**

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Miscellaneous expense	(11,891.02)
Other expenses	<u>(6,886.00)</u>
<b>TOTAL EXPENSES</b>	<u>20,021,523.24</u>
<b>NET INCOME</b>	<u>\$ 1,440,415.18</u>

**Notes:**

1. LFG was formed as a Nevada Corporation in January 1997. Prior to 2003, it primarily engaged in originating second mortgage loans in California under the approval of HUD. Subsequently, it was engaged in providing administrative and management services for its affiliates. It also owns certain telephone number database, 82 telephone auto-dialers, and computer equipment. It donated dialing services to its affiliates.
2. These income items represent various types of service fees earned from the company's affiliates. Total of these accounts amounted to \$20,222,424.90, of which \$16,670,568.55, \$883,625.00, \$1,800.00, and \$2,666,431.35 was earned from NCDC, Solidium, FRS, and UCLG, respectively.
3. The company had about 41 employees.
4. The amount represents auto-dialing telephone expenses which the company donated to its affiliates.
5. The amount included funds transfer to NCC-CA totaling \$75,000.00 for its operating expenses.
6. Total of membership dues and fees amounted to \$90,505.21, of which \$90,000.00 was actually transferred to NCC-CA to cover its operating expenses.
7. The loss on sale of investment in the amount of \$28,423.69 was not connected to the BSA held by NCC-NV.

**A COMMON ENTERPRISE CONTROLLED BY WALTER HAINES, PAUL KARDOS, AND WALTER LEDDA  
(Under Temporary Receivership of Robb Evans & Associates LLC)**

**CONSOLIDATED STATEMENT OF FINANCIAL CONDITION  
MARCH 31, 2004**

	Signature Equities	NCC - AZ	NCC - NV	NCC - CA	NCDC	JP LANDIS	Solidium	LFG	Total	Eliminations	Consolidated Amounts
<b>ASSETS</b>											
CURRENT ASSETS:											
Cash in banks	\$ 2,824.64	\$ 20,293.09	\$ (801,487.81)	\$ (90,364.33)	\$ 1,509,946.25	\$ 340,718.02	\$ 837,733.20	\$ 2,049,518.17	\$ 3,869,181.23	\$ -	\$ 3,869,181.23
Business Services Accounts, UBS PaineWebber	-	-	20,480,771.56	32,632.47	-	-	-	-	20,513,404.03	-	20,513,404.03
Accounts receivable, net	55,520.00	-	827.74	13,000.00	3,059,979.87	11,137.15	-	193,568.87	3,334,033.63	-	3,334,033.63
Prepaid expenses	-	-	-	30,195.30	64,092.41	69,450.24	(99.92)	145,157.83	308,795.86	-	308,795.86
Other current assets	-	-	-	-	10,998.11	2,775.38	(983.59)	20,257.15	33,047.05	-	33,047.05
Due from affiliates	-	-	2,730,086.45	-	7,357,411.32	-	2,605,154.31	449,803.09	13,142,455.17	(13,142,455.17)	-
Due from UCLG	-	-	17,290.48	-	5,031,603.84	-	1,043,480.70	263,294.22	6,355,669.24	-	6,355,669.24
Due from CGC	-	-	330.17	-	171,000.00	-	-	9,351.00	180,681.17	-	180,681.17
Total current assets	58,344.64	20,293.09	22,427,818.59	(14,536.56)	17,205,031.80	424,080.79	4,485,284.70	3,130,950.33	47,737,267.38	(13,142,455.17)	34,594,812.21
PROPERTY AND EQUIPMENT, Net	-	-	-	72,791.12	58,294.18	115,989.77	191,180.75	751,052.51	1,189,308.33	-	1,189,308.33
OTHER ASSETS	-	-	(397.02)	31,342.43	68,364.18	42,069.46	-	(66,021.81)	75,357.24	-	75,357.24
<b>TOTAL</b>	<u>\$ 58,344.64</u>	<u>\$ 20,293.09</u>	<u>\$ 22,427,421.57</u>	<u>\$ 89,596.99</u>	<u>\$ 17,331,690.16</u>	<u>\$ 582,140.02</u>	<u>\$ 4,676,465.45</u>	<u>\$ 3,815,981.03</u>	<u>\$ 49,001,932.95</u>	<u>\$ (13,142,455.17)</u>	<u>\$ 35,859,477.78</u>

