

**UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF PENNSYLVANIA**

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THOMAS E. PEREZ, SECRETARY OF	:	
LABOR, UNITED STATES DEPARTMENT	:	Civil Action
OF LABOR	:	
	:	No. 09-988 (WB)
v	:	
	:	
JOHN J. KORESKO, et al.	:	

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Marcum LLP's Accounting and  
Proposed Unified Model for Equitable Distribution

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**U.S. Department of Labor v. John J. Koresko, et al.**

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**US Department of Labor v. John J. Koresko et al.**

**United States District Court for the Eastern District of Pennsylvania**

**No. 09-988**

**Marcum LLP's Accounting and Proposed Unified Model**

**for Equitable Distribution**

**I. Summary**

This document provides a detailed description of the proposed model for equitable distribution developed by Marcum LLP ("Marcum") that the United States Department of Labor ("DOL") is proposing to use to equitably distribute the remaining assets of the two Trusts, created at the direction of John J. Koresko ("Koresko") and administered by PennMont Benefit Services Inc. ("PennMont"). The methodology developed by Marcum is termed the Unified Model ("Model"). Because of the complexity of the matter and the large amount of assets and liabilities involved, the document is necessarily detailed to provide Plan Sponsors sufficient information to evaluate the proposed method, which if adopted by the Court will be used to liquidate the Trusts. It is expected that the assets in the Trusts will not be sufficient to satisfy the Trusts' liabilities to the plans and that the distribution will be based upon the calculation of each plan's proportional interest in the Trusts.

The Model is comprised of the following basic components:

1. An account balance created for each Plan Sponsor. The account is referred to as the PennMont Internal Balance ("PIB").
2. The value of insurance assets associated with each Plan Sponsor. This component is referred to as the Insurance Policy Value ("IPV") adjustment.
3. Combining Components 1 and 2 (after making certain adjustments) results in a Distribution Numerator for each Plan Sponsor.
4. The Distribution Numerators for all Plan Sponsors will be aggregated to calculate a Total Distribution Denominator. Dividing the individual Plan Sponsor Numerator by the Total Distribution Denominator produces a ratio that reflects each Plan Sponsor's proportionate share of the Trusts. This proportionate share percentage will be applied to Net Assets Available for Distribution in the liquidation process.

5. Determined Death Benefits payments will be paid in full (100%) if the death of the insured occurred before July 9, 2013, the date that a Temporary Restraining Order was entered by the Court.<sup>1</sup> If the death of the insured occurred on or after this date, then death benefits will be subjected to a calculated Asset Shortfall Discount (“ASD”) (the percentage by which total assets will fall short of total liabilities) that will be applied uniformly across all Plan Sponsors.<sup>2</sup>

A List of Plan Sponsors considered for the Equitable Distribution is shown at **Exhibit A**. Pursuant to the Order of the Court, Plans are classified as either "Open" or "Closed / Terminated." This classification is a critical element in the Model. An Open plan may participate in the Equitable Distribution. A "Closed/Terminated" plan will not participate in the Equitable Distribution. Any challenge either to a Plan's inclusion in the Trusts or to a plan's categorization as "Open" or "Closed / Terminated" must be made during the "first stage" of the process as described in the Court's Order of September 12, 2016 (ECF No. 1395).

At a later stage of the resolution process, the Court will consider the possible distribution of insurance policies. The mechanics of such a proposed distribution have not been determined at this time, except as generally described below.

Hypothetical examples of the application of the Model using a variety of assumptions are included at **Exhibit B**. The hypothetical examples do not address every possible variation of circumstances.

## **II. Background and Directions of the Court**

The Court by its Order of July 21, 2015 (ECF No. 1240) directed Marcum<sup>3</sup> to conduct "...an equitable accounting of the assets of the Single Employer Welfare Benefit Plan Trust ("SEWBPT") and the Regional Employers Assurance League Voluntary Employees Beneficiary Association ("Real VEBA"), (together "the Trusts") and the Plans' respective interests in the Trusts (ECF No. 1162)."<sup>4</sup> Further, Marcum was charged with developing a sub-accounting by Plan of each Plan's interest in the Trusts on a Cash In/Out basis.<sup>5</sup>

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<sup>1</sup> Determined Death Benefits are defined in section V(C)(3).

<sup>2</sup> The ASD is the percentage by which Net Available Assets is less than the Total Distribution Numerator.

<sup>3</sup> As of December 1, 2016, Smart Devine PC ("Smart Devine") was merged into Marcum. By Order of December 1, 2015 (ECF No. 1272), Marcum was ordered to continue the work begun by Smart Devine.

<sup>4</sup> A three phase process was set forth in the Order, which included in part: 1) the evaluation of the condition of the available documentation; 2) developing alternative methodologies for establishing past and present employer member account values; and 3) developing and presenting alternative methodologies for the equitable distribution of Trust assets.

<sup>5</sup> The Cash In/Out accounting was mandated by the Court and requested by the DOL in its Response to Order (ECF No.1144).

Concurrently with the completion of the accounting required by the Court's Orders, pursuant to the Court's directions, Marcum developed a model for Equitable Distribution which Marcum has termed the Unified Model. The accounting and proposed Model have been presented to the Court for consideration and comment.

On August 22, 2016, the DOL filed a Motion and Memorandum in Support of Plan for Equitable Distribution (ECF No. 1384 and ECF No. 1384-1) along with a proposed Notice of the Proposed Distribution (ECF No. 1384-2). By its Motion, the DOL moved: "...to adopt Marcum's proposed distribution method after providing the interested employer plans with an opportunity to review the proposal and submit any comments in support or opposition." Further the DOL commented, "...after hearing and comments from the interested parties, the Court should adopt Marcum's proposed distribution, or alter, if necessary, Marcum's proposal in light of any significant comments from the participating plans." Judge Beetlestone referred the matter to Magistrate Judge Hey for the purpose of developing the notice of proposed distribution of Trust assets and a scheduling order (ECF No. 1389).

By Order of September 12, 2016 (ECF No. 1395), Judge Hey ordered as follows:

... To ensure that the plans have an opportunity to consider both the methodology for disbursement and the accounting of each plan's assets, the Court's consideration of the DOL's motion will proceed in two stages.<sup>6</sup> During the first stage, plan sponsors will be provided notice and an explanation of the proposed distribution methodology and be given an opportunity to submit objections to the methodology. Additionally, any challenge to a plan's inclusion in the Trust's or a plan's categorization as "open" or "closed/terminated" must be made during the first stage.

In preparation for the first notice, Marcum is directed to . . . prepare a description of the Unified Model which shall include a list identifying all plans and whether the plan is open or closed/terminated. (FN omitted) ..."

Pursuant to the Court's Order, the purpose of this document is to set forth: 1) a description of the Unified Model and the plan accounting upon which the model is based; and 2) provide a list identifying whether the plan is "Open" or "Closed/Terminated" and the criteria used in make such determination. As noted above, this list of plans with the designation as Open or Closed/Terminated is attached as **Exhibit A**.

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<sup>6</sup> Judge Hey directed that the notice will be forwarded to Plan Sponsors rather than Plan Participants. Judge McLaughlin found the Koresko entities liable to the plans (ECF No. 1149). Accordingly, in appointing the forensic accountant, the court directed the forensic accountant determine "the balance of the individual Plan's interests in the Trusts," and the valuation for the "individual employer member accounts" (ECF No. 1240).

### **III. Marcum's Accounting for the Plans Sponsor's Interest in the Trusts**

During its existence, PennMont marketed employee benefit programs to more than 600 Employer Plan Sponsors. With limited exception, each of the employee benefit programs sold to Plan Sponsors were linked to the purchase of an insurance products that funded various types of benefits, including most primarily death benefits for Plan participants.<sup>7</sup>

Beginning with our appointment as forensic accountants in August 2015 and over the course of the last year, Marcum has identified and analyzed various types of accounting, financial and other supporting records maintained by PennMont, including an extensive database of transactions and records associated with more than 3,000 insurance policies. Through our review of these records, including most particularly the PennMont database, we were able to determine that the records were substantially complete and reliable.<sup>8</sup>

Collectively, Marcum assembled four "generations" of data, spanning a period of more than 20 years that formed the content of its "Forensic Database." The Forensic Database includes more than 80,000 individual transactions, representing more than a billion dollars in transactional value. While there is a general uniformity as to the nature of the programs offered, there are many separate individual circumstances attached to each of the Plan Sponsors, the benefits offered and claims paid. Marcum believes that the accounting procedures that it has employed are reasonable in the context of the attendant circumstances and that the conclusions that it has reached are sound.<sup>9</sup>

### **IV. The Cash In/Out Approach Does Not Produce an Equitable Model for Distribution**

As directed by the Order of the Court, we initially developed a working distribution model based on a Cash In/Out approach, adjusted for the increase/decrease in policy values. We subsequently reviewed our findings and our analysis with the Court and the DOL. We advised the Court and the DOL that it was our view that Cash In/Out approach was both very complex and produced results that were facially inequitable. As an alternative, we proposed the Unified Model.

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<sup>7</sup> The exceptions include education and medical benefits. In many instances, these types of plans were also funded by insurance products. In some cases, they were funded by cash contributions.

<sup>8</sup> It is important to note that while a record was present for all the Plan Sponsors, we did not necessarily concur as to the correctness of the original accounting. Our analysis corrected those accounting transactions which we believe were incorrect. In addition, while the transactions were accounted for between Plan Sponsors and PennMont, this is not to suggest that Koresko did not divert (e.g. to death benefit accounts) or otherwise misuse funds once under his control (e.g. transfer of funds to various accounts under his control). These diversions and mechanisms of the diversion are detailed in the Court's February 5, 2015 Memorandum Opinion.

<sup>9</sup> The procedures that Marcum has employed in this matter are "agreed upon procedures" and do not constitute an "audit" as that term is defined in the professional accounting literature.

## **V. The Unified Distribution Model for Equitable Distribution**

### **A. Unified Model - Overview**

The Unified Model is constructed to give weight in the proposed distribution to those Plan Sponsors whose contributions have resulted in the residual equity that remains within the Trusts and to present a potential mechanism to distribute insurance contracts to associated Plan Sponsors. A primary challenge in developing the Model was the non-uniformity and illiquidity of assets that remain under the control of the Trusts; and the stated desire of numerous Plan Sponsors to receive “their” policy. The assets currently under the control of the Trusts include nearly 400 insurance contracts of various types, including: whole life; variable annuities; universal life; and term policies. In addition to liquid assets, the Trusts also own certain real estate assets; a judgment against Koresko personally; rights to various claims in litigation; and amounts associated with death benefit claims. The policies held by the Trusts, belong to the Trusts and not the individual Plan Sponsors. Offsetting these assets and claims are liabilities in the form of insurance policy loan debts incurred during the course of Koresko’s management of PennMont when dozens of the policies were accessed for their cash values. These policy loan liabilities including accrued and accruing interest exceed \$22.0 million.<sup>10</sup>

In simplified terms, the Unified Model combines the Plan Sponsor’s individual transactional account balance, which we refer to as the PennMont Internal Balance (PIB) (Component #1 below), with the Insurance Policy Value (IPV) associated specifically with each Plan Sponsor (Component #2 below).<sup>11</sup> Combining the PIB balance, the IPV and with the adjustments described below (Components 3-6) produces a Distribution Numerator. The Distribution Numerator represents the Plan Sponsors’ proportionate share of available distributable assets. Hypothetical examples of the mechanics are presented in **Exhibit B**. Stated more fully, the Model includes the following key components:

- 1. PennMont Internal Balance (PIB)** - This component of the Unified Model takes into consideration those transactions that directly affect the Plan Sponsor balance, including transactions both directly with the Plan Sponsor, i.e., premium contribution payments, and those transactions that are internal to the Trusts (e.g. between PennMont and the insurance policies) which are not visible to the Plan Sponsor. Transactions that were not visible to the Plan Sponsor include policy loans and partial surrenders. If a policy loan was initiated by Koresko, with the proceeds of the loan going to PennMont rather than the Plan Sponsor, then a “credit” arises in the PIB balance. In other words, in the

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<sup>10</sup> It is difficult to provide a precise amount associated with these loans at a given time because the loans are spread over hundreds of individual insurance policies.

