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7
8 UNITED STATES DISTRICT COURT
9 FOR THE CENTRAL DISTRICT OF CALIFORNIA
10 SOUTHERN DIVISION

11 In re) Case No. SA CV 02-417 DOC
12)
12 FIRST ALLIANCE MORTGAGE COMPANY,) Chapter 11 Cases
13 a California corporation, et al.,)
14 Debtor.)
15 Affects All Debtors.) **DEBTORS' FIRST AMENDED JOINT**
16) **AND CONSOLIDATED PLAN OF**
17) **LIQUIDATION DATED MAY 6, 2002**
18 FIRST ALLIANCE MORTGAGE COMPANY,) [Confirmation Hearing to be
19 a California corporation) Set]
20 Case No. SA 00-12370 LR)
21 Affected by this Pleading)
22 FIRST ALLIANCE CORPORATION,)
23 a Delaware corporation)
24 Case No. SA 00-12371 LR)
25 Affected by this Pleading)
26 FIRST ALLIANCE MORTGAGE COMPANY,)
27 a Minnesota corporation)
28 Case No. SA 00-12372 LR)
 Affected by this Pleading)
FIRST ALLIANCE PORTFOLIO)
SERVICES, INC., a Nevada)
corporation)
Case No. SA 00-12373 LR)
 Affected by this Pleading)

1 DEBTORS' JOINT AND CONSOLIDATED PLAN OF LIQUIDATION

2 DATED MAY 6, 2002

3 Pursuant to section 1121(a) of the Code, First Alliance
4 Mortgage Company, a California corporation, First Alliance
5 Corporation, a Delaware corporation, First Alliance Mortgage
6 Company, a Minnesota corporation, and First Alliance Portfolio
7 Services, a Nevada corporation (collectively, the "Debtors"),
8 propose this Debtors' First Amended Joint and Consolidated Plan
9 of Liquidation Dated May 6, 2002:

10 ARTICLE I

11 DEFINITIONS AND RULES OF CONSTRUCTION

12 A. Specific Definitions. In addition to such other terms
13 as are defined in other sections hereof, the following terms
14 shall have the following meanings:

15 1. "Administrative Claim" means a Claim for payment of an
16 administrative expense of a kind specified in section 503(b) of
17 the Code and referred to in section 507(a)(1) of the Code,
18 including, without limitation, compensation of and reimbursement
19 of costs to Professionals, and all fees and charges assessed
20 against the Debtors and the Estates under 28 U.S.C. § 1930.
21 Administrative Claims do not include amounts to be paid from the
22 Redress Fund pursuant to the Settlement Agreement for attorneys'
23 fees and costs awarded by the Court to counsel for the Plaintiffs
24 (with the exception of the Official Joint Borrowers' Committee)
25 and/or the National Association of Attorneys General, and any
26 payments awarded by the Court to certain individual Plaintiffs
27 (either as Representative Plaintiffs or individuals instrumental
28

1 in initiating lawsuits that are the subject of the Settlement
2 Agreement).

3 2. "Allowed Administrative Claim" means all or that
4 portion of an Administrative Claim which is an Allowed Claim.

5 3. "Allowed Claim" means that portion of a Claim: (a)
6 which was scheduled by the Debtors pursuant to section 521 of the
7 Code, other than a Claim scheduled as disputed, contingent or
8 unliquidated, as to which no objection has been filed; (b) a
9 Claim that was timely filed with the Court, as to which no
10 objection has been filed; or (c) a claim that has been allowed by
11 a Final Claim Order.

12 4. "Allowed Opt-Out Claim" means all or that portion of an
13 Opt-Out Claim which is an Allowed Claim.

14 5. "Allowed Priority Claim" means all or that portion of a
15 Priority Claim which is an Allowed Claim.

16 6. "Allowed Secured Claim" means an Allowed Claim secured
17 by a lien on any property of the Debtors, but only to the extent
18 of the value of the secured interest that the holder of such
19 Allowed Claim has in such property, the calculation of which
20 shall not include any demand for default interest, penalty
21 interest or other similar demands.

22 7. "Allowed Settlement Claim" means all or that portion of
23 a Settlement Claim which is an Allowed Claim.

24 8. "Allowed Subordinated Claim" means all or that portion
25 of a Subordinated Claim which is an Allowed Claim.

26 9. "Allowed Tax Claim" means all or that portion of a Tax
27 Claim which is an Allowed Claim.

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1 10. "Bankruptcy Court" means the United States Bankruptcy
2 Court for the Central District of California, Santa Ana Division.

3 11. "Bankruptcy Rules" means the Federal Rules of
4 Bankruptcy Procedure.

5 12. "Business Day" means any day other than a Saturday, a
6 Sunday or a "legal holiday" (as defined in Bankruptcy Rule
7 9006(a)).

8 13. "Cases" means, collectively, the chapter 11 cases
9 under the Code commenced by the Debtors on the Petition Date.

10 14. "Cash" means lawful currency of the United States and
11 equivalents thereof, including, but not limited to: bank
12 deposits, wire transfers, checks, and other similar items.

