

ASSIGNMENT FOR THE BENEFIT OF THE CREDITORS OF UNISEN, INC

THIRD REPORT TO CREDITORS-JUNE 30, 2014

This third report to creditors supplements the first and second reports to creditors previously filed by Assignee in 2012 and 2013. As of this date, claims in the gross amount exceeding \$45 Million have been filed in the Assignment Estate. Approximately \$17.4 Million of claims have been allowed by the Assignee and claims aggregating approximately \$1.5 Million remain unresolved. All other claims have been disallowed or withdrawn.

On February 22, 2013, Assignee made the first interim distribution and, on June 30, 2014, is making the second interim distribution to the holders of allowed claims. The aggregate amount of the two distributions is approximately \$2.1 Million. The holders of unresolved claims will not receive a distribution in the second interim distribution. However, Assignee has reserved sufficient funds to make an equal distribution to holders of all unresolved claims in the event that any or all of the unresolved claims are ultimately allowed by Assignee.

Fitistics, LLC filed a claim in the Assignment based on a license agreement entered into with Unisen, Inc. in 2008. Fitistics filed suit against the Assignment Estate to determine the validity and amount of the claim. In June 2013, Core Industries, LLC acquired the Fitistics claim (and related litigation). Assignee vigorously defended the claim/litigation. In March 2014, the parties entered into mediation of this claim and agreed to an allowed claim in the amount of \$3 Million. This not only avoided the expenditure of significant funds to further litigate this claim, but also resulted in an overall settlement with Core regarding various other issues between Assignee and Core.

The remaining unresolved claims of approximately \$1.5 Million are product liability claims concerning which litigation is pending in two different state courts. 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 into 2015 to resolve these claims.

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.

The balance owing to the Assignment Estate on the Core note is \$1,349,400. This amount is due and payable on January 30, 2015.

Final distribution will be made as funds are received from the Core note payments, as the remaining open claims are 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 Assignment Estate are collected, all unresolved claims are resolved in favor of the Assignment 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 the total of all three distributions will aggregate approximately \$4.45 Million and that total allowed claims will probably not exceed \$17.4 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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