<sup>11</sup> A total of 382 active policies have been identified and are in the custody and control of the Wilmington Trust Company (WTC).

accounting, the Plan Sponsor is receiving positive dollar for dollar recognition for the amount taken from the policy. By contrast, if an amount is advanced for the benefit of the Plan Sponsors then a “debit” arises in the account. An example would be a premium advanced to keep an insurance policy from lapsing. A PIB balance has been developed for all 557 Plan Sponsors that are included in the Marcum analysis and listed in **Exhibit A**.

2. **Insurance Policy Value (IPV)** – This component reflects the current cash or settlement value of policies, not the face/insured values. The component adjusts the Model for the increase or decrease in value of the insurance assets linked to specific Plan Sponsors (originating from their contributions). In effect, this component gives credit to the Plan Sponsor for the investment value of the associated insurance contracts. An IPV has been developed for all Plan Sponsors who have active policies.
3. **Elimination of Negative Balances** – In some cases, when combined, the PIB and IPV reflects a negative balance. A negative balance arises only in the PIB and means that there is an amount owed by the Plan Sponsors to the Trusts.<sup>12</sup> Negative balances generally arise in those circumstances where the Trusts have paid premiums associated with specific policies from Trust assets. The Model does not call for Plan Sponsors to repay negative balances with one exception. As more fully discussed below, if a Plan Sponsor elects to receive its insurance policy assets, in addition to payment for value of the policy, the negative balance will also need to be repaid by the Plan Sponsor to the Trusts.
4. **Elimination of Positive PIB Balances Associated with Closed Plans** – Positive combined PIB balances in a Closed Plan arise in those instances where a plan was terminated (either voluntarily or involuntarily) at a time where the PIB was positive.
5. **Adjustment of the Distribution Numerator for Death Benefits Already Paid**  
As more fully discussed below, the Model assumes that for those claims where the date of death was before the entry of the Temporary Restraining Order ("TRO"), claims are deemed to be payable at the full (100%) amount of the Determined Death Benefit.<sup>13</sup> For those death claims where the date of death is after the entry of the TRO, which have generally been paid at 50% of the Determined Death Benefit pursuant to Court Order, the amount of the Death Benefit payable will be reduced by the ASD (*see next paragraph*).

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<sup>12</sup> The potential for restoration of a negative balance may be particularly important for a Plan Sponsor / Beneficiary where the policy is of significant value for its death benefit value. Plans with a negative PIB balance have not been eliminated in connection with determining whether a Plan is Open or Closed/Terminated.

<sup>13</sup> The TRO effectively froze all of the assets associated with PennMont and ended PennMont’s operation of the Trusts.

6. **Calculate the Distribution Numerator** - Combining the above elements (items 1 through 5) equals the Distribution Numerator which forms the basis of Plan Sponsor's theoretical share of total available assets, after payment of the pre-TRO death benefits which are deemed a priority payment. Once a total Distribution Numerator is determined for all plans and when a total of Net Assets Available for Distribution is determined, we can calculate the ASD, which will represent the percentage by which the Distribution Numerator for each Plan Sponsor will be reduced upon liquidation.

#### **B. Why Does the Unified Model Work?**

The Unified Model relies on a primary assumption that the individual insurance policies are associated with specific Plan Sponsors and the transactions associated with the policies are likewise associated with individual Plan Sponsor accounts. This association and related accounting methodology is consistent with the PennMont offerings and its internal accounting. The PennMont database (from which the Marcum Forensic Database has been created) accounts for all transactions between the Plan Sponsors and PennMont (i.e. external transactions visible to the Plan Sponsor) and also the transactions between PennMont and the underlying insurance assets (i.e. transactions that were not generally visible to Plan Sponsors).

The Court has found instances where Koresko accessed the value of the insurance policies for improper purposes. The single largest example was the extraction of \$35.0 million in policy value through the use of what are known as "Max Loan" borrowings during 2009.

Notwithstanding that the funds were taken, the internal PIB account did account for the *defacto* removal/borrowing of the cash from the Plan Sponsor's account. By way of a hypothetical example, if \$100,000 was withdrawn from a policy as a loan, in the Unified Model, the Plan Sponsor's internal PIB account was credited (positive adjustment) in a manner as if to show a loan from the Plan Sponsor to the Trusts. In a similar manner, if \$5,000 of Trust assets were used to pay a premium for an account, the Plan Sponsor's account was debited (charged) for the loan from PennMont to the Plan Sponsor.

Cash contributions into the Trust from a Plan Sponsor were reflected in the PIB as a credit and payments out to a Plan Sponsor (e.g. medical benefit) were debited to the account. This accounting process, with some specific exceptions, was repeated thousands of times on a continuing basis.

The key additional element in the Unified Model is the linking of the value of the policies to the individual Plan Sponsors. This linkage of value was not present in any of the PennMont internal accounts.<sup>14</sup> This linkage causes the increase or decrease in value in the insurance product to be specifically associated with a Plan Sponsor's combined (PIB/IPV) account.

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<sup>14</sup> Contributions for premium payments were linked in the PennMont database.

Because the PIB treats “Premiums-In” (from Plan Sponsors) and “Premiums-Out” (to Insurance Companies) as a direct offset, netting to a zero balance, there is no need to account for premiums separately in this Unified Model or to determine what premiums created value for the Trust. In effect, the continuing value to the Trust is resident in the combined PIB/IPV. For example, if a premium payment was deposited with the Trust to pay for a one-year term policy and that premium was paid to the insurance company, because the premium paid for a term policy, there likely is no value remaining in the Trust and both the PIB and IPV would reflect zero balances. By contrast, if the premium was used to purchase a whole life or variable annuity, it is likely that significant value resides in the remaining IPV assets held by the Trusts. In many cases however, because of the age, physical condition and insurability of the insured, the greatest value of the policy is not in the surrender or cash value but rather the benefits payable upon death.<sup>15</sup> This is particularly the case for those policies that insure persons in older age categories.

### **C. Court Determinations and Key Assumptions Used in the Unified Model**

The Unified Model relies on specific Court decisions/Orders and several key assumptions, including the following:

- 1. With the Exception of the Payment of Death Benefits, the “Adoption Agreements” Executed by Plan Sponsors Have Been Disregarded** -The benefits associated with the Adoption Agreements executed between PennMont and the Plan Sponsors are disregarded for the purpose of the Model, except for certain death benefits (point 3 below).<sup>16</sup>
- 2. Association of Plan Sponsors with Specific Insurance Policies** – As noted above, the Model assumes that it is appropriate to associate Plan Sponsors with specific insurance policies.<sup>17</sup> This assumption, in effect, recognizes that the plans were established and maintained on a basis where there was a direct linkage between Plan Sponsors and the underlying insurance policies.<sup>18</sup> Again, this is not intended to say that the insurance

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<sup>15</sup> Our Model and related analysis does not consider the tax issues that may arise in the proposed distribution methodology, including the taxability of liquidating distributions and/or life insurance policies.

<sup>16</sup> Following the entry of the TRO, the Court directed that uncontested death benefits be paid based on 50% the stated benefit in the Adoption Agreement. See Orders of May 15, 2014 (ECF No. 807) and February 26, 2015 (ECF No. 1146) both of which involved payment of death benefits based on Adoption Agreement formulas.

<sup>17</sup> Plan Sponsors were routinely billed and wrote checks payable to the Trusts on behalf of the Plans to pay for premiums on specific policies.

<sup>18</sup> We note that Wagner Law Group (WLG) the court-appointed Administrator, has continued to receive premium due notices on individual policies and that they have routinely sent those notices to Plan Sponsors to continue to fund premium payments. The degree to which Plan Sponsors have continued to send funds has been somewhat uneven. We understand that many of the policies have been kept in force using accumulated policy cash values.

assets were owned by the Plan Sponsors, but rather the cash and value that the Plan Sponsors invested with PennMont is directly related to the residual assets.

### **3. Treatment of Death Benefits**

A Death Benefit payment to the Trusts results from a named insured dying and a claim being made on a policy owned by the Trusts. The Model establishes July 9, 2013 as a date of demarcation. On that date, the Court entered a TRO against PennMont and Koresko.<sup>19</sup>

The Model assumes that if the death occurred before July 9, 2013, payment to beneficiary will be 100% of the Determined Death Benefit. This treatment is consistent with the prior decisions of the Court. In effect, these Pre-TRO death payments represent a carve-out before any other allocations are made.

The Model further assumes that if a death occurred on or after July 9, 2013, then the entire amount of the death benefit will be subject to a pro-rata reduction for the ASD. Subjecting the Post-TRO death benefit to the ASD is consistent with the distribution methodology used for all other purposes.

Following the entry of the TRO, by Orders of May 15, 2014 (ECF No. 807) and February 26, 2015 (ECF No. 1146) the Court directed WLG to pay death claims at 50% of the death benefit based on the Adoption Agreement.

Also by its Order of May 15, 2014 (ECF No. 807) the Court provided guidance on the method by which payments were to be made:

Per the Trust documents, death benefits are generally payable in a series of monthly installments not to exceed 120. However, payment may also be made in accordance with an annuity purchase for such interest or otherwise agreed upon by the beneficiary and administrator. Accordingly, following completion of the litigation in this matter, the Court may order, all, none or an additional portion of the death benefits to be paid to beneficiaries in a lump sum or such other payment method the Court determines. Further, per this order, the IF (Independent Fiduciary) is authorized to handle future claims for death benefits received during the IF's normal and ongoing administration of the Trusts in the same manner.

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<sup>19</sup> The DOL filed for a TRO and Preliminary Injunction on June 19, 2013 (ECF No. 377), we understand that a hearing was held by the Court on July 8, 2013 (minute entry of proceedings, ECF No. 400) and Order granting a freeze of assets was entered on July 9, 2013 (ECF No. 407) following the hearing.

The Model assumes that after determining whether the claim is a pre-TRO or post-TRO, the amount payable for all death claims will be the lesser of: 1) the death benefit as determined by the Independent Fiduciary as called for by the Adoption Agreement; or 2) the face amount of the associated insurance policy after any applicable reductions for loans or partial surrenders (discussed below) and excluding any interest payments.<sup>20</sup> This amount is referred to as the Determined Death Benefit. The Plan Document provides an option for a payout over an extended period in the form of an annuity payment. The Model assumes that unless an annuity payment has already been initiated, all payments will be made in a lump sum based on the Determined Death Benefit.<sup>21</sup>

The Model assumes that for both pre-TRO and post-TRO claims, if the applicable policy has been reduced by the amount of a policy loan or other reduction and those reductions were for the benefit of PennMont/Koresko and not the Plan Sponsor, then any amount borrowed on the policy will be accounted for as a credit (increase) to the **PIB balance**.

4. **Elimination of All “Closed” Accounts** -We have eliminated from distribution consideration all Plan Sponsors that: 1) have no identified insurance assets; 2) have voluntarily terminated their relationship with the Trusts; 3) have been involuntarily terminated as result of non-payment of premiums and have no positive PIB balance; or 4) terminated their relationship as a result of either a legal settlement or other adjudicated resolution. In some cases, Plan Sponsors that are being eliminated have significant PIB balances.
5. **Claims of Separate Existence** - The Model assumes that all of the Plans and Plan Sponsors on the Plan Sponsor List are of equal standing for purposes of applying the distribution methodology.
6. **The Model Pertains Only to Plan Sponsors** - The Model gives no accounting to any individual participant including non-owner employees. Plan Sponsors will be responsible for developing plans for equitable distribution to the affected employee base (both current and separated employees).<sup>22</sup>

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<sup>20</sup> This treatment is consistent with the Court’s Order of September 30, 2016 which offered the Administrator guidance in administering payment of death benefits. The order stated in part “...in the case of a plan which from its inception, used value in the policy to fund the policy premium with the intention of reducing the policy death benefits over time, and where the calculated plan benefit exceeds the policy proceeds, the Administrator is to pay 50% of the policy before interest.”