13 15. "Chisick" means Brian Chisick, an individual.

14 16. "Claim" or "Claims" as defined in the Code, section
15 101(5) (A) and (B), means (a) any right to payment, whether or not
16 such right is reduced to judgment, liquidated, unliquidated,
17 fixed, contingent, matured, unmatured, disputed, undisputed,
18 legal, equitable, secured or unsecured; or (b) any right to an
19 equitable remedy for breach of performance if such breach gives
20 rise to a right to payment, whether or not such right to an
21 equitable remedy is reduced to judgment, fixed, contingent,
22 matured, unmatured, disputed, undisputed, secured or unsecured.

23 17. "Class" means a group of Claims or Interests classified
24 together in a class designated in Article III of the Plan.

25 18. "Code" means the Bankruptcy Code, as codified in Title
26 11 of the United States Code, 11 U.S.C. §§ 101 et seq., including
27 all amendments thereto.

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1 19. "Committees" means the Official Committee of Unsecured
2 Creditors appointed by the Office of the United States Trustee in
3 the Cases, and the Official Joint Borrowers' Committee appointed
4 by the Office of the United States Trustee in the Cases, as they
5 may be constituted from time to time.

6 20. "Confirmation Date" means the date of entry of the
7 Confirmation Order.

8 21. "Confirmation Order" means the order of the Court
9 confirming the Plan pursuant to section 1129 of the Code.

10 22. "Contingency Fund" means a fund in the amount of
11 \$50,000 which shall be transferred to the Liquidating Trust and
12 used for the payment of potentially necessary expenses of the
13 Debtors after the Effective Date.

14 23. "Court" means the United States District Court for the
15 Central District of California, Southern Division.

16 24. "Creditor" means any holder of a Claim, as defined by
17 the Code, section 101(10).

18 25. "Debtors" means, collectively, FACO, FAMCO, FAMCO-MN,
19 and FAPS, whether as debtors or as debtors-in-possession.

20 26. "Disclosure Statement" means the "Disclosure Statement
21 Re: Debtors' First Amended Joint and Consolidated Plan of
22 Liquidation Dated May 6, 2002" (and all annexes attached thereto
23 or referenced therein) that relates to the Plan and is approved
24 pursuant to section 1125 of the Code in an order entered by the
25 Court, as such Disclosure Statement may be amended, modified or
26 supplemented.

27 27. "Disputed Claim" means any Claim which is not an
28 Allowed Claim.

1 28. "Effective Date" means the Settlement Effective Date.
2 29. "Entity" means an individual, a corporation, a general
3 partnership, a limited partnership, a limited liability company,
4 a limited liability partnership, an association, a joint stock
5 company, a joint venture, an estate, a trust, an unincorporated
6 organization, a government or any subdivision thereof.
7 30. "Estate" means, with respect to any Debtor, the estate
8 created by section 541(a) of the Code upon the Petition Date.
9 31. "FACO" means First Alliance Corporation, a Delaware
10 corporation.
11 32. "FAMCO" means First Alliance Mortgage Company, a
12 California corporation.
13 33. "FAMCO-MN" means First Alliance Mortgage Company, a
14 Minnesota corporation.
15 34. "FAPS" means First Alliance Portfolio Services, a
16 Nevada corporation.
17 35. "Final" means: the later of (i) the date of final
18 affirmance on an appeal of a judgment or order, the expiration of
19 the time for a petition for or a denial of a writ of certiorari
20 to review a judgment or order and, if certiorari is granted, the
21 date of final affirmance of a judgment or order following review
22 pursuant to that grant; or (ii) the date of final dismissal of
23 any appeal from a judgment or order or the final dismissal of any
24 proceeding on certiorari to review a judgment or order; or (iii)
25 if no appeal is filed, the expiration date of the time for the
26 filing or noticing of any appeal from a judgment or order.
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1 36. "Final Claim Order" means any order related to a Claim,
2 the operation or effect of which has not been stayed, which has
3 become Final.

4 37. "Final Confirmation Order" means a Confirmation Order
5 which has either become Final, or no part of the Confirmation
6 Order has been stayed pending appeal.

7 38. "Final Post-Confirmation Order" means an order or
8 judgment of the Court other than a Confirmation Order, the
9 operation or effect of which has not been stayed, which has
10 become Final. Nothing in this definition shall control, delay or
11 affect distributions to be made from or to the Redress Fund.

12 39. "FTC" means the Federal Trade Commission.

13 40. "Insurance Policy" or "Insurance Policies" means any
14 insurance policy held by the Debtors including, but not limited
15 to, (a) the Lloyd's Policy (as defined in the Settlement
16 Agreement), (b) the \$1 million Chubb CGL Policy, and (c) any and
17 all policies at issue in the Reliance Company Litigation (as
18 defined in the Settlement Agreement).

19 41. "Interest" means (a) the common or preferred stock or
20 any ownership rights in the common or preferred stock of any of
21 the Debtors, and (b) any right, warrant or option, however
22 arising, to acquire the common stock or any other equity
23 interest, or any rights therein, of any of the Debtors.

