

ASSIGNMENT FOR THE BENEFIT OF THE CREDITORS OF UNISEN, INC

SECOND REPORT TO CREDITORS-FEBRUARY 22, 2013

This second report to creditors supplements the first report to creditors filed by Assignee on March 26, 2012. As explained in the first report, over \$35 Million in claims were filed in the Assignment estate. As of this date, approximately \$14 Million of claims have been allowed by the Assignee, claims aggregating approximately \$15 Million remain unresolved and all other claims have been disallowed or withdrawn.

On February 22, 2013, Assignee made the first interim distribution to the holders of allowed claims. The allowed claim holders received their pro rata share of approximately \$668,000 in the first interim distribution. The holders of unresolved claims did not receive a distribution in the first interim distribution. However, Assignee reserved sufficient funds to make an equal distribution to all unresolved claims in the event that any or all of the unresolved claims are ultimately allowed by Assignee.

Claims in excess of \$4.2 Million assumed by Core Industries, LLC in the Asset Purchase Agreement remain unresolved. Assignee continues to negotiate with Core to resolve differences regarding whether all of these claims were assumed by Core. Although Assignee is of the opinion that substantially all of these claims ultimately will be the responsibility of Core, Assignee must reserve funds for these claims until a resolution is reached with Core or until the claims are resolved with the individual claimants.

Product liability claims aggregating approximately \$10.5 Million are still pending. If it is determined that Unisen was the responsible party, these claims will likely be paid from Unisen's product liability insurance. 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 2014 to resolve some of these claims.

Pursuant to the Asset Purchase Agreement, Core has paid all claims filed by various taxing authorities. All of those claims have been withdrawn except one filed by the California Board of Equalization in the amount of approximately \$233,000. Assignee anticipates that this claim will be withdrawn in the next several weeks. Until that time, Assignee must reserve the full amount of that priority claim at 100%.

All preference litigation initiated by Assignee has been completed. The preference litigation provided significant benefits to the Assignment estate resulting in gross recoveries of approximately \$744,000 plus waivers of claims by some of the preference targets. As of the date of this second report, only \$93,750 of these recoveries remain to be collected.

The balance owing to the Assignment estate on the Core note is \$2.8 Million. It is not anticipated that this note will be paid in full until 2015.

Additional distributions will be made on at least an annual basis as funds are received from the Core note payments, as the remaining open claims are favorably resolved, and after Assignment estate expenses are paid or are appropriately reserved. Although it is impossible to predict with any certainty, if all funds owing to the estate are collected, all unresolved claims are resolved in favor of the estate and the Assignment estate is not required to incur unexpected or additional costs to resolve claims or collect funds owing to the Assignment estate, it is anticipated that at least a total of \$4.5 Million will be distributed to



allowed claimants and that total allowed claims will not exceed \$15 Million. This projection is based on numerous assumptions. Should any of the assumptions prove to be incorrect, the amount available for distribution as well as the total amount of allowed claims could vary materially from the projection above.

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

LARRY A. FORD, PRESIDENT
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