<sup>21</sup> There are a limited number of cases that involve a stream of payments in settlement of a claim. The Model assumes that any payments that were due after the entry of the TRO will be subject to the ASD.

<sup>22</sup> We recognize that limiting the distribution to the Plan Sponsors may present certain logistical impediments. For example, we know that there are instances where the Employer Sponsors are no longer in business.

7. **The Model Does Not Consider Every Possible Issue of Equity** – Marcum recognizes that there are many individual circumstances, involving individual Plan Sponsors and actions taken by PennMont/Koresko that could/should be deemed inequitable.<sup>23</sup> The Model has endeavored to consider the major issues that have been identified.<sup>24</sup>
8. **The Model Does Not Consider the Time Value of Funds** – All of the transactions included in the analysis that are shown in absolute dollars, without regard to potential losses associated with the time value of money.
9. **All 412i Plans have been Excluded from Consideration** – The Model excludes from consideration all IRC section 412(i) Plans marketed through PennMont.<sup>25</sup> These were excluded because we unaware of any claimed losses associated with these plans. None of these policies are under the control of WTC, the court-appointed Trustee. Notice of this exclusion is not being provided to Plan Sponsors involved with these plans.

#### **D. Classification of Plan Sponsors and Related Explanations**

The Court’s Order of September 12, 2016 stated:

In preparation for the first notice, Marcum is directed to provide the Clerk’s Office the name and address of the plan sponsor for all plans that have or had assets in the Trusts during the period of Marcum’s review (hereinafter “plan sponsors”), and to prepare a description of the Unified Model which shall include a list of identifying all plans whether the plan is open or close/terminated.

In compliance with the Order, Marcum has separately appended as **Exhibit A**, the List of Plan Sponsors as directed by the Court. The criteria that we have used for the categorization is described below.

##### **1. Open Plans include:**

- Plans associated with pending death benefits with or without insurance policies held by WTC.

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<sup>23</sup> For example, in some cases, Plan Sponsors continued to make payments to PennMont under threat of termination by Koresko, while others Plan Sponsors did not make such payments.

<sup>24</sup> The comment period provided by the Order of the Court is intended to provide a mechanism to allow Plan Sponsors to identify such issues of equity.

<sup>25</sup> An IRC section 412(i) plan is a type of tax-qualified benefit plan. We are aware that there are a number of Plan Sponsors that are involved in both the section 412(i) and section 419 plans. The plans that are subject to this Model are IRC section 419 plans.

- Plans with a current policy or policies held by WTC, with no known death benefits pending.
- Plans with no policies at WTC but with an indicated positive PIB (e.g. cash funding of Medical Benefits) and no indication that the plan was voluntarily or involuntarily terminated.
- Plans understood to be subject to a dispute, but not resolved in an adjudicated proceeding, with no known pending claims or policies.
- Plans with policies that were deemed to be “Viaticated” by PennMont.<sup>26</sup>

A total of 205 Plans have been designated as being Open.

## **2. Closed/Terminated Plans Include:**

- Plans that voluntarily ceased participation in the Trusts upon cessation of payment of premiums or other amounts due. In most cases, the plans in this category, reflected zero, negative or relatively small PIB balances. In many cases, plans that ceased participation did receive a distribution of either cash or policies. This is particularly true for pre-2009 periods.
- Plans that have been engaged in litigation with PennMont that resulted in an adjudicated resolution that may have resulted in distribution of cash or insurance policies to party opposing PennMont (i.e. a Plan Sponsor as either a plaintiff, defendant, claimant or respondent) or in at least one case, no distribution. In some instances, the Plans that were eliminated reflected substantial positive PIB balances.
- Plans with policies understood to be owned by the Trusts. These include Plans wherein the Plan Sponsor chose to terminate funding of the policy and effectively ceased participation in the Plan. In some cases, PennMont chose to continue to pay policy premiums to keep these policies in force after termination by the Plan Sponsors.

A total of 352 Plans have been designated as being Closed/Terminated.

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<sup>26</sup> In connection with our analysis we identified a number of Plans that were associated with policies that were labeled in the Penn Mont database as “Viaticated.” The use of the term is likely a misnomer, but regardless of label PennMont deemed these policies to be owned by the Trust. Various circumstances enter the picture but generally involve terminations of certain portions of the Employer Sponsor’s Plan by PennMont/Koresko. If the Plan was otherwise deemed to be Open, the Model disregards the “Viaticated” designation and permits the associated policies to continue to be associated with the Plan Sponsor for purpose of developing the IPV.

## **VI. Development and Adjustment of PennMont Internal Balances (PIBs)**

### **A. Transition from PennMont Accounts to PIB Balances**

As described above, PennMont maintained a database that permitted it to maintain an account balance for each Plan Sponsor. The PennMont accounts either reflected a balance "due to" (Plan Sponsors from the Trust) or "due from" (Plan Sponsors to the Trust). Account statements were occasionally provided to some Plan Sponsors by PennMont upon request. This internal accounting and related account balance were used as a starting point for our analysis.

Because the PennMont account balances included or excluded certain relevant accounting transactions and because the database included various transactions that were inappropriate, these account balances were unusable standing alone for the purpose of producing an account balances for each Plan Sponsor.<sup>27</sup> We corrected/adjusted certain of these transactions to derive adjusted PIB accounts. In connection with developing the PIB accounts we considered the items described below.

### **B. Specific Items Considered in Connection with Development of the PIB Balance**

- 1. Administrative Fees** – Administrative Fees applied by PennMont are assumed to be a valid expense, chargeable to each Plan Sponsor. Our review of the records indicated that there was an overall consistency in the application of administrative fees. In some cases where large or unusual fees were applied, they appeared to be commensurate with the nature and/or size of the transaction.
- 2. Funds Diverted from Death Benefit Accounts Established by Koresko** – In its Memorandum Opinion (ECF No. 1134) the Court described (pgs. 92-97) a pattern of funds diverted by Koresko in connection with the establishment and operation of certain "Death Benefit" accounts.<sup>28</sup> As the Model is constructed, Plan Sponsors receive accounting credit for any death benefit proceeds that that were received into PennMont and transferred to a Death Benefit account. In other words, even if there was a diversion of funds by Koresko, the Model accounts for any diverted funds.

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<sup>27</sup> Our reference to transactions as "inappropriate" relies on the Court's Findings of Fact and Conclusions of Law.

<sup>28</sup> In numerous instances, in connection with a death benefit claim, PennMont received proceeds from the insurance company. The insurance proceeds were deposited into a VEBA plan bank account. The receipt of the insurance proceeds was followed by a disbursement from the VEBA bank account to a separate Death Benefit bank account established for the particular death benefit (e.g. "John Doe Family Trust"). The diversion of funds occurred at the level of the death benefit account.

3. **Policies Delivered In / Out in-Kind** – In many instances, policies were delivered to PennMont in-kind.<sup>29</sup> Policies that were delivered in-kind and remain a part of the Trust and are held by WTC are included in the Model as asset of the Trust. The net value of these policies is incorporated in the Model through IPV adjustment as described above. In a number of instances dating to a period prior to the TRO, policies were delivered to Plan Sponsors. These pre-TRO transactions have no effect on the Model.
4. **Premiums Funded from Trust Assets on Policies Held by the Trust** - Following the imposition of the TRO, the Court ordered WLG to maintain status quo. Pursuant to this direction, the WLG continued to pay premiums on all policies of whatever nature (whole life, term, variable annuities) as they came due. To the extent that trust assets were used to pay these premiums, then the Plan Sponsors' PIB was charged for this outlay of Trust funds. In all cases where this occurred these charges are accounted as a reduction to the Plan Sponsor's balance. However, to the extent that there is an investment element built-up in a policy, the additional value is reflected in the insurance asset, available to the Plan Sponsor for distribution, but at a commensurately higher cost based on the cash outlay by the Trust.
5. **Premiums Paid on Policies Held by the Trust – Premiums Funded by the Plan Sponsor**  
As described above, in all cases WLG continued to pay premiums on policies held by the Trusts. In some cases, the Plan Sponsor continued to pay the policy premiums by forwarding funds to the Independent Fiduciary. To the extent that the Plan Sponsor paid premiums, then the Plan Sponsor PIB account was not charged.
6. **Max Loans – Proceeds Diverted** – Between August 29, 2009 and November 10, 2009, the Trusts applied for, and received more than \$35.0 million in insurance policy loans on policies that insured the lives of participants in the plans. Although the checks were made payable to the Trusts and the Plans, the vast majority of the \$35.0 million in checks were deposited into an account with the name of “John Koresko Esquire Attorney Escrow Account” at TD Bank.<sup>30</sup> To the extent that a policy associated with a Plan Sponsor has been diminished because of the loan, then the Plan Sponsor's PIB balance has been increased by the amount of the loan in the Unified Model. In other words, the amount of the loan is treated as a PennMont liability due to the Plan Sponsor.

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<sup>29</sup> “In Kind” refers to the physical policy either being delivered to, or transferred from, PennMont.

<sup>30</sup> February 5, 2015 Memorandum Opinion (ECF 1134 pgs. 102-104).

As distinguished from the “Max Loans - Proceeds Diverted” there are many instances of policy loans used to pay policy premiums where a benefit did accrue to the Plan Sponsor. These are premiums for which the individual Plan Sponsor received a benefit. These types of policy loans are reflected in the reduced policy value (IPV).

7. **Max Loan Interest Adjustment** – Since the Max Loans proceeds were withdrawn on the policies by PennMont/Koresko, interest has continued to accrue on the unpaid loan balances. To the extent that insurance policies and/or premium charges associated with Plan Sponsors were charged, for interest on such loans, those charges that we have identified have been added to the PIB for each affected Plan Sponsor, in effect increasing the amount due to each Plan Sponsor (a positive adjustment from the perspective of the Plan Sponsor).
8. **Ten Percent (10%) Withdrawals on Policies Partially Surrendered** - In October/ November 2012, PennMont, at the direction of Koresko, partially surrendered several policies, withdrawing 10% of the face of the policies. As originally booked in the PennMont accounting system, these withdrawals appeared as a reduction to the Plan Sponsor’s balance, indicating the Plan Sponsor benefited from the withdrawal. The Model reverses these transactions to restore the balance to the affected Plan Sponsors.
9. **Legal Fees Charged to Plan Sponsor Accounts** - Over the course of its history, PennMont incurred many legal fees, including fees paid to the Koresko law firm. Some of these fees were passed in whole or in part to the Plan Sponsors. The Unified Model restores the amount that was charged to Plan Sponsors by increasing the PIB balance. In some cases, when these fees are restored a positive PIB is created in otherwise “Closed/Terminated” plans. The Model does not reclassify these Plans to “Open” if this is the only adjustment creating a positive balance.

**VII. Calculation of Distribution Numerators, the Distribution Denominator, Net Assets Available for Distribution and Asset Shortfall Discount**

As described above, the model calculates a Distribution Numerator (i.e. account balance) for each Plan Sponsor. After completing this process, the Plan Sponsors are classified as either Open or Closed / Terminated. For those Plans that are deemed “Closed” their Distribution Numerators are eliminated. For those Plan Sponsors that are deemed “Open” but with negative Distribution Numerators, the negative accounts are likewise eliminated.<sup>31</sup> All the

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<sup>31</sup> The negative amounts are eliminated because to do otherwise would create a mathematical incongruence. In other words, it is not possible to distribute a negative amount. Should the negative amounts be repaid, it would increase the amount available for distribution, but would not increase the Distribution Numerator.

remaining Distribution Numerators are aggregated to calculate a total of all Distribution Numerators. Upon aggregation, this total then becomes the Distribution Denominator. For example, if the Distribution Numerators for Plan A, B, C and D were respectively 1, 2, 3 and negative (1); the negative Numerator would be eliminated and the Distribution Denominator would be 6.

To summarize, the proportionate share that will be payable to Plan Sponsors will be determined as follows:

#### **Step #1**

- Determine the Distribution Numerators for all Plan Sponsors.