24 42. "Interest Holder" means the holder of an Interest.

25 43. "Insider" as defined in section 101(31) of the Code,
26 means (a) a director of a Debtor; (b) an officer of a Debtor; (c)
27 a person in control of a Debtor; (d) a partnership in which a
28 Debtor is a general partner; (e) a general partner of a Debtor;

1 (f) a relative of a general partner in, general partner of, or
2 person in control of a Debtor; (g) an affiliate (as defined in
3 section 101(2) of the Code) of a Debtor, or an Insider of an
4 affiliate as if such affiliate were a Debtor; and (h) a managing
5 agent of a Debtor.

6 44. "Jamboree Property" means the parcel of improved real
7 property located at 17200 Jamboree Road, Irvine, California.

8 45. "Lehman" means Lehman Commercial Paper, Inc., Lehman
9 Brothers, Inc., and their affiliates and subsidiaries, to the
10 extent applicable.

11 46. "Lehman Security Interest" means Lehman's asserted
12 security interest in the Lehman-Financed Loan Portfolio.

13 47. "Lehman-Financed Loan Portfolio" means those mortgage
14 loans pledged by FAMCO that are: (a) owned by FAMCO on the
15 Effective Date, and (b) collateral for Lehman's Allowed Secured
16 Claim.

17 48. "Liquidating Trust" means that trust established in
18 accordance with section V.E. hereof and the terms of the
19 Settlement Agreement, for the purpose of administering,
20 liquidating, and distributing certain assets of the Debtors and
21 others after the Effective Date.

22 49. "Liquidating Trust Agreement" means that certain
23 "First Alliance Liquidating Trust Agreement," a true and correct
24 copy of which is annexed hereto as Exhibit "1."

25 50. "Liquidating Trust Trustee" shall mean the Trustee of
26 the Liquidating Trust consisting of one (1) Entity to be approved
27 by the Court on or before the Effective Date.

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1 51. "Ohio Life" means The Ohio National Life Insurance
2 Company.

3 52. "Ohio Life Security Interest" means Ohio Life's
4 security interest in the Jamboree Property.

5 53. "Opt-Out Claim" means any Claim asserted by one or
6 more Plaintiffs each of whom has validly and timely opted out of
7 the Settlement Class.

8 54. "Petition Date" means March 23, 2000.

9 55. "Plaintiffs" means the Settlement Class Members, the
10 Official Joint Borrowers' Committee, the FTC, the State Attorneys
11 General (as defined in the Settlement Agreement), AARP, Barbara
12 Austin, Michael Austin, Velda Durney, Ida M. Forrest, Henry M.
13 Hong, Carol J. Hong, Mary Ryan, Lucretia Wilder, George
14 Jerolemon, Fred L. Passmore, Julia G. Passmore, Geneva A.
15 Spires, Frank G. Aiello, Nicolena Aiello, Paul Carabetta, Lenore
16 Carabetta, Vito Cicci, Stella Cicci, Veronica Maines, Thaddeus
17 Zychlinski, Marissa Zychlinski, Jacqueline Bowser and Irene
18 Huston.

19 56. "Plan" means this Debtors' First Amended Joint and
20 Consolidated Plan of Liquidation Dated May 6, 2002 (including all
21 exhibits and attachments, each of which is hereby incorporated
22 and made part of the Plan), as modified or amended from time to
23 time in accordance with section 1127 of the Code.

24 57. "Post-Confirmation Committee" means the committee of
25 Creditors formed as of the Effective Date to represent the
26 interests of Creditors with Allowed Claims throughout the
27 administration of the Liquidating Trust with the rights and
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1 duties set forth in section V.H. of the Plan and composed of
2 those Entities as set forth in section V.I. of the Plan.

3 58. "Priority Claim" means a Claim other than an
4 Administrative Claim or a Tax Claim which, if allowed, would be
5 entitled to priority under section 507(a) of the Code.

6 59. "Pro Rata" means proportionately, so that with respect
7 to a particular Allowed Claim, the ratio of (a) (i) the amount of
8 property distributed on account of such Claim to (ii) the amount
9 of such Claim, is the same as the ratio of (b) (i) the amount of
10 property distributed on account of all Allowed Claims of the
11 Class in which such Claim is included to (ii) the amount of all
12 Allowed Claims in that Class.

13 60. "Professionals" means those Entities (a) employed in
14 the Cases under sections 327 or 1103 of the Code, and (b)
15 entitled, under sections 330, 503(b), 506(b), 507(a)(1) of the
16 Code, to seek compensation for legal, accounting or other
17 professional services and the costs and expenses related to such
18 services from the Debtors or the Estates.

19 61. "Recovery Rights" means any and all manner of non-
20 Insurance Policy related causes of action, claims, obligations,
21 suits, debts, judgments and demands whatsoever, whether in law or
22 in equity, including, but not limited to, actions to subordinate
23 Claims under section 510 of the Code and avoidance power actions
24 set forth in sections 544 through 550, inclusive, of the Code.