**A COMMON ENTERPRISE CONTROLLED BY WALTER HAINES, PAUL KARDOS, AND WALTER LEDDA  
(Under Temporary Receivership of Robb Evans & Associates LLC)**

**CONSOLIDATED STATEMENT OF FINANCIAL CONDITION  
MARCH 31, 2004**

	Signature Equities	NCC - AZ	NCC - NV	NCC - CA	NCDC	JP LANDIS	Solidium	LFG	Total	Eliminations	Consolidated Amounts
<b>LIABILITIES AND EQUITY</b>											
CURRENT LIABILITIES:											
Payable to customers	\$ -	\$ -	\$ 22,220,367.51	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,220,367.51	\$ -	\$ 22,220,367.51
Accounts payable, FRS	-	-	-	-	3,246,756.71	-	-	-	3,246,756.71	-	3,246,756.71
Accounts payable, other	-	-	-	44,192.88	3,115.82	18,809.66	21,441.58	164,262.93	251,822.87	-	251,822.87
Accrued expenses	-	-	-	82,739.51	-	295,386.47	227,035.73	705,650.50	1,310,812.21	-	1,310,812.21
Due to affiliates	-	-	-	107,895.30	5,376,952.51	7,065,764.92	121,733.67	470,108.77	13,142,455.17	(13,142,455.17)	-
Other current liabilities	-	-	6,524.67	-	-	-	-	-	6,524.67	-	6,524.67
Due to UCLG	-	-	-	-	39,167.84	-	-	557,865.40	597,033.24	-	597,033.24
Due to CGC	-	-	-	-	-	-	-	493.95	493.95	-	493.95
Total current liabilities	-	-	22,226,892.18	234,827.69	8,665,992.88	7,379,961.05	370,210.98	1,898,381.55	40,776,266.33	(13,142,455.17)	27,633,811.16
LONG-TERM DEBT	1,000.00	-	-	-	-	-	-	33,365.20	34,365.20	-	34,365.20
Total liabilities	1,000.00	-	22,226,892.18	234,827.69	8,665,992.88	7,379,961.05	370,210.98	1,931,746.75	40,810,631.53	(13,142,455.17)	27,668,176.36
EQUITY (DEFICIT)	57,344.64	20,293.09	200,529.39	(145,230.70)	8,665,697.28	(6,797,821.03)	4,306,254.47	1,884,234.28	8,191,301.42	-	8,191,301.42
<b>TOTAL</b>	<u>\$ 58,344.64</u>	<u>\$ 20,293.09</u>	<u>\$ 22,427,421.57</u>	<u>\$ 89,596.99</u>	<u>\$ 17,331,690.16</u>	<u>\$ 582,140.02</u>	<u>\$ 4,676,465.45</u>	<u>\$ 3,815,981.03</u>	<u>\$ 49,001,932.95</u>	<u>\$ (13,142,455.17)</u>	<u>\$ 35,859,477.78</u>

