

IN THE CIRCUIT COURT, SEVENTH
JUDICIAL CIRCUIT, IN AND FOR
ST. JOHNS COUNTY, FLORIDA

CASE NO. CA02-1598
DIVISION: 55

STATE OF FLORIDA
DEPARTMENT OF INSURANCE,

Petitioner

vs.

FUTURE FIRST FINANCIAL GROUP, INC.,

Respondent.

QUINTON R. SATHRE and LAURICE SATHRE
Individually and QUINTON R. SATHRE and
LAURICE SATHRE, Trustees of the
LAURICE SATHRE TRUST,

Intervenors.

CONSERVATOR'S QUARTERLY REPORT TO THE COURT

Pursuant to this Court's order appointing Conservator entered on August 9, 2002, the Conservator hereby files the following quarterly report apprising the Court of the progress of the Conservatorship since his last report dated July 19, 2004.

I. Administration

1. Over the past quarter, Anderton Family Enterprises, LLC ("AFE") has made premium payments on all policies in the portfolio. Some of such payments have not been made timely, but upon demand AFE has made payments. In addition, the Conservator has demanded that AFE accumulate and maintain a reserve of approximately \$400,000, which is about one month's premium. AFE has agreed to do so. The Conservator has continued to submit all death

claims and collect all maturities. A sale of a block of the HIV/AIDS policies has not taken place as required but the Conservator continues to work with AFE to accomplish such a sale.

2. An updated summary report showing data regarding active, matured, legal, lapsed and terminated policies is attached as Exhibit "A." An updated report reflecting the current financial position of the estate is attached as Exhibit "B."

3. The Conservator has continued to update his website and outgoing telephone message apprising investors of the current status of the estate.

4. The Conservator's claim form processing team continues to resolve objections to the claims that have been filed with the Court. Thus far, the team has resolved approximately 1,400 of the 2,900 objections filed to date. The Conservator is now in a position to recommend a distribution process and timetable to the Court. The amount of the initial distribution will be \$4 million. This sum is on hand and will leave the Conservator with \$2 million as a reserve against the possibility that the Conservator may need to fund policy premiums should AFE default. Assuming the Court's approval of our proposed distribution procedures, we anticipate a distribution may be made by year end.

II. Litigation

1. The Conservator has filed significant discovery upon the Fidelity and Deposit Company of Maryland in the action styled *David Levine, as Conservator, etc. v. Randy Stelk, et al.*, Case No. CA-02-2516, Division 55 (the "Stelk Action"), as part of his claim to recover under the theft of funds bond. The Conservator filed a Motion to Compel for the production of documents relating to F.T. International from the law firm of Rogers & Hardin and the court granted the motion on October 5, 2004 and ordered that these documents should be produced within fifteen (15) days thereafter. The Conservator and its counsel have met with defendant,

John Kashou, to discuss a potential resolution of the Conservator's claim in the bankruptcy proceeding filed by Mr. Kashou. In the event a resolution is not agreed upon, the Conservator's claim is scheduled to be tried on February 17, 2005.

2. The Conservator, through counsel, continues to monitor several lawsuits and arbitration proceedings filed against Future First or The Fidelity Trust. An updated list of active litigation and arbitration proceedings filed against Future First is attached as Exhibit "C."

3. The Conservator, through counsel, continues to litigate claims against Dr. Duffy in the action styled *David Levine, as Conservator for Future First Financial Group, Inc. vs. Michael J. Duffy, M.D.*, Seventh Judicial Circuit, In and for St. Johns County, Florida, Case No.: CA-03-521. On August 24, 2004, the Conservator submitted a time sensitive demand upon Dr. Duffy's liability carrier. That demand was rejected by the carrier. The Conservator will file his notice of bad faith with the Department of Financial Services and is now in the position to move forward with discovery and to have this action set for trial.