25 62. "Redress Fund" means the fund to be established and
26 administered by the FTC for the benefit of the Settlement Class
27 Members and other Plaintiffs, as more fully described in the
28 Settlement Agreement.

1 63. "Residual Interest Certificates" means certificated
2 interests owned by FAPS in the following entities: First Alliance
3 Mortgage Loan Trust 1993-1, First Alliance Mortgage Loan Trust
4 1993-2, First Alliance Mortgage Loan Trust 1994-1, First Alliance
5 Mortgage Loan Trust 1994-2, First Alliance Mortgage Loan Trust
6 1994-3, First Alliance Mortgage Loan Trust 1994-4, First Alliance
7 Mortgage Loan Trust 1995-2, First Alliance Mortgage Loan Trust
8 1996-1, First Alliance Mortgage Loan Trust 1996-2, First Alliance
9 Mortgage Loan Trust 1996-3, First Alliance Mortgage Loan Trust
10 1996-4, First Alliance Mortgage Loan Trust 1997-1, First Alliance
11 Mortgage Loan Trust 1997-2, First Alliance Mortgage Loan Trust
12 1997-3, First Alliance Mortgage Loan Trust 1997-4.

13 64. "Residual Proceeds" means all proceeds received by the
14 Estates from the Residual Interest Certificates for the period
15 between January 1, 2002 and the Effective Date, and the interest
16 earned thereon.

17 65. "Representative Plaintiffs" means Frank G. Aiello,
18 Nicolena Aiello, Barbara Austin, Michael Austin, Paul Carabetta,
19 Lenore Carabetta, Vito Cicci, Stella Cicci, George Jerolemon,
20 Veronica Maines, Thaddeus Zychlinski, Marissa Zychlinski,
21 Jacqueline Bowser and Irene Huston, as individuals and on behalf
22 of Class Members.

23 66. "Secured Claim" means a Claim secured by a lien on any
24 property of any of the Estates, but only to the extent of the
25 value of the interest of the holder of such Allowed Claim in the
26 interest of the Estate in such property, the calculation of which
27 shall not include any demand for default interest, penalty
28 interest or other similar demands.

1 67. "Settlement Agreement" means that certain "Stipulation
2 of Settlement," a true and correct copy of which is annexed
3 hereto as Exhibit "2" and incorporated herein by reference.

4 68. "Settlement Claim" or "Settlement Claims" means any
5 Claim asserted by a Plaintiff (including a Settlement Class
6 Member), except for any and all Opt-Out Claims.

7 69. "Settlement Class" means the class certified by the
8 Court consisting of all Persons (as defined in the Settlement
9 Agreement) who entered into mortgage loan agreements with the
10 Debtors during the period January 1, 1992 through March 23, 2000.

11 70. "Settlement Class Member" means a Person (as defined
12 in the Settlement Agreement) who falls within the definition of
13 the Settlement Class and who has not validly and timely requested
14 exclusion from the Class, as specified in section 1.9 of the
15 Settlement Agreement.

16 71. "Settlement Effective Date" means the effective date
17 of the Settlement Agreement as specified in section 1.14 of the
18 Settlement Agreement.

19 72. "Subordinated Claim" means any Claim, or a portion of
20 a Claim, that is subject to subordination under section 510 of
21 the Code.

22 73. "Tax Claim" means a Claim entitled to priority under
23 section 507(a) (8) of the Code.

24 74. "Trust Shares" means the shares of stock in the
25 Debtors that are issued to the Liquidating Trust as provided for
26 in Article V.K. herein.

27 75. "Unclaimed Property" means any funds or other Property
28 to be distributed to Creditors pursuant to the Plan and the

1 Liquidating Trust Agreement, that has not been received by the
2 rightful Creditor, together with any interest earned thereon.
3 Such Unclaimed Property that shall remain unclaimed at the end of
4 one (1) year following the date of an attempted distribution
5 shall be reallocated and paid pursuant to the Liquidating Trust
6 Agreement. After the expiration of one (1) year following the
7 date of an attempted distribution, each Claim with respect to
8 Unclaimed Property shall be treated as if it had been disallowed
9 in its entirety.

10 B. Interpretation, Rules of Construction, and
11 Computation of Time

12 1. Any term used in the Plan that is not defined herein,
13 whether in this Article I or elsewhere, or other Exhibits hereto,
14 but that is used in the Code or the Bankruptcy Rules has the
15 meaning ascribed to that term in (and shall be construed in
16 accordance with the rules of construction under) the Code or the
17 Bankruptcy Rules.

18 2. Any capitalized term used in the Plan that is not
19 defined herein, or other Exhibits hereto, but that is defined and
20 used in the Disclosure Statement has the meaning ascribed to that
21 term in the Disclosure Statement.

22 3. The words "herein," "hereof," "hereto," "hereunder" and
23 others of similar import refer to the Plan as a whole and not to
24 any particular article, section, subsection or clause contained
25 in the Plan.

