

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 October 15, 2004.

I. Administration

1. Over the past quarter, Anderton Family Enterprises, LLC ("AFE") has continued to make the scheduled premium payments on all policies pursuant to the purchase and sale agreement approved by the Court. AFE has also complied with its obligation to post a reserve equal to one month's premium payments. As part of the agreement, the Conservator has continued to submit all death claims and collect all maturities

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 sought approval from the Court and on November 30, 2004 the Court entered an Order Approving Claims Distribution Procedure and Establishing Reserves. Pursuant to the Order, the Conservator was authorized to make an initial distribution of \$4 million to those investors who had not yet received any return of their investment. The Conservator continues to process the initial distribution, which is substantially completed.

5. The Conservator has assisted in the sale of the former Future First office furniture to a third party. As part of this transaction, the Conservator received payment of \$145,031.20 for the benefit of the investors.

II. Litigation

1. As previously reported, Fidelity and Deposit Company of Maryland ("F&D"), the insurer for the theft of funds bond, was successfully added as party defendant to the action styled *David Levine, as Conservator, etc. v. Randy Stelk, et. al*, Case No. CA-02-2516, Division 55 (the "Stelk Action"). The Conservator has been actively engaged in discovery with F&D and will soon be in a position to begin setting depositions. The Conservator has recently entered into a settlement agreement with John Kashou who had filed for bankruptcy protection. Unfortunately, Mr. Kashou had no available assets but has agreed to cooperate in the Conservator's pursuit of others.

2. The Conservator, through counsel, continues to monitor several lawsuits and arbitration proceedings filed against Future First or The Fidelity Trust. Several new lawsuits have been filed and served on the Conservator. When necessary, the Conservator has engaged local counsel to assist with attempts to stay these actions. An updated list of active litigation and arbitration proceedings filed against Future First is attached as Exhibit "C."

3. As previously reported, the Conservator, through his counsel, filed a lawsuit against Dr. Michael J. Duffy. Dr. Duffy's insurer has denied coverage of these claims. The Conservator believes this denial of coverage to be meritless and will proceed against Dr. Duffy and then look to the insurer for its bad faith denial of coverage.

**VOLPE, BAJALIA, WICKES, ROGERSON,
GALLOWAY & WACHS**

By:



TIMOTHY W. VOLPE, ESQUIRE

Florida Bar No.: 358785

MICHAEL M. BAJALIA, ESQUIRE

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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 9th day of February, 2005.


Attorney

**FUTURE FIRST FINANCIAL GROUP
BUCKET REPORT AS OF 2/7/05**

ACTIVE POLICIES

Total number of Active policies:	2,268
Total face amount for Active policies:	\$234,829,976.64

MATURED POLICIES

Total number of Matured policies:	282
Total face amount for Matured policies:	\$28,287,860.85

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

FFFG Financial Report as of 2/7/05

Bank	Account #	Balance	Balance Date
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Compass (PA)	1189911	\$ 7,081.15	2/7/2005
Compass (PFA)	10239362	\$ 35.87	2/7/2005
		<u>\$ 7,117.02</u>	

Prosperity (PA)	5600228601	\$ 109,802.91	1/31/2005
Prosperity (SFA)	5600229301	\$ 94,368.46	1/31/2005
		<u>\$ 204,171.37</u>	

These are the Life Settlement accounts we are not using.

Citibank - Investor Distribution Account		\$ 2,664,076.97	2/7/2005
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Citibank (OA)	3200059359	\$ 58,848.59	2/7/2005
Citibank (DBA)	3200059375	\$ 2,208,222.08	2/7/2005 *
		<u>\$ 2,267,070.67</u>	

*Includes Santiago maturity amount which will be deposited 2/8/05

(with projections for maturity payments to be made to AFE and Moran)				
Citibank	To be paid	3200059375 Maturity payments made	To AFE	To Tom
	2/9/2005	McKibben	22,870.42	450.79
	2/15/2005	Holmes	41,302.47	826.05
	2/15/2005	Hale	16,213.58	324.27
	2/18/2005	Peratta	52,130.98	1,042.62
	2/22/2005	Santiago*	69,074.23	1,375.89
			<u>201,591.68</u>	<u>4,019.62</u>
			205,611.30	Projected as of
			<u>\$ 2,061,459.37</u>	2/7/2005

*This maturity to be deposited 2/8/05.

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 10 more maturities worth a total of \$316,188.60. Of that amount, \$158,094.30 will go to AFE, \$3,161.99 will go to Tom Moran, and \$154,932.41 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 \$2,216,391.78. Upon receipt of these amounts the Conservator's total non-distribution assets are projected to be \$2,427,680.17. The Citibank Distribution Account are has been reduced from \$4,000,000 to its current balance as a result of distributions to investors.

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B

**Exhibit "C" to Conservator's Report to Court
February 9, 2005**

**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, Norwich, 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	
Diane T. Webb-Flansburg v. Gwaltney & Gwaltney, et al. v. Future First	In the District/Superior Court for the State of Alaska at Anchorage; Case No. 3AN-048651-CIV	
Robert P. Rosier Forrest L. Ball Quinton R. Sathre Patrice J. Studebaker David Lee Jaquith Monte R. Lorenzen Angel and Lupe Bidegain Epstein Charitable Remainder Trust 46.108 Case No. 33 181 00083 04 Richard and Margaret Livermore	American Arbitration Association	

Matter Name	Location of Litigation	Plaintiff's counsel/representative
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Mary Bell and Carl Sousa	
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