#### **Step #2**

- Eliminate Distribution Numerators for all Closed Plans and Open Plans reflecting Negative Balances to calculate a total for all Distribution Numerators. This Total will become the Distribution Denominator.

#### **Step #3**

- From Available Assets, pay Pre-TRO Death Benefits. The resulting balance is the Net Assets Available for Distribution. The ASD is the percentage by which Net Available Assets is less than the Distribution Numerator. An example of the ASD calculation is presented in the hypothetical examples (Exhibit B).

#### **Step #4**

- Multiply Net Assets Available for Distribution by the individual proportions as calculated in Step #2 above and reduce result by any post-TRO Death benefit payments paid previously.

### **VIII. Possible Distribution of Insurance Policies to Plan Sponsors**

The Court by its “Notice of Proposed Methodology” (ECF No. 1395) for Distribution of Trust Assets, noted following the completion of the process set forth in the Distribution Timeline (ECF No. 1395) that “...any plan wishing to purchase a Trust-held insurance policy will be instructed on how to inform the Court of that intention. The plan’s interest in the Trusts assets may be used for such purchase, but may fall short of the value of the policy.”

As noted above, Marcum recognizes that in many cases, the value of the policy to the insured/beneficiaries, may, substantially exceed the liquidation/cash settlement value of the insurance policy. Because of the many unsettled aspects of this matter, the mechanical details of policy purchase cannot be determined at this first stage. However as noted by the Court, the

Model contemplates that the point of measurement for the purchase price of policies will be a comparison between the Plan Sponsor's determined proportional share of the distribution and the cash settlement value of the policy to the Trust. Three general conditions may arise:

- **Insurance Policy Cash Settlement Value Greater than Proportionate Share of Distribution** – Tends to exist in those policies with significant value built up and policy was not diminished by policy loans.
- **Cash Settlement Value Equal to Proportionate Share of Distribution** – Tends to arise in those policies with little or no cash settlement value. Fully paid up term policies would be such an example.
- **Cash Settlement Value Less than Proportionate Share of Distribution** – Tends to arise in those situations where policies have been diminished by loans taken out by PennMont.

The more advanced aspects of the Model may be challenging to administer because of the need to re-balance liquid assets and the value of the insurance policies among Plan Sponsors.

#### **IX. Life Settlement / Viaticated Value of the Policies**

The Model contemplates that in some cases, where Plan Sponsors choose not to buy their respective policies that the policies may be sold for their Viaticated or life settlement value. This may be particularly advantageous in those instances where policies are 1) owned outright by the Trust; or 2) are particularly costly for the Plan Sponsor to purchase for the prices as determined by the Model.

#### **X. Ownership of Policies**

The Model contemplates that all policies will continue to be owned by the Trust until 60 days following the date when notice is provided by Plan Sponsors of their intent to purchase the policies. In those instances, where the cash settlement value of the policy is less than \$10,000, a deposit establishing an intent to purchase may be required.

#### **XI. Hypothetical Examples of the Application of the Unified Model**

Hypothetical examples of the development and application the Unified Model are presented in Exhibit B.

## **Exhibit A**

### **List of Plan Sponsors** **Open or Closed/Terminated**

**US Department of Labor v. John J. Koresko et al.**  
**Marcum's Accounting and Proposed Unified Model for Equitable Distribution**  
**Exhibit A - List of Plan Sponsors - Open or Closed/Terminated**

<b>Name</b>	<b>Employer ID</b>	<b>Status</b>
2001 CAPITAL CORPORATION	825	Closed / Terminated
2001 ENTERPRISES MANAGEMENT CORP.	630	Closed / Terminated
2-H ENTERPRISES, INC.	489	Closed / Terminated
8103 INC.	2015	Open
AAA BOOKKEEPING & TAX, INC.	588	Closed / Terminated
AAF MANAGEMENT GROUP, INC.	221	Open
AAJ ASSOCIATE, INC	178	Open
ABNER CREEK FAMILY MEDICINE, INC.	447	Closed / Terminated
ACCESS COMMUNICATIONS, INC.	4	Closed / Terminated
ACT MANAGEMENT CO.	694	Open
ACTION COMPONENTS	330	Closed / Terminated
ACTIVE FIRE SPRINKLER CORPORATION	14	Closed / Terminated
ADAMS, INC.	1141	Closed / Terminated
ADVANCED DENTAL CONSULTING, INC.	1628	Open
ADVANCED PLASTIC SYSTEM, INC.	331	Closed / Terminated
AERO-MED. LTD.	130	Closed / Terminated
AFFORDABLE LUXURY HOMES, INC.	506	Closed / Terminated
ALAN H MACHT, PA	1810	Closed / Terminated
ALEXANDER MANAGEMENT, INC.	194	Closed / Terminated
ALLAMO VENTURES, INC.	535	Open
ALLEN PARK AGENCY, INC.	332	Closed / Terminated
ALLEN'S TELEPHONE AND TV SERVICE, INC.	5	Closed / Terminated
ALLERGY & ASTHMA CONSULTANTS, P.C.	104	Closed / Terminated
ALTERED IMAGE	222	Closed / Terminated
ALTISSIMUS, INC.	287	Closed / Terminated
AMARO MANAGEMENT CORP.	354	Open
AMBIENCE LANDSCAPE CORPORATION	611	Closed / Terminated
AMERICAN PACKAGING GROUP, INC.	1728	Closed / Terminated
ANDERS MANAGEMENT GROUP	720	Closed / Terminated
ANDREW M KING, MD, PC	1813	Closed / Terminated
ANGELA LEUNG, DDS, P.C.	219	Open
ANNETTE E. MERLINO, DMD, INC.	297	Open
ANTHEM MEDICAL MANAGEMENT	365	Open
APPLIANCE PARTS DISTRIBUTORS, INC.	6	Closed / Terminated
ARCH DENTAL ASSOCIATES, P.C.	719	Open
ARIZONA OTOLARYNGOLOGY CENTER, P.C.	703	Closed / Terminated
ASCENT RESOURCES CORPORATION	669	Closed / Terminated
A-TECH CONCRETE CO.	171	Open
ATLANTIC BODY SHOP, INC.	114	Closed / Terminated
AUGUSTINE B JIMENEZ,, III, P.C.	412	Closed / Terminated
AZTEC STEEL, INC.	654	Closed / Terminated
'B' THE BEST, INC.	2168	Open

B&L SHEET METAL & ROOFING, INC.	177	Closed / Terminated
B2, INC.	371	Closed / Terminated
BACK & NECK REHAB CENTER, P.C.	728	Open
BAISCH-HARRIS ENTERPRISES, LTD.	345	Closed / Terminated
BAKER MANAGEMENT COMPANY	236	Closed / Terminated
BANCKER CONSTRUCTION CORP	500	Closed / Terminated
BARRY DIAMOND, P.A.	47	Closed / Terminated
BASELINE HOLDINGS, INC.	670	Open
BAXTER MANAGEMENT CO., INC.	1378	Open
BBD CARR, INC.	709	Closed / Terminated
BEN FRANKLIN MANAGEMENT, INC.	348	Closed / Terminated
BEN-LIN ASSOCIATES, LTD.	118	Open
BETH BLANTON ENTERPRISES, INC.	403	Closed / Terminated
BETTY J. McMULLEN, INC.	798	Closed / Terminated
BJH MANAGEMENT CORPORATION	87	Closed / Terminated
BLUE MOON DESIGN & DISPLAY, LTD	157	Closed / Terminated
BOGATAY CONSTRUCTION, INC.	202	Open
BOYLE ENTERPRISES, INC	238	Closed / Terminated
BRADFORD CONSTRUCTION, INC.	684	Closed / Terminated
BRADLEY J. BROWN, D.D.S.	3	Open
BRIARPATCH, INC.	160	Open
BRIGHAM CITY ARTHRITIS CLINIC P.C.	723	Open
BRIGMAN INVESTMENTS, L.L.C.	999	Open
BRITE MANAGEMENT, INC.	2041	Open
BROWN & LUKE CONTRACTING, INC.	52	Closed / Terminated
BRYN MAWR UROLOGY ASSOCIATES	1802	Closed / Terminated
BSP SOLUTIONS, INC.	592	Open
BTB NEWMAN ENTERPRISES, INC.	697	Closed / Terminated
BUCKNER CRANE & RIGGING, INC.	208	Closed / Terminated
BUGGIE VENTURES, INC.	179	Closed / Terminated
BUSINESS VENTURES UNLIMITED	1083	Closed / Terminated
C&J WHOLESALE FLORAL SERVICES, LTD.	1236	Open
C&LF MANAGEMENT, INC	1002	Open
C. ANDREW CHILDERS, P.C.	443	Open
CAIRN MANAGEMENT CORPORATION	131	Closed / Terminated
CAPITAL ALLIANCE	153	Closed / Terminated
CAPITAL MESSENGERS, INC.	10	Closed / Terminated
CARDINAL ANESTHESIA & PAIN MANAGEMENT, PA	241	Closed / Terminated
CARLISLE INSURANCE AGENCY, INC	235	Closed / Terminated
CAROLINA FLOORING AND CARPETS, INC.	583	Closed / Terminated
CARSON'S STEAK WAREHOUSE AND SALOON, INC.	708	Open
CARTER ELECTRIC MANAGEMENT COMPANY, INC.	307	Open
CASTE AREA CHIROPRACTIC, INC.	605	Closed / Terminated
CAVALIERE PROFESSIONAL, P.C.	552	Open
CAW IMAGING, PC	240	Closed / Terminated
CEDAR OBSTETRICS & GYNECOLOGICAL ASSOCIATES, P.C.	74	Open
CENTRAL GEORGIA CARDIOCARE, P.C.	687	Open
CENTRAL GEORGIA CARDIOLOGY MANAGEMENT, P.C.	491	Open
CENTRAL GEORGIA CARDIOLOGY, LLC	685	Closed / Terminated

CENTRAL GEORGIA HEART INSTITUTE, LLC	2195	Closed / Terminated
CETYLITE INDUSTRIES, INC.	11	Open
CEVENE CARE CLINIC	446	Closed / Terminated
CHARLES J. MEAKIN, INC.	622	Closed / Terminated
CHARLES PARSONS & ASSOCIATES, CHTD.	137	Open
CHICAGO ENERGY EXCHANGE of CHICAGO, INC.	182	Closed / Terminated
CHILDREN'S NEUROSURGICAL ASSOCIATES, INC.	2082	Open
CHIN MANAGEMENT, INC	243	Closed / Terminated
CHRISTOPHER LYDEN, D.C., P.C.	60	Closed / Terminated
CIRCLE CITY HEAT TREATING, INC.	134	Closed / Terminated
CLASSIC DESIGN, INCORPORATED	310	Closed / Terminated
CLEBURNE MEDICAL CLINIC	481	Open
COAST TO COAST COMPUTER PRODUCTS, INC.	1969	Open
COLDWATER MANAGEMENT CO., INC.	356	Closed / Terminated
COLLINS MANAGEMENT, INC.	1493	Open
COLUMBIA DATA PRODUCTS, INC.	415	Open
COMFORT ENGINEERS, INC.	99	Closed / Terminated
COMMERCIAL MASONRY CORP	518	Open
COMPLETE MEDICAL CARE SERVICE OF NY, P.C.	696	Open
COMPOSITE RESOURCES, INC	244	Closed / Terminated
COMPU-SITE TECHNOLOGIES, INC.	502	Closed / Terminated
CONCRETE STRUCTURES, INC.	97	Open
CONSTRUCTION MARKETING SERVICES	55	Closed / Terminated
CONSUMER TREND	681	Closed / Terminated
COOK MANAGEMENT, INC.	288	Closed / Terminated
COOLIDGE MANAGEMENT CORP.	405	Open
CORE GENERAL CONTRACTING, INC.	510	Open
CORNERSTONE MASONRY, INC.	349	Closed / Terminated
COUNTRYSIDE BUILDERS, LLC	1996	Open
COVERT MANAGEMENT, INC.	1327	Open
CRANDALL INVESTMENTS, INC	1461	Open
CRIMSON CARDINAL, INC.	1717	Closed / Terminated
CROWN MECHANICAL, INC.	710	Closed / Terminated
CSI MANAGEMENT COMPANY, INC.	1248	Closed / Terminated
CUOMO CONSTRUCTION CO, INC	247	Closed / Terminated
CYCLONAIRE CORP	810	Closed / Terminated
D&V INVESTMENTS, INC.	209	Closed / Terminated
D.M. RECORDS, INC.	12	Closed / Terminated
DAN HO PROFESSIONAL CHIROPRACTIC CORP.	1652	Closed / Terminated
DAN MADISON & CO., INC.	772	Closed / Terminated
DANIEL R. FAGAN and ASSOCIATES, P.C.	338	Open
DANSKO, INC.	136	Closed / Terminated
DATALINK ELECTRONICS, INC.	401	Open
DAVID C. SPOKANE ORTHODONTIC ASSOC., P.C.	139	Open
DAVID P. NOVAK, CHARTERED	31	Open
DAYTON PENN ASSOCIATES, INC.	15	Closed / Terminated
DECOR COORDINATES, INC.	16	Closed / Terminated
DEL NORTE HOMECARE, INC.	527	Closed / Terminated
DELAWARE COUNTY UROLOGICAL ASSOCIATES, LTD.	135	Open

