

56. In or around April 1996, the Bankruptcy Court determined that the claims of the TFC Noteholders and Bondholders, in the total amount of \$475,157,340, were valid and actionable.

57. On March 7, 1997, for his role in the TFC Ponzi Scheme, Hoffenberg was sentenced to twenty years' in prison, a term of supervised release, as well as a one million dollar (\$1,000,000) fine, approximately four hundred seventy-five million dollars (\$475,000,000) in restitution, and court surcharges.

58. The Sentencing Opinion sets forth fraudulent wrongful acts which were committed by Hoffenberg "*and his co-conspirators.*" *The Affidavit of Hoffenberg, annexed hereto, makes abundantly clear that Defendant Epstein and the Defendant Entities were Hoffenberg's co-conspirators.*

59. As per the Sentencing Opinion, Hoffenberg *and his co-conspirators* (i) used certain of the Associated and United's bonds as collateral in securities brokerage accounts in order to purchase stock of Pan Am and Emery; (ii) created false documents and filed false pleadings in related legal proceedings brought by state insurance regulators, closed out securities positions without regard to the profitability of the transactions, committed and suborned perjury, and concealed their fraudulent activities in connection with state insurance regulators' investigations; (iii) devised plans to sell Bonds and Promissory Notes and fraudulently induced the purchase of such Bonds and Promissory Notes in connection with the TFC Ponzi Scheme; (iv) in addition to creating fraudulent financial statements, arranged to have a certified public accountant falsely certify that the financial statements accurately reflected TFC's financial condition; (v) although the Promissory Notes were not properly collateralized, represented to investors that the face value of the collateral exceeded the face value of the Promissory Notes; (vi) deliberately misrepresented how investor funds would be used, and misused the proceeds from the sale of the Bonds; (vii) used