

25. For example, in 1987, TFC acquired a controlling interest in United Diversified Corporation (“UDC”), which conducted business through two Illinois insurance company subsidiaries, Associated Life Insurance Co. (“Associated”) and United Fire Insurance Co. (“United Fire”).

26. Epstein was the architect of the plan to secure the approval from Illinois state regulators for TFC’s acquisition of the insurance companies. Indeed, approval was obtained because Epstein represented to regulators that TFC would contribute three million dollars (\$3,000,000) to the surplus of United Fire – two million dollars (\$2,000,000) immediately and an additional one million dollars (\$1,000,000) at a later date.

27. Thereafter, in or around November 1987, Hoffenberg and Epstein used Associated and United bonds as collateral in securities brokerage accounts, controlled by Epstein, in a failed take-over attempt of Pan American Airways, Inc. (“Pan Am”). When the take-over failed, largely due to the bombing of Pan Am Flight 103 over Lockerbie, Scotland, United Fire and Associated suffered devastating trading losses, resulting in attendant losses for investors in TFC.

28. Epstein and Hoffenberg diverted investor funds to hide those catastrophic losses, while at the same time lining their own pockets with millions of dollars of investment capital to keep up with their lavish lifestyles.

29. Notably, between November 1987 and July 1988, checks were issued by TFC from UDC and United Fire’s accounts for a number of improper expenditures, including the payment of investment consultant fees for TFC consultants, including Epstein.

30. Between December 1987 and June 1998, Hoffenberg and Epstein again used Associated and United Fire bonds as collateral in securities brokerage accounts, controlled by Epstein, to purchase and sell stock and options in a number of high risk investments, including one