

Statement of Liabilities - Explanatory Notes

August 31, 2008

BACKGROUND INFORMATION

National Prearranged Services, Inc. (NPS) was placed into receivership, for purposes of rehabilitation, on May 14, 2008 through an Agreed Permanent Injunction (API) by the 250th Judicial District Court of Travis County, Texas.

The receivership statement of liabilities is prepared based upon company books and records, that were available immediately prior to the Special Deputy Receiver (SDR) taking control of NPS and using generally accepted accounting principals (GAAP) with adjustments made to convert to a liquidation basis of accounting where appropriate. Estimates and assumptions are utilized to report liability amounts. Under the liquidation basis of accounting, liabilities are generally shown at their estimated ultimate total amounts.

In general the liability accounts have not been updated since the receivership date of May 14, 2008. The SDR is currently in process of identifying and reviewing all assertions of liabilities against the estate and as the actual liability amounts are ultimately identified and approved the amounts shown below will be adjusted to the current and correct amounts.

NOTE 14: ACCOUNTS PAYABLE

Balance represents the accounts payable due to miscellaneous items, allocated expenses and state audit fees. Balances represent information obtained from the Company records, the balance could vary based on other information not made available. This balance has also been adjusted for checks written per the accounting records but not cleared per the bank records at May 14, 2008. As these items represent liabilities they will be recognized herein.

Accounts Payable	\$	2,613,067.82
SDR Fees		8,134.50
SDR Sub-Contractor Fees		172,323.84
General Creditor		393,320.47
	\$	<u>3,186,846.63</u>

NOTE 15: PRE-NEED CONTRACT ULTIMATE LIABILITY - TRUSTS

Balance represents the ultimate liability, based upon the active pre-need contract amount, on pre-need contracts assigned to a trust. "Active" pre-need contracts means any pre-need contract other than a contract for an individual that is deceased, or a pre-need contract that shows as cancelled or cancelled rewrite. Due to insufficient and/or inadequate documentation of the establishment and operation of the trusts, these liabilities may ultimately become the responsibility of NPS. These balances could vary depending on non-payment, currency of payment, or other factors, etc.

Trust I - Bremen Bank	\$	508,685.00
Trust II - Bremen Bank		5,230,299.23
Trust III - Bremen Bank		10,312,244.97
Trust IV - Bremen Bank		248,213,044.31
Trust V - Bremen Bank		1,552,662.93
Trust VI - Bremen Bank		23,594,535.21
	\$	<u>289,411,471.65</u>