DELCHESTER PROFESSIONAL SERVICES	2126	Open
DENCOM SERVICES, INC	1821	Closed / Terminated
DESIGNS by LINDA Z.	17	Closed / Terminated
DEVICE ENGINEERING INCORPORATED	623	Closed / Terminated
DICK'S DOUBLE D, INC.	291	Open
DIMA, INC.	205	Closed / Terminated
DIMENSIONS ARCHITECTS INTERNATIONAL	543	Closed / Terminated
DIRECT DIGITAL CONTROL SYSTEMS, INC.	954	Closed / Terminated
DK MERK CONSTRUCTION, CO.	161	Open
DMK MARKETING	344	Closed / Terminated
DOLPHINS FREE	811	Closed / Terminated
DOMENIC M. CASTELLANO, D.D.S., P.A.	128	Closed / Terminated
DOROTHY P. ELKNER, INC.	155	Closed / Terminated
DOUBLE EAGLE NUTRITION, INC.	211	Closed / Terminated
DOW MANAGEMENT CORPORATION	1649	Closed / Terminated
DR. ERIC KATZ, P.C.	116	Open
DR. KEVIN KELLY, M.D., P.C.	548	Closed / Terminated
DR. PHILIP BALDEO, MEDICAL SERVICES, P.C.	106	Closed / Terminated
DR. SAMUEL M. SEPUYA MD	599	Closed / Terminated
DUKE'S LANDSCAPE MANAGEMENT, INC.	18	Closed / Terminated
DVB MANAGEMENT, INC.	680	Open
DYNAMIC MANAGEMENT GROUP, INC.	705	Open
DYNOMARK, INC.	88	Closed / Terminated
E. ROBERT FUSSELL	89	Closed / Terminated
EAGLE MANAGED SUBCONTRACTORS	534	Closed / Terminated
EARTH SHELTER DEVELOPERS, A CALIFORNIA CORPORATION	1041	Open
EAST COAST TRANSPORT, INC.	197	Closed / Terminated
EBJ MANAGEMENT, INC.	664	Closed / Terminated
ED LLOYD, PA	666	Closed / Terminated
EISLER NURSERIES, INC.	170	Open
ELAM ENTERPRISES, INC.	771	Open
ELDERCARE HOME PHARMACY, LLC	1250	Open
ELLERTSON FAMILY, INC.	522	Open
ELLIS LANDSCAPE, INC.	105	Closed / Terminated
ELM STREET GROUP INC.	722	Closed / Terminated
EMA, INC.	175	Closed / Terminated
EMERGENCY CARE PHYSICIAN SERVICES, LTD	413	Open
EMERGENCY MEDICINE RESOURCES	311	Open
EMN PARADOX, INC.	251	Open
EMSCO SCIENTIFIC ENTERPRISES	1807	Closed / Terminated
ENERGY ALTERNATIVES STUDIES, INC.	180	Open
ENGINEERED SYSTEMS & PRODUCTS	581	Open
ENGINEERING MANUFACTURING SERVICES CO	977	Open
ENRICO F. VERRICO	93	Closed / Terminated
ENSCI, INC.	653	Open
ENT & FACIAL PLASTIC SURGERY	2116	Closed / Terminated
ERA TREND SETTER REALTY, INC.	19	Closed / Terminated
ESEEN, INC.	648	Closed / Terminated
EUROHOMES, INC.	53	Closed / Terminated

EVERYTHING FOR LOVE.COM, INC.	1027	Open
EXCELERATED MANAGEMENT, INC	253	Closed / Terminated
FAIRSHARE, INC.	20	Closed / Terminated
FICO MEDICAL, INC.	542	Closed / Terminated
FIRST STREET GRILLE MANAGEMENT CO., INC.	573	Closed / Terminated
FLAGSHIP DEVELOPMENT - WEST FLORIDA, LLC	2156	Open
FLAGSHIP MANAGEMENT, LLC	1851	Closed / Terminated
FLEMING CONSULTING, INC.	397	Open
FLINT COMMERCIAL BUILDERS, INC.	609	Closed / Terminated
FLORIDA SUPER SITE	716	Closed / Terminated
FOOT & LEG CENTERS OF GA, PC	733	Closed / Terminated
FREMONT MILLWORK CO.	164	Closed / Terminated
FROG POND TURF MANAGEMENT, INC.	314	Closed / Terminated
G & R ENTERPRISES, INC.	904	Closed / Terminated
GAIL F. SCHWARTZ, M.D., P.A.	166	Open
GARY L. MURRAY, M.D., P.C.	1747	Closed / Terminated
GASPARI NUTRITION, INC.	1973	Open
GEORGE G. WOOTEN, JR., MGT CO., INC.	322	Closed / Terminated
GEORGE R. BREZINA, Jr., P.A.	129	Closed / Terminated
GEORGIA CARDIOLOGY CENTER, LLC	2180	Closed / Terminated
GEORGIA DERMASURGERY CENTERS, INC.	200	Open
GERALD G. ANGERMEIER, P.C.	234	Closed / Terminated
GLEASON MANAGEMENT CO., INC.	1098	Open
GM KUHLMAN, INC.	704	Closed / Terminated
GOLD & VILIM	48	Closed / Terminated
GP CONSTRUCTION SERVICES	549	Open
GRACE P. WALDROP CONSULTING, INC.	781	Open
GRAHAM-MALONE, INC.	2282	Open
GRIFFIN LAND SURVEYING CO., INC	263	Closed / Terminated
H & H LEASING, INC.	292	Closed / Terminated
HADDON ORTHODONTICS, P.C.	57	Open
HANK BAILEY FINANCIAL SERVICES, INC.	804	Closed / Terminated
HARRELL-FISH, INC.	21	Closed / Terminated
HARRY H. MONOKIAN, D.M.D., P.A.	81	Open
HARVEY A. KALAN, M.D., INC.	2001	Open
HARVEY PASSES, DDS, P.C.	174	Closed / Terminated
HAZLET PHARMACY	80	Open
HB INTERNATIONAL GROUP, INC	2162	Open
HEALTHKRAFT	22	Closed / Terminated
HEART TREASURES, INC.	944	Open
HENRY NORRIS & ASSOCIATES, INC	270	Closed / Terminated
HILLS FAMILY CHIROPRACTIC OFFICES, P.C.	590	Closed / Terminated
HILOW CORPORATION	212	Closed / Terminated
HORIZON TILE & CARPET, INC.	158	Closed / Terminated
HORN ELECTRIC	24	Closed / Terminated
HOWARD GREILS, M.D., INC.	169	Open
HUDSON PHARMATECH, INC.	75	Closed / Terminated
HYANNIS MARINA, INC.	199	Closed / Terminated
ICCO MANAGEMENT CORPORATION	350	Closed / Terminated

IMAGING CONSULTANTS, INC.	186	Open
INDERJIT SINGH, M.D., P.C.	228	Closed / Terminated
INDU GARG, INC.	1519	Closed / Terminated
INNOVATIVE CARE MANAGEMENT, INC.	260	Closed / Terminated
INNOVATIVE DESIGN, INC.	127	Open
INTERNATIONAL INSTITUTE of TRADING MASTERY, INC.	210	Closed / Terminated
INTERNATIONAL SEAL & PACKAGING COMPANY, INC	1800	Closed / Terminated
INTERNATIONAL TRAVEL CONSULTANTS, INC	261	Closed / Terminated
IQ SYSTEMS, INC.	360	Closed / Terminated
J. BLAKSLEE INTERNATIONAL	146	Closed / Terminated
J. RICHARD COX, ATTORNEY at LAW, P.C.	644	Closed / Terminated
J.M. HILL & ASSOCIATES, INC.	23	Closed / Terminated
J.R. COMPUTECH, INC.	351	Open
JACOLE MANAGEMENT, INC.	657	Closed / Terminated
JAGJIT SINGH, M.D., INC.	361	Open
JALUDI & LEE, P.C.	359	Closed / Terminated
JAMES BARRIE PUBLISHING, INC.	7	Open
JAMES M. LaROSE, D.O.& ASSOCIATES	66	Open
JAY STEER, CPA	1432	Open
JB ROOF & ASSOCIATES, INC.	125	Closed / Terminated
JEFF BROWN ENTERPRISES, INC.	198	Closed / Terminated
JEFFREY L. LIPKOWITZ, M.D., P.A.	83	Closed / Terminated
JEN MANAGEMENT, INC.	658	Closed / Terminated
JEROME CARUSO DESIGN INTERNATIONAL, INC.	363	Closed / Terminated
JES REALTY ASSOCIATES, LLC	2218	Open
JKH MANAGEMENT, INC.	662	Closed / Terminated
JLJ MANAGEMENT CO.	921	Closed / Terminated
JLNC, INC.	402	Closed / Terminated
JMS MANAGEMENT, INC.	1063	Open
JOE MATTHEWS, ANESTHESIOLOGIST, MD., PC	262	Closed / Terminated
JOE RIZZI & SONS CONSTRUCTION, INC.	188	Closed / Terminated
JOHN B. McKINNON, III, P.C.	852	Open
JOHN LeDONNE, M.D.	70	Closed / Terminated
JOHN M. BOURLON, P.A., INC.	68	Closed / Terminated
JOHN M. PORTER, D.D.S., INC.	1051	Closed / Terminated
JOHN ROLAND ENTERPRISES, INC.	1416	Open
JOHN SHARRATT ASSOCIATES, INC.	558	Open
JOHNSON CITY HEALTH & FITNESS CENTER, INC.	529	Open
JOSE AUN, M.D., P.A.	340	Closed / Terminated
JOSE CRESPO, M.D., P.A.	227	Closed / Terminated
JOSEPH P IARIA REAL ESTATE	1689	Closed / Terminated
JOYCE & ASSOCIATES CONSTRUCTION, INC.	346	Closed / Terminated
K & G MANAGEMENT, INC.	629	Closed / Terminated
KAPLAN & TYSON, LLC	715	Closed / Terminated
KBL MANAGEMENT, INC.	979	Closed / Terminated
KENNETH B. LEWIS, D.D.S., P.A.	1418	Closed / Terminated
KENNETH FOWLER DRYWALL, INC.	505	Closed / Terminated
KERRY INVESTMENTS, LLC	159	Open
KIN W. LUI, M.D.	101	Closed / Terminated