26 4. Unless specified otherwise in a particular reference, a
27 reference to an article or a section is a reference to that
28 article or section of the Plan.

1 5. Any reference in the Plan to a document being in a
2 particular form or on particular terms and conditions means that
3 the document shall be substantially in such form or substantially
4 on such terms and conditions.

5 6. Any reference in the Plan to an existing document means
6 such document, as it may have been amended, modified or
7 supplemented from time to time as of the Effective Date.

8 7. Whenever from the context it is appropriate, each term
9 stated in either the singular or the plural shall include both
10 the singular and the plural.

11 8. The rules of construction set forth in section 102 of
12 the Code shall apply to the Plan.

13 9. In computing any period of time prescribed or allowed
14 by the Plan, the provisions of Bankruptcy Rule 9006(a) shall
15 apply.

16 10. All Exhibits to the Plan are incorporated into the
17 Plan, and shall be deemed to be part of the Plan.

18 11. The Confirmation Order shall provide that the
19 Settlement Agreement is incorporated into and is expressly part
20 of the Plan. To the extent that there is an inconsistency
21 between the Settlement Agreement and the Plan, the Liquidating
22 Trust Agreement or the Disclosure Statement, the provisions of
23 the Settlement Agreement shall control. The provisions of the
24 Plan shall control over the contents of the Disclosure Statement,
25 and the Liquidating Trust Agreement. The provisions of the Final
26 Confirmation Order shall control over the contents of the Plan.

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1 12. Whenever a distribution of property is required to be
2 made on a particular date, the distribution shall be made on such
3 date, or as soon as practicable thereafter.

4 ARTICLE II

5 PAYMENT OF ADMINISTRATIVE EXPENSES

6 AND TREATMENT OF CERTAIN UNCLASSIFIED CLAIMS

7 A. Administrative Claims. Subject to the bar date
8 provisions of paragraph B of this Article II, on the later of the
9 Effective Date, or as soon thereafter as practical, or the date
10 on which the Administrative Claim is allowed, the Liquidating
11 Trust Trustee will pay to each Creditor holding an Allowed
12 Administrative Claim, unless that Creditor agrees to different
13 treatment, Cash equal to the unpaid portion of such Allowed
14 Administrative Claim. Administrative Claims of any Debtor
15 against any other Debtor shall not be paid and shall be
16 eliminated for all purposes.

17 B. Bar Date For Administrative Claims.

18 All applications for interim compensation of Professionals
19 for services rendered and for reimbursement of expenses incurred
20 on or before the Confirmation Date, and all other requests for
21 payment of an Administrative Claim incurred before the
22 Confirmation Date under sections 507(a)(1) or 503(b) of the Code
23 (except only for Claims under 28 U.S.C. § 1930) shall be filed no
24 later than sixty (60) days after the Confirmation Date. All
25 applications for interim compensation of Professionals for
26 services rendered and for reimbursement of expenses incurred on
27 or before the Confirmation Date, and all other requests for
28 payment of an Administrative Claim incurred before the

1 Confirmation Date under sections 507(a)(1) or 503(b) of the Code,
2 shall include a request for payment of any amounts withheld under
3 the interim payment procedures approved by the Bankruptcy Court.

4 Interim compensation of Professionals for services rendered
5 after the Confirmation Date and prior to the Effective Date shall
6 be sought and paid in accordance with the interim fee procedures
7 established by an order of the Bankruptcy Court.

8 All applications for final compensation of Professionals for
9 services rendered and for reimbursement of expenses incurred on
10 or before the Effective Date, and any other request for
11 compensation by any Entity for making a substantial contribution
12 in the Cases, and all other requests for payment of an
13 Administrative Claim incurred before the Effective Date under
14 sections 507(a)(1) or 503(b) of the Code (except only for Claims
15 under 28 U.S.C. § 1930) shall be filed no later than sixty (60)
16 days after the Effective Date.

17 Any Administrative Claim required to be filed within the
18 foregoing deadlines that is not filed within such deadlines shall
19 be forever barred and the Debtors shall be discharged of any
20 obligation on such Claim; and any Creditor who is required to
21 file a request for payment of such Claim and who does not file
22 such request by the applicable bar date shall be forever barred
23 from asserting such Claim against the Estates or the Liquidating
24 Trust, or any of their respective properties.

25 C. Professionals. The Allowed Administrative Claims of
26 Professionals shall be paid in accordance with section
27 1129(a)(9)(A) of the Code by the Liquidating Trust Trustee.

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1 D. Priority Unsecured Tax Claims. On the Effective Date,
2 the Liquidating Trust Trustee will pay each holder of an Allowed
3 Tax Claim in Cash, in full. Holders of Allowed Tax Claims shall
4 not be entitled to receive any payment on account of post-
5 Petition Date interest on, or penalties with respect to or
6 arising in connection with, such Tax Claims, except as allowed by
7 the Court, and all Claims or demands by holders of Tax Claims for
8 post-Petition Date interest or penalties thereon, except as may
9 be allowed by the Court, shall be disallowed by the Plan and the
10 Final Confirmation Order, and the holders of Tax Claims shall not
11 assess or attempt to collect interest or penalties from the
12 Estates, the Liquidating Trust or any of their respective
13 properties.

