

ASSIGNMENT FOR THE BENEFIT OF THE CREDITORS OF UNISEN, INC

FIRST REPORT TO CREDITORS

On November 19, 2010, Unisen, Inc. dba Star Trac, pursuant to California Code of Civil Procedure Section 493.010, *et seq*, assigned substantially all of its assets to FORD-ABC 864736, Inc., solely as the Assignee for the benefit of Unisen's creditors. The Assignee gave notice to all of Unisen's known creditors and established May 6, 2011, as the last day, Bar Date, to file claims in the Assignment Estate. A second Bar Date of July 22, 2011, was established for a small group of creditors that was erroneously omitted from the first notice. Unisen's creditors were required to file a proof of claim by the respective Bar Date to be entitled to share in any distribution of the proceeds from the liquidation of Unisen's assets.

Prior to the Assignment, Assignee marketed Unisen's assets to certain parties who previously expressed an interest in acquiring said assets. At the conclusion of the marketing period, the highest and best offer for Unisen's assets was made by Core Industries, Inc. Shortly after accepting the Assignment from Unisen, Assignee sold substantially all of Unisen's assets to Core. As consideration for the sale, the Assignment Estate received the following:

- Core's assumption of all secured debt of Unisen;
- Core's assumption of certain other debts of Unisen, including tax and other priority claims;
- Core's payment of \$2,000,000 upon closing;
- Core's agreement to pay an additional \$4,000,000, evidenced by a promissory note, payable in annual installments of variable amounts, with the last payment to be made no later than January 30, 2015¹; and
- Retention by Assignee of the right to assert claims for recovery of preferential transfers made to certain creditors in the 90 day period immediately preceding the Assignment.

Claims filed in the Assignment Estate exceed \$35 Million. As of this date, Assignee has resolved about one-third by amount of the filed claims.

Approximately \$600,000 of these claims were filed by taxing authorities asserting the right to priority payment before unsecured claims. As part of the asset purchase Core agreed to pay all tax claims. However, the amount of taxes owing cannot be determined until several of the

¹ On January 31, 2012, Assignee received the first installment payment of \$600,000 from Core.



taxing agencies complete audits. Even though Core is ultimately obligated to pay these claims, the tax claimants have declined to withdraw their claims until the taxes have been paid.

In addition, almost \$2 Million of claims have been filed by claimants asserting priority status. Assignee has been advised that these claimants are not entitled to priority status and has been seeking voluntary modifications of their claims to unsecured status. It will be necessary for the Assignee to take legal action to disallow approximately \$500,000 of claims primarily because the claimants have asserted priority status without establishing any basis therefor and have refused to voluntarily modify their claims. Assignee estimates that these claims will be disallowed by the end of 2012.

Partial distributions will be made as funds are received from the Core note payments and after Assignment Estate expenses are paid or are appropriately reserved. The earliest that the first distribution can occur is subsequent to the resolution of the priority tax claims referenced above. Assignee's best estimate regarding the timing of the first partial distribution is the latter part of 2012.

There are over \$12 Million of product liability claims pending. Most of these claims, if it is determined that Unisen was the responsible party, will be paid by Unisen's product liability insurer. However, since these parties have filed claims in the Assignment Estate, the Assignee must reserve funds to cover these claims until the underlying litigation is completed. It has been estimated that it may take until the end of 2013 to resolve some of these claims.

In addition to the tax claims mentioned above, there are claims pending in the approximate amount of \$4.5 Million that were assumed by Core under the asset purchase agreement. As of this date, Core has taken the position that certain of these claims were not assumed by Core. Assignee is negotiating with Core to resolve these differences of interpretation and estimates that these issues will be resolved by the end of 2012. Assignee must reserve funds for these claims until a resolution is reached with Core or until the claims are resolved with the individual claimants.

As part of the sale of the assets to Core, Assignee retained the right to recover preference payments made to certain creditors in the 90 days immediately preceding the Assignment. To date, approximately \$245,000 has been recovered from preference recipients. The Assignee has litigation pending in California and several other states regarding gross payments of approximately \$2 Million, although the extent to which these parties may assert valid defenses to the claims is unknown at this time. It is Assignee's intention to complete these actions by the end of 2012.

Please check the website www.kccllc.net/unisen for future updates.

Larry A Ford, President

FORD-ABC 864736, Inc