KINETIC SALES, INC.	25	Closed / Terminated
KLINE, SCOTT, VISCO COMMERCIAL REAL ESTATE, INC.	201	Closed / Terminated
KMR REHABILITATION CONSULTANTS, INC.	117	Closed / Terminated
KP BUILDERS, INC.	726	Open
KRENGEL PAINTING, LP.	561	Open
KRISHNAN S. KUMAR, M.D., P.C.	293	Closed / Terminated
KUSHCO FLORIST, INC.	63	Closed / Terminated
L. T. MANAGEMENT, INC	2014	Open
L.A. DOWNEY & SON, INC.	65	Closed / Terminated
L.T. DESIGNS, Inc.	90	Open
LAFAYETTE CANCER CARE, PC	264	Closed / Terminated
LAFAYETTE COMPASS, INC.	661	Open
LANDAIR WIRELESS, LTD (A)	2385	Open
LANDAIR WIRELESS, LTD (B)	2386	Open
LANDAIR WIRELESS, LTD (-C)	2387	Open
LAW OFFICES OF DUANE KUMAGAI, P.C.	442	Open
LAW OFFICES OF EUGENE L. WEISBEIN	50	Closed / Terminated
LAW OFFICES OF GREGORY P. CHOCKLETT, J.D.	45	Closed / Terminated
LAW OFFICES OF MICHAEL W. LUCANSKY, P.A.	1075	Open
LAW OFFICES OF RICHARD RUEDA, P.C.	49	Open
LAWRENCE J. EISENBERG	250	Closed / Terminated
LAWRENCE ORTHOPAEDICS	8	Closed / Terminated
LEON BROTHERS FARM	9	Closed / Terminated
LEYDECKER, P.C.	813	Closed / Terminated
LGS SPECIALTY SALES, LTD	107	Open
LINKER MARKETING COMPANY, INC	265	Closed / Terminated
LITTLE JOES d/b/a EDISON MOTORS	162	Closed / Terminated
LKJ ENTERPRISES, INC. d/b/a LARRY JOHNSON INSURANCE	13	Closed / Terminated
LM FINANCIAL GROUP, INC.	61	Closed / Terminated
LYLE J. MICHELI, M.D., P.C.	167	Open
M & D OF ROEBUCK, INC	594	Open
M. & E. ZENNI, INC.	115	Open
M.A.L. ENTERPRISES, INC.	143	Closed / Terminated
M.J. HOAG CONTRACTING, INC.	168	Open
MAKASU, INC.	195	Open
MANAGEMENT RECRUITERS OF MELBOURNE, INC.	154	Closed / Terminated
MANCHESTER PARTNERS, LTD.	108	Closed / Terminated
MANELLNIC, INC.	1948	Open
MANZELLA FAMILY HEALTHCARE	2182	Closed / Terminated
MARIO MAGCALAS, M.D., P.A.	1188	Open
MARK J. PAGET, INC.	467	Closed / Terminated
MARKETING SYSTEMS GROUP, INC.	400	Open
MARTIN WIER, INC.	303	Closed / Terminated
MARY ELLEN REDING, DDS, PC	223	Closed / Terminated
MARY-THERESA POPA, P.C.	718	Closed / Terminated
MASCO CONSTRUCTION CO., INC.	183	Closed / Terminated
MASTED CORPORATION	26	Closed / Terminated
MAX I. LILLING, M.D., P.C.	59	Closed / Terminated
MB TEXTILE CONSULTANTS, INC.	486	Open

MBA MANAGEMENT COMPANY, INC.	902	Closed / Terminated
MBT MANAGEMENT, INC.	357	Open
McCARTHY MANAGEMENT SERVICES	27	Open
McREG INDUSTRIES, INC.	67	Closed / Terminated
MED GROUP MEDICAL SUPPLIES, INC.	77	Closed / Terminated
MED-PAT, INC.	2501	Closed / Terminated
MEGACO, INC.	295	Closed / Terminated
MEHUL AUTO, INC.	298	Open
MEL STEWART HOMES, INC.	206	Closed / Terminated
MERITT DIVERSIFIED ENTERPRISES, INC.	1208	Open
METROPOLITAN ENT, PC	873	Open
MICHAEL & CO. INTERIORS	962	Closed / Terminated
MICHAEL O'BRIEN, D.M.D., P.C.	204	Open
MICHAEL P. HALPIN, M.D.	191	Open
MICHAEL PETTY MANAGEMENT COMPANY, INC.	714	Closed / Terminated
MICHAEL SALLEN, D.O., P.A.	92	Closed / Terminated
MIDA, INC.	147	Open
MIDWAY ADJUSTING, INC.	608	Open
MIKE SILL AGENCY, INC.	762	Closed / Terminated
MILES V. SCHMIDT & ASSOC., INC.	721	Closed / Terminated
MING COURT MANAGEMENT, INC.	28	Open
MINI PRECISION DEVICES, CO., INC.	29	Open
MISTRAL MANAGEMENT CO., INC.	439	Closed / Terminated
MKBS MANAGEMENT CORPORATION	1991	Open
MOJOE'S, INC.	30	Closed / Terminated
MONTWOOD FAMILY MEDICAL CENTER	224	Open
MORAN INDUSTRIES, INC.	1244	Open
MORGEN & OSWOOD CONSTRUCTION, CO., INC.	176	Open
MOUNTAIN WEST HELICOPTERS, L.L.C.	1251	Closed / Terminated
NAUTICAL MARINE, INC.	347	Open
NEIL W. McALLISTER, O.D., P.C.	1243	Closed / Terminated
NETWORK OUTFITTERS	550	Closed / Terminated
NEW ENGLAND FINISH SYSTEMS, INC	267	Closed / Terminated
NEW VIEW GIFTS & ACCESSORIES LTD.	572	Closed / Terminated
NEW-BIO, INC.	877	Closed / Terminated
NEWELL BROTHERS CONSTRUCTION CO., INC.	428	Open
NEWMAN & MCINTOSH	269	Closed / Terminated
NICULAE CIOBANU PHYSICIAN, P.C.	103	Closed / Terminated
O. FAYRELL FURR, JR., P.A.	1216	Closed / Terminated
OAKPOINT MANAGEMENT CORP.	215	Closed / Terminated
OCH CONSULTING LLC	2395	Open
OGRE HOLDINGS, INC.	2083	Open
OLOUAKAN COMLUCT, INC.	353	Open
OLYMPIC HORTICULTURAL PRODUCTS	32	Closed / Terminated
OMNI MANAGEMENT AND CONSULTANTS UNLIMITED, INC.	800	Closed / Terminated
ORANGE PARK CHIROPRACTIC CENTER, P.A.	842	Closed / Terminated
OXFORD CIRCLE FAMILY MEDICINE	91	Closed / Terminated
P. D. PATEL, MD, P.S.C.	647	Closed / Terminated
P.C. DELTA CORPORATION	33	Closed / Terminated

P.J. REDDY, M.D., P.A.	120	Open
PACE KING CORPORATION	193	Closed / Terminated
PAMELA K. ERDMAN, M.D., INC	252	Open
PARESH SHAH, MD, PA	693	Open
PARKER'S DRIVE IN, INC.	352	Closed / Terminated
PATHAMERICA RESOURCE, INC.	113	Open
PAUL J. CORRADO, JR., D.D.S.	82	Closed / Terminated
PAYNE FAMILY INVESTMENTS, INC.	213	Closed / Terminated
PCR, Inc.	727	Closed / Terminated
PENGUIN GALLERY OF NH	2411	Open
PERFUME CENTER of AMERICA	64	Open
PERRY REDING, M.D., P.A.	225	Open
PETER VARTABEDIAN INC.	282	Closed / Terminated
PETER W MORAN PHD PC	2394	Open
PEVETO COMPANIES, LTD	1576	Open
PHOENIX CONTRACTORS, INC.	315	Open
PINEVILLE CHIROPRACTIC, P.A.	362	Closed / Terminated
PINTO KOFF SALES & MARKETING ASSOCIATES, INC.	34	Closed / Terminated
PJP MANAGEMENT CO., INC.	1281	Closed / Terminated
PLATFORM SERVICES, INC	271	Closed / Terminated
POLARIS SALES CO., INC.	35	Closed / Terminated
POWERCOM ELECTRICAL SERVICES, INC	406	Open
PPRVS, LLC	459	Open
PRISM PUBLISHING, INC.	142	Closed / Terminated
PROFESSIONAL MARKETING SYSTEMS	272	Closed / Terminated
PROGRESSIVE DOOR CORP.	184	Open
PROGRESSIVE MOTION, INC.	994	Closed / Terminated
PROSLINK, INC.	110	Closed / Terminated
PSYCHIATRY ASSOCIATES of CHERRY HILL, P.A.	76	Open
PTL TEST EQUIPMENT, INC.	655	Open
R & D ENTERPRISES, INC.	490	Closed / Terminated
R M SALES, INC	1811	Closed / Terminated
R.A. GROVENSTEIN, D.C., P.A.	78	Closed / Terminated
RADIOLOGY CONSULTANTS OF EL PASO, P.A.	509	Open
RAFFINAN & RAFFINAN, M.D., P.A.	1172	Open
RALPH W. PRICE, D.D.S., P.C.	617	Closed / Terminated
RAM PIPE & SUPPLY, INC.	865	Closed / Terminated
RAM TECHNICAL SERVICES INC	273	Closed / Terminated
RANK TECHNOLOGY CORPORATION	1993	Open
RANSOM DESIGN, INC.	218	Closed / Terminated
REFRIGERANT MANAGEMENT SERVICES	1816	Closed / Terminated
REID, JONES, McRORIE & WILLIAMS, MGT. CO., INC.	494	Closed / Terminated
RENO HEATING & AIR, INC	274	Closed / Terminated
RESOURCE MANAGEMENT, INC.	216	Closed / Terminated
RESOURCE REALIZATIONS, INC.	1703	Open
RE-VITA MANUFACTURING CO.	691	Closed / Terminated
REX LEASING OF NC, INC.	320	Open
RIZZO & ASSOCIATES, INC.	38	Closed / Terminated
RLS II, Inc.	133	Closed / Terminated

ROBERT G. OSTOYICH, D.M.D., P.C.	84	Open
ROBERT S. BLOCK TECHNOLOGIES	673	Closed / Terminated
ROCKY RIDGE LAND COMPANY, INC	444	Closed / Terminated
ROCKY, INC.	1732	Closed / Terminated
ROR MANAGEMENT, INC.	659	Open
ROY N. GAY, M.D., P.C.	58	Closed / Terminated
ROY R. OATES, JR., P.C.	399	Open
ROY SKAFF, INC.	374	Closed / Terminated
ROYAL JOHANNESSEN MANAGEMENT CORPORATION	123	Closed / Terminated
RPS&V CORP.	373	Closed / Terminated
RSK MANAGEMENT COMPANY, INC.	1965	Closed / Terminated
RUKEYSER TELEVISION, INC.	112	Closed / Terminated
RUSHING MANAGEMENT, INC.	660	Open
S & S SALVAGE, INC.	141	Open
S. DAVIS ENTERPRISES, INC.	2006	Closed / Terminated
S.H. SILVER COMPANY, INC.	382	Open
S.T. MITCHELL, M.D., INC.	277	Open
SALVUCCI MASONRY CO., INC.	932	Closed / Terminated
SANJIV BANSAL, M.D., P.C.	1437	Open
SANJIV BHATIA, DDS, PC	237	Closed / Terminated
SARASOTA OB/GYN ASSOCIATES, P.A.	689	Closed / Terminated
SARATOGA SURGICAL SPECIALTIES, P.C.	73	Closed / Terminated
SARMA BEHAVIORAL HEALTH CLINIC, LLC	2139	Open
SCHAUER AND ASSOCIATES, INC	196	Open
SCIENTIFIC SYSTEMS COMPANY, INC.	132	Closed / Terminated
SCOTT L. BUSCH, D.O., P.A.	2	Closed / Terminated
SEEDERS CONSULTING	601	Closed / Terminated
SGK, INC.	499	Closed / Terminated
SHANNON RES, INC.	299	Closed / Terminated
SHEFFIELD DISTRIBUTING COMPANY, INC.	39	Open
SHERASGOLD CORPORATION	72	Open
SHEREE B. LIPKIS, M.D., P.C.	369	Open
SHUKAT ARROW HAFER & WEBER	1805	Closed / Terminated
SIDNEY CHARLES MARKETS, INC.	40	Closed / Terminated
SJM ENGINEERING, INC.	109	Open
SKULLS UNLIMITED INTERNATIONAL, INC	1206	Closed / Terminated
SMART INVENTIONS	42	Closed / Terminated
SMEESTER BROS., INC.	185	Open
SNOW MOUNTAIN MANAGEMENT	333	Closed / Terminated
SOLLOWAY ENTERPRISES, INC	276	Open
SOUTH TEXAS WOODMILL, INC.	702	Closed / Terminated
SOUTHERLAND CONSTRUCTION, INC.	934	Closed / Terminated
SOUTHERN DENTAL LABORATORY, INC.	679	Closed / Terminated
SOUTHERN INSURANCE CONSULTANTS, INC.	453	Closed / Terminated
SOUTHWEST OB-GYN ASSOCIATES, P.A.	300	Open
SPARTAN INC.	1999	Closed / Terminated
SPENCER MANAGEMENT, INC.	1239	Closed / Terminated
SPICER, INC.	41	Closed / Terminated
SPIRE MEDIA CORPORATION	102	Closed / Terminated