**VOLPE, BAJALIA, WICKES, ROBERSON &
GALLOWAY**

By: 

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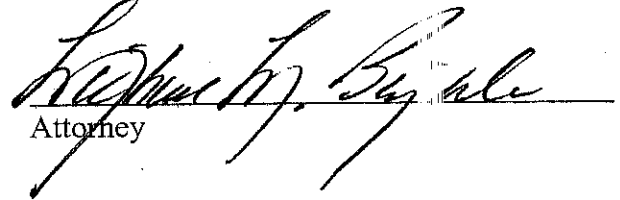
(904) 355-1700 (Telephone)

(904) 355-1797 (Facsimile)

Attorneys for Conservator

CERTIFICATE OF SERVICE

I **HEREBY CERTIFY** that a true and correct copy of the foregoing has been furnished by U.S. Mail to Michael H. Davidson, Esquire, Division of Legal Services, Florida Department of Legal Services, 200 E. Gaines St., Suite 600, Tallahassee, FL 32399; John Tucker, Esquire, 200 North Laura Street, Jacksonville, FL 32202; Gary Wilkinson, Esquire, Suite 1818 Riverplace Tower, 1301 Riverplace Blvd., Jacksonville, FL 32207; Wm. J. Sheppard, Esquire, Sheppard, White & Thomas, P.A., 215 Washington Street, Jacksonville, FL 32202; Robert Avolio, Esquire, Avolio & Hanlon, 3150 Brunswick Pike, Suite 120 Lawrenceville, NJ 08648; and David M. Levine, Esquire, Conservator, Four Seasons Tower, 15th Floor, 1441 Brickell Avenue, Miami, FL 33131, this 15th day of October, 2004.



Attorney

EXHIBIT "A"

FUTURE FIRST FINANCIAL GROUP
BUCKET REPORT AS OF 10/15/04

ACTIVE POLICIES

Total number of Active policies: 2,278
Total face amount for Active policies: \$235,198,344.40

MATURED POLICIES

Total number of Matured policies: 272
Total face amount for Matured policies: \$27,758,060.34

LAPSED POLICIES

Total number of Lapsed policies: 118
Total face amount for Lapsed policies: \$8,823,967.56

LEGAL POLICIES

Total number of Legal policies: 24
Total face amount for Legal policies: \$3,038,504.00

TERMINATED POLICIES

Total number of Terminated policies: 197
Total face amount for Terminated policies: \$21,825,097.00

TOTAL POLICIES

Total number of all policies: 2,889
Total face amount for all policies: \$296,643,973.33

EXHIBIT "B"

FFFG Financial Report as of 10/15/04

Bank	Account #	Balance	Balance Date
Compass (PA)	1189911	\$ 4,583.05	9/31/2004
Compass (PFA)	10239362	\$ 43.87	9/31/2004
		<u>\$ 4,626.92</u>	

Prosperity (PA)	5600228501	\$ 109,802.91	9/31/2004
Prosperity (SFA)	5600229301	\$ 94,368.46	9/31/2004
		<u>\$ 204,171.37</u>	

These are the Life Settlement accounts we are not listing.

Citibank (OA)	3200059359	\$ 117,434.92	10/14/2004
Citibank (DBA)	3200059375	\$ 5,525,968.44	10/14/2004
		<u>\$ 5,643,403.36</u>	

Cilbank			
To be paid	3200059375 Maturity payments made	To AFE	To Tom
	10/15/2004 Quarles	7,637.28	151.37
	10/20/2004 Jones	127,025.45	2,501.66
	10/21/2004 Woolley	9,715.67	194.31
		<u>144,378.40</u>	<u>2,847.34</u>
		147,225.74	Projected as of
		<u>\$ 5,496,177.62</u>	10/15/2004
		\$ 5,643,403.36	

(with projections for maturity payments to be made to AFE and Moran)

The above box accounts for payments to be made to AFE and Moran in the next two weeks. In addition to those payments, we are in the process of collecting 19 more maturities worth a total of \$1,676,572.10. Of that amount, \$838,286.05 will go to AFE. \$16,765.72 will go to Tom Moran, and \$821,520.33 will go to the Conservator. Upon the additional receipt and distribution of these maturities, the Conservator's death benefit account balance is projected to be \$6,317,607.95

