personal expenses of the conspirators, and to pay interest on the TFC Promissory Notes which were not properly collateralized.

41. Defendant Epstein, directly and indirectly, represented to investors that the face value of the collateral exceeded the face value of the TFC Promissory Notes. Instead, the collateral was a fiction backed by falsified receivables which did not exist.

42. In or about July 1990, Epstein, through TFC and in furtherance of the Ponzi scheme, made additional efforts to raise capital and expand TFC by offering and selling additional debt instruments in the form of bonds to investors ("TFC Bonds").

43. Moreover, Defendant Epstein, directly and indirectly, created, or caused to have created, TFC subsidiaries, the THRFC Bond Funds, which were a series of corporate entities that issued the TFC Bonds. The TFC Bonds were sold pursuant to five (5) separate private placement memoranda which indicated that the proceeds from the sales of the TFC Bonds would be used by the THRFC Bond Funds, in whole or in part, to purchase healthcare receivables from TFC and that the healthcare receivables purchased from TFC would collateralize the TFC Bonds.

44. Defendant Epstein and Hoffenberg deliberately misrepresented how investor funds would be used and subsequently misused the proceeds from the sale of the TFC Bonds.

45. In preparation for acquiring healthcare receivables, TFC would provide a total figure for the amount of receivables it planned to acquire; in response, a percentage of the value of the receivables was released to TFC in cash. This cash was supposed to be used to make the first payment on the receivables. When more money was needed to operate TFC, Hoffenberg and Epstein provided inflated figures for the receivables to accommodate TFC's cash needs. Thus, 50% of the value of falsified receivables was released to TFC who used the cash to pay TFC's operating expenses.