SPJ MANAGEMENT, INC.	656	Closed / Terminated
STAFFORD CONSTRUCTION SERVICES, INC.	190	Closed / Terminated
STEVEN G REITAN, DDS, LTD	411	Closed / Terminated
STEVEN LOCNIKAR, D.O., P.C.	355	Closed / Terminated
STEWART FAMILY PARTNERSHIP, LLLP	214	Closed / Terminated
STOCKWELL CONSTRUCTION CO., INC.	54	Closed / Terminated
SUKETU NANAVATI, M.D., P.C.	85	Open
SUN CITY PEDIATRICS, P.A.	226	Closed / Terminated
SUNNY D MANUFACTURING, INC.	165	Open
SUPERIOR BINDERY, INC	278	Closed / Terminated
SURGICAL SPECIALTY GROUP	145	Closed / Terminated
SWAN INTERNATIONAL, INC.	189	Closed / Terminated
SWL BUILDERS, INC.	472	Closed / Terminated
SWORDFISH, INC.	761	Open
SYDNEY TYSON, MD, LLC	121	Closed / Terminated
TA SANDERS, LLC	698	Closed / Terminated
TAITRONICS, INC.	119	Open
TDF METAL FINISHING CO., INC.	308	Closed / Terminated
TECHNOCEAN	43	Closed / Terminated
TECHOPS SERVICES, INC.	430	Open
TERRY S. WOOD, M.S., D.D.S., P.C.	203	Open
THE LANDINGS OF SARASOTA, INC.	965	Closed / Terminated
THE MONTGOMERY CO., INC.	312	Closed / Terminated
THE NEW CUSTOMWARE COMPANY	425	Closed / Terminated
THE QUANTIC GROUP, LTD.	37	Open
THE ROBERTS GROUP, P.A.	187	Closed / Terminated
THE UNDERWOOD GROUP, INC.	69	Closed / Terminated
THOMAS C. COCHRAN, M.D., P.C.	144	Closed / Terminated
THOMAS G. TADVICK, DDS, P.C.	589	Closed / Terminated
THOMSON FINANCIAL & TAX SERVICES, INC.	181	Open
THORPE MORIEUX, INC.	1212	Closed / Terminated
TIMOTHY CLARK, P.A.	46	Closed / Terminated
TMC ENTERPRISES, INC.	1622	Open
TNL COMPANY, INC	220	Closed / Terminated
TOBEY KARG SALES AGENCY, INC.	152	Open
TOWER COMPONENTS CORPORATION	100	Closed / Terminated
TRAINA MANAGEMENT, INC	280	Closed / Terminated
TRANSCHEM, INC.	1675	Open
TRIMM, INC.	98	Closed / Terminated
TURNER INVESTMENTS, INC.	627	Closed / Terminated
TYC MANAGEMENT, INC.	1663	Open
U.E. SYSTEMS, INC	62	Open
UMESH C. SHAH, M.D., P.C.	207	Closed / Terminated
UNIQUITIES, INC	281	Closed / Terminated
UNIVERSAL MEDICAL PRODUCTS, INC	1814	Closed / Terminated
Unknown	2500	Closed / Terminated
URGENT MEDICAL CARE, INC.	323	Closed / Terminated
UTAH CSI, INC.	513	Closed / Terminated
VICTORIA, INC.	448	Open

VIJAYKUMAR K. GANDHI, M.D., P.A.	56	Closed / Terminated
W&A PRICHARD, LLC	163	Closed / Terminated
W. S. NEWELL, INC.	1770	Open
W.S. ASSOCIATES, INC.	111	Closed / Terminated
WADE HAMPTON DENTAL LABORATORY, INC.	651	Closed / Terminated
WADIE ALK HOURI MD, INC	2137	Closed / Terminated
WAJ CONSULTING CO., INC.	313	Open
WALSER, INC.	140	Closed / Terminated
WALTER F. ZOLLER, D.M.D., P.A.	94	Open
WALTER UMPHREY, P.C.	366	Closed / Terminated
WANG ELECTRIC, INC.	963	Closed / Terminated
WATERLOO CONTRACTORS, INC.	284	Open
WEBB CORE, INC.	461	Open
WELLA MENA, INC.	432	Closed / Terminated
WENDELL J. COURTNEY, M.D., P.A.	79	Closed / Terminated
WHITESIDE MACHINE & REPAIR CO, INC.	285	Open
WHOLE EARTH LANDSCAPING DESIGN, INC.	304	Closed / Terminated
WILHELM ENTERPRISES, INC.	473	Closed / Terminated
WILLIAM Y. AKERMAN, JR., D.M.D., P.C.	126	Closed / Terminated
WILSHIRE PALISADES LAW GROUP, P.C.	619	Open
WINCHESTER LAND AND DEVELOPMENT CORPORATION	1247	Open
WINEMA ELECTRIC, INC.	156	Closed / Terminated
WINTERTON COMPANY	286	Open
WOMEN'S GROUP FOR OBSTETRICS AND GYNECOLOGY	95	Open
WUEST ESTATE COMPANY	1588	Open

## Exhibit B

# Hypothetical Examples Demonstrating the Unified Model for Equitable Distribution

## Exhibit B

### Hypothetical Examples Demonstrating the Unified Model for Equitable Distribution

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## **Exhibit B**

### **Hypothetical Examples Demonstrating the Unified Model for Equitable Distribution**

#### **A. Classification of Plan Sponsor – “Open” or “Closed Terminated”**

The classification of a Plan Sponsor as either “Open” or “Closed Terminated” is critical as to whether the Plan Sponsor will receive any distribution. If a Plan Sponsor is classified as “Closed / Terminated” then the mechanical methodology described below does not apply. If the Plan Sponsor disagrees with this classification as shown on “Exhibit A - List of Plan Sponsors – Open or Closed / Terminated,” then the Plan Sponsor must file an objection with the Court in accordance with the procedures established by its notice of September 12, 2016.

#### **B. Hypothetical Applications of the Unified Model**

Assuming that the Plan qualifies as “Open,” the examples below demonstrate the application of the Unified Model in determining: 1) the Plan Sponsor Balance, aka Distribution Numerator; 2) the application of the Model for the payment of Pre/Post TRO Death Benefits; and 3) the application of the Distribution Numerator to the Net Available Assets. The procedures that will be available to permit the Plan Sponsor the opportunity to purchase the policies associated with their respective plans have not been determined. The examples are intended to illustrate specific elements of the Unified Model and are generally presented in increasing level of complexity. Typically, most of the plans have been in existence more than 5 years, in many cases more than 10 years. The illustrations below compress transactions that would have occurred over multiple years into single line items.

#### **Example 1 – Demonstration of Calculation of Plan Sponsor Balance – Not Involving an Insurance Policy**

Plan A provides only Medical and Education benefits. The plan does not utilize an insurance policy in connection with its funding mechanism. A total of \$100,000 was deposited with PennMont; a total of \$10,000 in fees was charged; \$50,000 in benefits were paid. The Model assumes that fees charged by PennMont remain as originally charged. As shown below, the Model produces a Distribution Numerator of \$40,000.

<b>Example 1</b>				
<b>Demonstration of Calculation of Plan Sponsor Balance – Not Involving an Insurance Policy</b>				
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
<b>Model Element</b>	<b>Transaction Amount</b>	<b>PennMont Internal Balance (PIB)</b>	<b>Insurance Policy Value (IPV) Adjustment</b>	<b>Distribution Numerator</b>
Cash In/Out to Fund Benefits	100,000	100,000		
Fees Charged by PennMont	(10,000)	90,000		
Education Benefits Paid	(50,000)	40,000		
Combined PIB and IPV		40,000	No Policy – IPV adjustment not applicable	40,000
<b>Distribution Numerator</b>				<b>\$40,000</b>

**Example 2 – Demonstration of Zero PIB Balance with Value Remaining in an Insurance Policy**

Plan B involves a single owner-employee that made contributions to PennMont to purchase a \$200,000 face value Universal Life policy that remains in force and is an asset of the Trust. As a Universal Life policy, the policy has an investment element that increases over time. Funding occurred in years 1 through 10 and the cash value in the plan increased over a 10-year period to \$50,000 in the current period (i.e. 2016). Plan B's PIB is zero; the IPV adjustment is \$50,000; resulting in a Distribution Numerator of \$50,000

<b>Example 2</b>				
<b>Demonstration of Zero PIB Balance with Value Remaining in an Insurance Policy</b>				
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
<b>Model Element</b>	<b>Transaction Amount</b>	<b>PennMont Internal Balance (PIB)</b>	<b>Insurance Policy Value (IPV) Adjustment</b>	<b>Distribution Numerator</b>
Cash In/Out to Fund Benefits	100,000	100,000		
Fees Charged by PennMont	(10,000)	90,000		
Cost of Universal Life Insurance	(90,000)	0		
Benefits Paid	None	0		
Cash Value of Universal Life Policy (2016)		0	50,000	
Combined PIB and IPV		0	50,000	50,000
<b>Distribution Numerator</b>				<b>\$50,000</b>

**Example 3 – Demonstration of a Policy Loan with the Proceeds Not Benefiting the Plan Sponsor**

Plan C involves both an Owner and Non-Owner Employees (“NOEs”). A \$600,000 face value Whole-Life policy was purchased for the owner and Term policies were purchased for the employees. The purchases were funded by cash contributions made to PennMont. The Whole-Life policy increased in value over year 1-5; in year 6 a policy loan was initiated by PennMont for \$200,000 for which the Plan Sponsor received no benefit. The loan has yet to be repaid and continues to accrue interest. Term Life policies were purchased for the NOE’s that have no cash settlement value. The combined PIB and IPV results in a Distribution Numerator of \$400,000.

<b>Example 3</b>				
<b>Demonstration of a Policy Loan with the Proceeds Not Benefiting the Plan Sponsor</b>				
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
<b>Model Element</b>	<b>Transaction Amount</b>	<b>PennMont Internal Balance (PIB)</b>	<b>Insurance Policy Value (IPV) Adjustment</b>	<b>Distribution Numerator</b>
Cash In/Out to Fund Benefits	600,000	600,000		
Fees Charged by PennMont	(60,000)	540,000		
Combined Cost of Whole Life and Term Insurance	(540,000)	0		
Loan on Whole Life Policy with benefit to Penn Mont	200,000	200,000		
Marcum Adjustment for Interest Charged by Insurance Company on Policy Loan (positive as to Plan Sponsor)	50,000	250,000		
Cash value of whole life policy (2016)			150,000 Value diminished by policy loan benefitting PennMont	
Value of Term Life Policies (expired)				No value
Combined PIB and IPV		250,000	150,000	400,000
<b>Distribution Numerator</b>				<b>\$400,000</b>

**Example 4 – Demonstration of Legal Fees Charged by Koresko and Reversed in Marcum Model**

Same facts as Example 3, except that PennMont became involved in litigation involving Plan D and PennMont charged the plan \$25,000 for legal fees that it incurred in connection with the matter. In the example shown below it is important to understand the while the PennMont loan directly affected the policy, the compensating adjustment is made in the PIB rather than as a direct adjustment to the policy value. Because the \$25,000 is restored in the Marcum adjustment, the combine PIB and IPV total to the same \$400,000 and the Distribution Numerator is again \$400,000.