14 ARTICLE III

15 CLASSIFICATION OF CLAIMS AND INTERESTS

16 A. Manner of Classification of Claims and Interests.
17 Except for Claims of a kind specified in sections 507(a)(1) or
18 507(a)(8) of the Code, all Claims shall be classified in the
19 manner hereinafter set forth. For purposes of determining Pro
20 Rata distributions under the Plan, Disputed Claims shall be
21 classified in the Class in which such Claims would be included if
22 Allowed.

23 B. Substantive Consolidation and Single Recovery. The
24 Plan is a joint and substantively consolidated plan intended to
25 deal with all property of each Debtor and its respective Estate
26 as if such property was owned jointly and coextensively by all
27 other Debtors. Thus, by virtue of the consolidation of the
28 Debtors' Estates, all inter-company debt owed by one Debtor to

1 another Debtor shall be extinguished, and no distributions will
2 be made thereon. Pursuant to the Plan, each Creditor of a Debtor
3 is deemed to hold a Claim of equal validity, priority and
4 enforceability against each other Debtor. A Creditor with an
5 Allowed Claim shall be entitled only to a single recovery as
6 against the Debtors' Estates.

7 C. Classification. Allowed Claims and Interests are
8 divided into the following Classes:

- 9 1. Class 1 Claim (Secured Claim of Lehman). Class 1
10 consists of the Allowed Secured Claim of Lehman, if any.
- 11 2. Class 2 Claim (Secured Claim of Ohio Life). Class
12 2 consists of the Allowed Secured Claim of Ohio Life.
- 13 3. Class 3 Claims (Priority Claims). Class 3
14 consists of all Allowed Priority Claims.
- 15 4. Class 4 Claims (Unsecured Borrower Claims). Class
16 4 consists of all Allowed Settlement Claims and all Allowed Opt-
17 Out Claims.
- 18 5. Class 5 Claims (Other Unsecured Claims). Class 5
19 consists of all Allowed Claims (including Claims arising from the
20 rejection of executory contracts) other than (a) Administrative
21 Claims, (b) Tax Claims, and (c) Claims included within any other
22 Class designated in the Plan.
- 23 6. Class 6 Claims (Subordinated Claims). Class 6
24 consists of all Allowed Subordinated Claims. All Claims
25 identified in the schedule attached as Exhibit "3" to the Plan
26 shall be deemed to be Subordinated Claims.
- 27 7. Class 7 Interests. Class 7 consists of the
28 Interests in FACO.

1 shall, at the sole election of Debtors (if made prior to the
2 Effective Date) and thereafter by the Liquidating Trust Trustee,
3 receive one of the following treatments: (i) the Allowed Secured
4 Claim shall be cured and reinstated pursuant to section 1124(2)
5 of the Code, and the Liquidating Trust Trustee shall fund all
6 amounts, and take all action otherwise necessary to reinstate
7 such Allowed Secured Claim, on or prior to the tenth (10th)
8 Business Day following the Effective Date; or (ii) the legal,
9 equitable and contractual rights to which the holder of such
10 Allowed Secured Claim is entitled shall remain unaltered.

11 Any unsecured portion of Ohio Life's Claim shall be included
12 in Class 5.

13 C. Class 3 Priority Claims

14 Class 3 is impaired. Except to the extent that the holder
15 of such Claim agrees to a different treatment, the Liquidating
16 Trust Trustee shall pay in Cash on the Effective Date to each
17 holder of an Allowed Claim in Class 3, the principal amount of
18 such Allowed Class 3 Claim, without interest.

19 D. Class 4 Unsecured Borrower Claims

20 Class 4 is impaired. Debtors and the Liquidating Trust will
21 make payments to the holders of Allowed Opt-Out Claims and the
22 Redress Fund on account of Allowed Claims in Class 4 as specified
23 below.

24 1. Treatment of Allowed Settlement Claims

25 The holders of Allowed Settlement Claims in Class 4 shall
26 receive payments from the Redress Fund as funded in accordance
27 with the Settlement Agreement, the Plan, and the Liquidating
28 Trust Agreement. For purposes of distribution of assets under

1 the Plan, and subject to the rights set forth in section V.E.7(j)
2 hereof, the total value of Allowed Settlement Claims shall be
3 deemed to be \$217 million.

4 The FTC shall establish the Redress Fund to be administered
5 for the benefit of the holders of the Class 4 Settlement Claims,
6 including Settlement Class Members and other Plaintiffs. The
7 Redress Fund, for the benefit of all Class 4 Settlement Claims,
8 shall receive the entire Pro Rata share of the assets of the
9 Debtors' Estates available for the payment of all Class 4
10 Settlement Claims, calculated in the manner set forth herein and
11 funded in accordance with the Settlement Agreement and the
12 Liquidating Trust Agreement.