**FINANCIAL RESCUE SERVICES, INC.**  
**(Under Temporary Receivership of Robb Evans & Associates LLC)**

**STATEMENT OF OPERATIONS**

**PERIOD FROM JANUARY 1, 2002 TO MARCH 31, 2004**

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<b>INCOME:</b>	<b>Notes</b>	
Fee income	2	\$ 17,820,583.32
Interest income		<u>211.91</u>
<b>TOTAL INCOME</b>		<u>17,820,795.23</u>
 <b>EXPENSES:</b>		
Gross payroll		7,598,475.95
Independent contractor		992,562.42
Employer's contribution		640,638.27
Service fee	3	606,584.40
Officer salary		563,002.94
Office supplies		498,459.29
Public relations contract	4	420,000.00
Pension contribution		417,745.00
Advertising		411,618.05
Rent		393,836.44
Promotion	4	386,480.91
Insurance		195,123.86
Telephone		186,082.97
Postage and delivery		185,832.78
Professional fees		169,841.14
Printing and reproduction		148,010.68
Travel & entertainment		136,038.42
Training		116,075.83
Automobile expense		85,531.09
Depreciation expense		83,106.84
Utilities		76,726.49
Taxes		49,811.35
Services		29,682.89
Gifts		23,617.09
Contributions		23,600.00
Miscellaneous		16,179.42
Employee benefits		13,149.00
Website costs		12,886.00
Dues and subscriptions		11,461.93
Membership		10,958.00
Bad debt expense		9,691.71
Repairs		7,980.86
Medical		7,803.52
Outside services		6,745.36
Equipment lease		5,063.11

**FINANCIAL RESCUE SERVICES, INC.**  
**(Under Temporary Receivership of Robb Evans & Associates LLC)**

**STATEMENT OF OPERATIONS**

**PERIOD FROM JANUARY 1, 2002 TO MARCH 31, 2004**

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Client costs	4,747.08
Bank service charges	4,066.96
Equipment rental	3,945.26
Licenses and permits	3,623.75
Commission	3,396.19
Trade shows and conventions	3,038.55
Interest expense	2,976.21
Client settlement payment	2,158.00
Security	1,184.67
Payroll expense	962.00
Contra	<u>(1,165.00)</u>
<b>TOTAL EXPENSES</b>	<u>14,569,337.68</u>
<b>NET INCOME</b>	<u>\$ 3,251,457.55</u>

**Notes:**

1. The company was incorporated in California in June 2000 as an S corporation. It was engaged mainly in the business of negotiating credit card debts for customers referred mainly from NCDC. The company had three affiliates in operations: M & M Enterprises, Inc. (M&M), Financial Rescue Consumer Services, Inc. (FRCS), and Financial Rescue Support Services, Inc. (FRSS).
2. The amount represents mainly fees earned from NCDC for credit card negotiation services. Such fees were recorded by the company on a cash basis and adjusted to the accrual basis by its auditors at year-end, while NCDC recorded the incurred fee expenses on an accrual basis.
3. The company paid fees of \$406,500, \$100,000, and \$100,000 to M&M, FRCS, and FRSS, respectively, during the period, which totaled \$606,500.
4. The company contributed \$630,000 in total to NCC-CA to subsidize NCC-CA's operating expenses, of which \$420,000 and \$210,000 were recorded as public relations contract and promotion, respectively.

**FINANCIAL RESCUE SERVICES, INC.**  
**(Under Temporary Receivership of Robb Evans & Associates LLC)**

**STATEMENT OF FINANCIAL CONDITION**  
**MARCH 31, 2004**

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**ASSETS**

CURRENT ASSETS:

Cash	\$	564,455.19
Accounts receivable, net		<u>2,671,942.74</u>
Total current assets		3,236,397.93

PROPERTY AND EQUIPMENT, Net 325,031.67

OTHER ASSETS 24,150.00

**TOTAL** \$ 3,585,579.60

**LIABILITIES AND EQUITY**

CURRENT LIABILITIES:

Accrued expenses	\$	48,908.00
Due to affiliates		160,372.79
Accrued pension contributions		256,500.00
Other liabilities		10,231.17
Income tax payable		<u>49,500.00</u>
Total current liabilities		525,511.96

BANK LOAN PAYABLE 10,111.29

Total liabilities 535,623.25

EQUITY 3,049,956.35

**TOTAL** \$ 3,585,579.60