<b>Example 4</b>				
<b>Demonstration of Legal Fees Charged by Koresko and Reversed in Marcum Model</b>				
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
<b>Model Element</b>	<b>Transaction Amount</b>	<b>PennMont Internal Balance (PIB)</b>	<b>Insurance Policy Value (IPV) Adjustment</b>	<b>Distribution Numerator</b>
Cash In/Out to Fund Benefits	600,000	600,000		
Fees Charged by PennMont	(60,000)	540,000		
Cost of Whole Life and Term Insurance	(540,000)	0		
Policy Loan – benefit to PennMont	200,000	200,000		
Marcum adjustment for Interest on Policy Loan with proceeds benefiting PennMont	50,000	250,000		
Legal Fees charged by PennMont	25,000	225,000		
Cash Value of Whole Life policy (2016)			150,000 because value is diminished by 200,000 policy loan and 50,000 interest paid on loan	
Marcum Model – add back improperly charged legal fees	25,000	250,000		
Value of Term Life Policies (expired)				None
Combined PIB and IPV		250,000	150,000	400,000
<b>Distribution Numerator</b>				<b>\$400,000</b>

**Example 5 – Demonstration of Policy Contributed-in-Kind**

Example 5 illustrates a condition where Plan Sponsor E, rather than purchase a policy, contributed a policy to the Trust. In numerous cases, PennMont did not purchase an insurance policy directly, but rather received a policy as a contribution to the Trust. In the example below, the insurance policy is a variable annuity that has a large investment value, typically tied to underlying investment vehicles akin to mutual funds. In this situation, because the annuity was contributed, there is no contribution to PennMont other than funding to pay PennMont fees. The \$700,000 cash settlement value of the variable annuity contract creates the adjustment shown in the IPV. Because there is a zero value in the PIB, the Distribution Numerator is \$700,000.

<b>Example 5 Demonstration of Policy Contributed-in-Kind</b>				
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
<b>Model Element</b>	<b>Transaction Amount</b>	<b>PennMont Internal Balance (PIB)</b>	<b>Insurance Policy Value (IPV) Adjustment</b>	<b>Distribution Numerator</b>
Contribution of Variable Annuity		0	Initial Value Undetermined and Unnecessary in Calculations	
Cash In/Out to Fund Benefits	50,000	50,000		
Fees Charged by PennMont	(50,000)	(50,000)		
Value of Variable Annuity (2016)		0	700,000	
Combined PIB and IPV		0	700,000	700,000
<b>Distribution Numerator</b>				<b>\$700,000</b>

**Example 6 – Demonstration of Policy Premiums Funded by the Trust, Resulting in a Diminished PIB Balance and Distribution Numerator**

Following the imposition of the TRO, the Independent Fiduciary was ordered by the Court to maintain all policies in force and not to permit any policy to lapse. In those instances where Trust funds were used to keep a policy in force, the PIB balance is correspondingly reduced by the amount advanced by the Trust. For example, assume in Plan F, the existence of a \$500,000 whole life policy for an individual more than 85 years old. The annual premiums on such a policy maybe considerable, yet the policy likely has minimal cash value (including cash value to fund unpaid premiums) but a substantial death benefit/life settlement value. The \$100,000 in advances made by the Trust creates a negative PIB of \$40,000 and reduces the Distribution Numerator to \$60,000. We also note that should the insured die before the Trusts are resolved, the \$500,000 of death benefit proceeds will be paid to the Trust, not the insured. At that time, assuming that the Determined Death Benefit is \$500,000, then the entire \$500,000 will be subject to the Asset Shortfall Discount (ASD).

<b>Example 6 Demonstration of Policy Premiums Funded by the Trust, Resulting in a Diminished PIB Balance and Distribution Numerator</b>				
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
<b>Model Element</b>	<b>Transaction Amount</b>	<b>PennMont Internal Balance (PIB)</b>	<b>Insurance Policy Value (IPV) Adjustment</b>	<b>Distribution Numerator</b>
Cash In/Out to Fund Benefits	500,000	500,000		
Fees Charged by PennMont	50,000	450,000		
Cost of Whole Life and Term Insurance	450,000	0		
Policy Loan – benefit to PennMont	50,000	50,000		
Interest on Policy Loan – benefit to PennMont	10,000	60,000		
Premiums Advance by Trust, post TRO to keep policy in force	(100,000)	(40,000)		
Value of Cash Surrender Value of Whole Life (2016)			100,000	
Combined PIB and IPV		(40,000)	100,000	60,000
<b>Distribution Numerator</b>				<b>\$60,000</b>

**Example 7 - Elimination of Positive Balance in Closed Plans, Created by Reversal of Legal Fees**

The example below, reflects transactions with Plan G that has been determined to be “Closed.” However, when legal fees are reversed, a positive balance is created. The Model assumes that if a Plan is deemed closed, it does not become “Open” solely by the reversal of Legal Fees. The Distribution Numerator is therefore zero.

<b>Example 7 Elimination of Positive Balance in Closed Plans, Created by Reversal of Legal Fees</b>				
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
<b>Model Element</b>	<b>Transaction Amount</b>	<b>PennMont Internal Balance (PIB)</b>	<b>Insurance Policy Value (IPV) Adjustment</b>	<b>Distribution Numerator</b>
Cash in/out to Fund Benefits	350,000	350,000		
Fees Charged by PennMont	40,000	310,000		
Cost of Whole Life and Term Insurance	310,000			
Legal Fees Charged by Koresko	25,000	25,000		
Legal Fees taken by PennMont upon surrender of policy at time of termination by Plan Sponsor.	(25,000)	0		
Model Assumes Reversal of all Legal Fees		25,000		
<b>Distribution Numerator</b>				<b>None Because Positive PIB is created solely by reversal of Fees</b>

**Example 8 - Demonstration of Application of Pre/Post TRO Death Benefit**

Example 8 involving Plan H, reflects the payment of a Pre-TRO Death Benefit. In the case of a pre-TRO Death Benefit, the Model calls for payment of 100% of the Determined Death Benefit, which is defined in the Model as the lesser of the amount payable under the terms of the Adoption Agreement or the face value of the policy (unreduced for any loans taken out by PennMont for which the Plan Sponsor received no benefit). If additional policies are associated with the Plan Sponsor, the PIB balance associated with those policies and the policies themselves remains unaffected by the payment of the pre-TRO Death Benefit. The example assumes that the insured was covered by an insurance policy with a face value of \$500,000. In the case of a death claim, any cash value that existed before the death becomes subsumed in the death benefit payment.

<b>Example 8 Demonstration of the Application of Pre/Post TRO Death Benefit</b>				
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>
<b>Model Element</b>	<b>Transaction Amount</b>	<b>PennMont Internal Balance (PIB)</b>	<b>Insurance Policy Value (IPV) Adjustment</b>	<b>Distribution Numerator</b>
Cash in/out to Fund Benefits	300,000	300,000		
Fees Charged by PennMont	(50,000)	250,000		
Cost of Life Insurance	(250,000)	0		
Policy Loan – Proceeds to PennMont, no benefit to Plan Sponsor	100,000	100,000		
Interest Paid on Policy Loan	10,000	110,000		
Proceeds from Insurance Company (diminished by \$110,000 of loans and interest)	390,000	500,000		
<b>Face Value of Policy is Payable to Beneficiaries of Insured</b>			<b>500,000</b>	
Combined PIB and IPV				500,000
<b>Distribution Numerator</b>				Not Applicable Payable 100% before calculation of Distribution Numerator

**Example 9 – Demonstration of the Effect of the Payment of Post-TRO Death Benefit and Application of the Asset Shortfall Discount to the Determined Death Benefit**

Assume the same facts as in Example 8, except that in connection with Plan I, because the death of the Insured occurred after the TRO, then the entire Determined Death Benefit becomes subject to a proportional allocation, in the same manner as all other Plan Sponsors. In a case such as this, then the \$500,000 death benefit and Distribution Numerator is subject to the ASD. The example below assumes solely for purposes of demonstration that the ASD is 30%.<sup>1</sup> The amount determined after the application of the ASD is then reduced by any amount previously authorized by the Court to have been paid, generally 50% of the Determined Death Benefit (i.e. 50% of \$500,000 = \$250,000). As a result, the beneficiary would receive a total of \$350,000; \$250,000 paid by prior Order and \$100,000 after the application of ASD to entire proceeds.

<b>Example 9                      Demonstration of the Effect of the Payment of Post-TRO Death Benefit                      and the                      Application of the Asset Shortfall Discount to the Determined Death Benefit</b>				
A	B	C	D	E
Model Element	Transaction Amount	PennMont Internal Balance (PIB)	Insurance Policy Value (IPV) Adjustment	Distribution Numerator
Cash In/Out to Fund Benefits	300,000	300,000		
Fees Charged by PennMont	(50,000)	250,000		
Cost of Life Insurance	(250,000)	0		
Policy Loan	100,000	100,000		
Interest on Policy Loan benefitting PennMont	10,000	110,000		
Proceeds from Insurance Company	390,000	110,000		
Face Value of Policy is Payable			500,000	
Combined PIB and IPV				500,000
<b>Distribution Numerator (subject to the ASD)</b>				<b>500,000</b>
Assumed ASD is 30%. The Applied Factor is 70% (1-30%)				70%
Subtotal				350,000
<b>Reduced by prior payment of 50% of Determined Death Benefit Ordered by the Court</b>				<b>(250,000)</b>
<b>Balance Payable</b>				<b>\$100,000</b>

<sup>1</sup> We specifically have not determined the ASD, and the reader should not assume that 30% is anything more than an assumption used for the purpose of demonstrating the principle involved. Mathematically, the factor applied to the balance is the complement to the discount or 70%, calculated as: 1-30%=70%.

### **Example 10 - The Application of the Distribution Numerator to the Net Available Assets**

Using the described methodology, the Model calculates a Distribution Numerator (i.e. Account Balance) for each Plan Sponsor. Assuming for purpose of demonstration that there are 200 Plan Sponsors that qualify for a distribution, then there will be 200 individual Distribution Numerators. Further, assume that the aggregated balance of all 200 Distribution Numerators is \$20,000,000, and each Plan Sponsor had an equal Numerator, then each plan Sponsor would have a Distribution Numerator of \$100,000 ( $\$20,000,000 / 200$  Plan Sponsors). Each Plan Sponsor would have a 1% interest ( $100,000/20,000,000$ ) in Net Available Assets. Assume for purpose of demonstration that the Net Available Assets is \$14.0 million, then there would be an asset shortfall of \$6,000,000, creating an Asset Shortfall Discount of 30% ( $\$6.0$  million/  $\$20.0$  million). Calculated as follows:

<b>Example 10 The Application of the Distribution Numerator to the Net Available Assets</b>		
<b>Line</b>	<b>Description</b>	
1	Total of Distribution Numerators	\$20,000,000
2	Number of Plan Sponsors	200
3	Assuming Each Plan Sponsor Had an Equal Share, by division	\$100,000
4	Net Available Assets	\$14,000,000
5	Asset Shortfall	\$6,000,000
6	Asset Shortfall Discount	30%
7	Applied Factor (1-30%)	70%

In the Model, any accounts with a negative Distribution Numerator would be eliminated in the calculation and receive zero in the distribution. However, if the Plan had an associated policy and it elected to purchase that policy, if the negative balance in the PIB was restored to a zero balance, by repayment of deficit, then the Plan Sponsor may be permitted to purchase the insurance policy. The potential for restoration of a negative balance may be particularly important for a Plan Sponsor / Beneficiary where the policy is of significant value for its death benefit value. Plans with a negative PIB balance have not been eliminated in connection with determining whether a Plan is Open or Closed/Terminated.