13 Holders of Allowed Settlement Claims in Class 4 shall
14 receive payments only from the Redress Fund and shall have no
15 further Claims against the Debtors. Prior to the Confirmation
16 Date, the FTC, with the input of the Coordinated Plaintiffs (as
17 defined in the Settlement Agreement), shall submit to the Court
18 for review and approval a plan for the disbursement of the
19 Redress Fund to the Settlement Class Members and other
20 Plaintiffs.

21 Settlement Class Members with Allowed Claims shall be
22 entitled to vote on the Plan. As the authorized agents for
23 Settlement Class Members, the Representative Plaintiffs shall be
24 entitled to cast ballots on behalf of all Settlement Class
25 Members that do not vote on the Plan. In addition, the
26 Representative Plaintiffs may vote their separate individual and
27 representative Claims.

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1 2. Treatment of Allowed Opt-Out Claims

2 The holders of Allowed Opt-Out Claims in Class 4 shall
3 receive payments to be made by the Liquidating Trust Trustee from
4 the Liquidating Trust in accordance with and as provided by the
5 Liquidating Trust Agreement, and section V.E.7 of the Plan. The
6 holders of Allowed Opt-Out Claims in Class 4 shall receive their
7 Pro Rata share of the assets of the Debtors' Estates available
8 for the payment of all Allowed Claims in Class 4.

9 All Opt-Out Claims are subject to post-Effective Date claims
10 objections as discussed in Article V of the Plan.

11 E. Class 5 Unsecured Claims

12 Class 5 is impaired. The holders of Allowed Claims in Class
13 5 will receive payments as specified below.

14 Each holder of an Allowed Claim in Class 5 shall receive an
15 amount equal to 50% of such holder's Allowed Claim in Class 5.
16 The holders of Allowed Claims in Class 5 shall also receive 20%
17 of any recovery (whether by way of judgment, settlement,
18 reduction or subordination of claim, or any other methodology)
19 from the Reliance Company Litigation (as defined in the
20 Settlement Agreement) and from Lehman, including from the
21 Official Borrowers' Committees' action against Lehman currently
22 pending in the Court (Case No. SA CV 01-971 DOC); provided,
23 however, such recovery emanates from actions involving the
24 Debtors, any successor, the Post-Confirmation Committee, the
25 Liquidating Trust and/or the Redress Fund. The maximum amount
26 that each holder of an Allowed Claim in Class 5 shall be entitled
27 to receive after accounting for any recovery from Lehman and the
28 Reliance Company Litigation (as defined in the Settlement

1 Agreement) shall be 75% of the amount of such holder's Allowed
2 Claim in Class 5. Notwithstanding the foregoing, if any holder
3 of an Allowed Claim in Class 4 receives more than 75% of the
4 amount of his or her Allowed Claim in Class 4, then each holder
5 of an Allowed Claim in Class 5 shall receive such holder's Pro
6 Rata share of the aggregate sum of all monies to be distributed
7 to all holders of Allowed Claims in Classes 4 and 5 by the
8 Liquidating Trust and the Redress Fund, without duplication, so
9 that in such event, holders of Allowed Claims in Classes 4 and 5
10 shall receive the same percentage payment on their Allowed
11 Claims.

12 F. Class 6 Subordinated Claims

13 Class 6 is impaired. Holders of Claims in Class 6 will
14 retain their Claims and rights of action against the Debtors but
15 will not receive any distribution under the Plan. Any judgment
16 obtained by the holders of Claims in Class 6 against the Debtors
17 may be executed and enforced in accordance with applicable non-
18 bankruptcy law only against insurers that issued and/or insurance
19 proceeds under any Insurance Policy issued to the Debtors
20 intended to cover the liability asserted by the holders of such
21 Claims, and may not be enforced against any other assets of the
22 Debtors, the Liquidating Trust, or the Redress Fund.

23 G. Class 7 Interests

24 Class 7 is impaired. Except as to the Trust Shares, the
25 Class 7 Interests in FACO shall be deemed canceled as of the
26 second (2nd) Business Day following the Effective Date. Holders
27 of Class 7 Interests will not receive any distribution under the
28 Plan. Brian and Sarah Chisick agree not to transfer, or cause to

1 be transferred, any Chisick Shares (as defined in the Settlement
2 Agreement).

3 H. Class 8 Interests

4 Class 8 is impaired. Except as to the Trust Shares, the
5 Class 8 Interests in FAMCO shall be deemed canceled as of the
6 second (2nd) Business Day following the Effective Date without
7 the payment of any monies or other consideration. Holders of
8 Class 8 Interests will not receive any distribution under the
9 Plan.

10 I. Class 9 Interests

11 Class 9 is impaired. Except as to the Trust Shares, the
12 Class 9 Interests in FAMCO-MN shall be deemed canceled as of the
13 Effective Date without the payment of any monies or other
14 consideration. Holders of Class 9 Interests will not receive any
15 distribution under the Plan.