EXHIBIT "C"

**Exhibit "C" to Conservator's Report to Court
October 15, 2004**

**FUTURE FIRST FINANCIAL GROUP, INC.
INDEX OF ACTIVE LITIGATION**

Matter Name	Location of Litigation
Richard and Birthe Schott	Palm Beach County Circuit Court; Case No.: CL 01-3726-AG
Hulin v. Future First Financial Group (Class Action)	Palm Beach County Circuit Court; Case No.: CA02-08517-AH
June Craft v. Future First Financial Group	7 th Circuit, St. Johns County, FL, Case No. CA-02-1598
Parker v. Future First Financial Group, Life Settlement Services Corp, Fidelity Trust	Superior Court, Fulton County, GA, Case No. 2002-CV-56308
Madison Muncil v. Future First Financial Group, Inc and Delta Financial Services, Inc.	Lee County Circuit Court, 20 th Circuit; Case No.: 00-3777-CA
Michelson v. Future First Financial Group, Inc. et al	Saginaw County Circuit Court, Michigan; Case No. 00-035186-CK
Parrott v. Costa v. FFFG	Athens-Clarke County, GA SU 02-CV-1706-G
Sathre v. FFFG	7 th Circuit, St. Johns County, Case No. CA02-1863
Studebaker v. FFFG	7 th Circuit, St. Johns County, Case No. CA02-2082-55
F.T. International Ltd. v. First Union National Bank	Superior Court, Gwinnett County, GA; Case No. 01-A-61492
F.T. International v. Thomas E. Mason, Marshland Ltd., Main Street Bank, and Sovereign Bank	United States District Court, Eastern District of Pennsylvania; Case No. 00-CV-5004
Bankers Life Ins. Co. of NY v. Future First Financial Group, The Fidelity Trust, et al	Supreme Court, Nassau County, NY
Guardian Life Ins. Co. of America v. Diego Cardona and Charles Sussman, as Trustee of The Fidelity Trust	Supreme Court of NY, NY; Index No. 99-605877
Guardian Life Ins. Co. of America v. Russell Armine and Charles Sussman, as Trustee of The Fidelity Trust	Supreme Court of NY, NY; Index No. 99-605017
The Guardian Life Ins. Co. of America vs. Robert De Luke and Charles R. Sussman	Supreme Court of NY, NY
Erma Henry, Individually and as	Lorain County, Ohio

Matter Name	Location of Litigation	Plaintiff's counsel/representative
Executrix Of the Estate of Rex Henry vs. Alan B. Corwin et al.		
Walter L. Bayliff and Janet K. Bayliff vs. United Financial Information Services et al.	Polk County, Iowa	
Wayne and Jean Bartlett et al. vs. United Financial Information Services et al.	Polk County, Iowa	
Stephen Merrill v. Future First Financial Group et al.	Norfolk, Virginia	
Metropolitan Life Insurance Co. v. David M. Levine, et al.	Middle District, Jacksonville, Florida 3:03-CV-607-J-32MMH	
Metropolitan Life Insurance Co. v. David Levine, et al.	Middle District, Jacksonville, Florida 3:03-cv-670-32TEM	
SunLife Assurance Company of Canada v. David M. Levine, et al.	Southern District, Florida 03-20227 CIV	
High Mark Associates v. David M. Levine, et al	Seventh Judicial Circuit, St. Johns County, Florida	
John Piacenza vs. Future First et al.	Superior Court, New London, Norwalk, Connecticut	
Todtenbier v. Mousty et al.	Superior Court, Madison County, Indiana 48D03-0309-PL-802	
Scare v. Future First Financial Group, Inc., et al.	Circuit Court, Calhoun County, State of Michigan	
State of Indiana v. Future First Financial Group	Marion Superior Court, Indiana	
Roy and Gayle Shelly v. Future First	Circuit Court of Henry County, Alabama	

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