16 J. Class 10 Interests

17 Class 10 is impaired. Except as to the Trust Shares, the
18 Class 10 Interests in FAPS shall be deemed canceled as of the
19 second (2nd) Business Day following the Effective Date without
20 the payment of any monies or other consideration. Holders of
21 Class 10 Interests will not receive any distribution under the
22 Plan.

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ARTICLE V

IMPLEMENTATION OF THE PLAN AND

EXECUTION OF ITS TERMS

A. Implementation of Plan

The Debtors propose to implement and consummate the Plan through the means contemplated by sections 1123(a)(5)(B), and (D), 1123(b)(3)(A) and (B), and 1123(b)(4) of the Code.

B. Capital Contribution and Sale of Residual Interest Certificates

In accordance with section 2.1 of the Settlement Agreement, on the Effective Date, Brian and Sarah Chisick collectively shall make a capital contribution to FACO of \$20 million (adjusted in the manner set forth in section 2.1 of the Settlement Agreement), which shall become property of the Debtors' estates to be distributed in accordance with the provisions of the Plan, the Settlement Agreement and sections V.B. and V.E. below.

In accordance with section 2.2 of the Settlement Agreement, on the Effective Date, Chisick shall purchase the Residual Interest Certificates, including the Residual Proceeds, by paying in Cash to FAPS the amount of: (i) \$25.1 million; plus (ii) interest in an amount equal to the total amount that would be received on a \$25.1 million deposit for a period from January 1, 2002 to the Effective Date, based on an annual (365-day) rate of simple interest of three percent (3%). The Cash proceeds from the sale of the Residual Interest Certificates shall become property of the Debtors' Estates to be distributed in accordance with the provisions of the Plan, the Settlement Agreement, and section V.E below. Chisick shall be deemed to be a "good faith"

1 purchaser of the Residual Interest Certificates pursuant to
2 section 363(m) of the Code.

3 C. Distribution of the Debtors' Assets; Liquidation of
4 Assets

5 On the Effective Date, the Debtors shall transfer all of the
6 assets of the Debtors' Estates, except for the Insurance
7 Policies, to the Liquidating Trust and the Redress Fund as
8 specified below. On the Effective Date, the Liquidating Trust
9 shall be funded with certain assets of the Debtors' Estates in
10 accordance with the Settlement Agreement and Section V.E.1.
11 below. On the Effective Date, the Debtors shall transfer to the
12 Redress Fund all Cash of the Debtors' Estates remaining after the
13 transfers to the Liquidating Trust.

14 The Debtors shall retain the Insurance Policies, subject to
15 the right of the Liquidating Trust Trustee to manage, liquidate
16 and control the prosecution of any matters related to the
17 Debtors' interest in the Insurance Policies and to receive any
18 proceeds of the Insurance Policies to which the Debtors are
19 entitled, other than the proceeds from the Lloyd's Policy (as
20 defined in the Settlement Agreement). To the extent of the
21 Debtors' interests in the Insurance Policies, the Debtors through
22 the Effective Date, and the Liquidating Trust Trustee thereafter,
23 shall be responsible for managing, liquidating and prosecuting
24 any matters related to the Insurance Policies.

25 The Debtors through the Effective Date, and the Liquidating
26 Trust Trustee thereafter, shall liquidate in a commercially
27 reasonable manner all other property of the Debtors by sale or
28 other disposition and distribute the proceeds thereof in

1 accordance with the Plan, the Liquidating Trust Agreement, and/or
2 the Settlement Agreement, as appropriate.

3 D. Winding Up and Dissolution of the Debtors

4 Following the Effective Date, the Debtors shall not be
5 authorized to conduct any business other than to: (a) receive a
6 capital contribution from Brian and Sarah Chisick required to be
7 paid on the Effective Date under section 2.1 of the Settlement
8 Agreement; (b) comply with their obligations under the Settlement
9 Agreement and the Plan; (c) retain the Insurance Policies and
10 pursue proceeds under the Insurance Policies; and (d) take such
11 actions as are necessary to dissolve and wind up. Prior to the
12 dissolution of the Debtors, the Debtors shall transfer all cash
13 and other assets, including any proceeds from the Insurance
14 Policies, to the Liquidating Trust or the Redress Fund in
15 accordance with the Plan and the Settlement Agreement.

16 E. The Liquidating Trust

17 1. Transfer of Property. On the Effective Date, the
18 Liquidating Trust shall be funded with certain assets of the
19 Debtors' Estates and others as set forth in and in accordance
20 with the Settlement Agreement and the Plan. All of the
21 unliquidated assets of the Debtors' Estates, except for the
22 Insurance Policies, shall be transferred to the Liquidating Trust
23 on the Effective Date including, but not limited to, notes, other
24 negotiable instruments, Recovery Rights, and all other choses in
25 action, claims, and legal entitlements. The amount of Cash
26 transferred to the Liquidating Trust shall include (a) an amount
27 sufficient to pay all Allowed Claims to the extent payable on the
28 Effective Date under the Plan, (b) the amount provided for under

1 sections 1.28(3), 1.28(4), and 1.28(5) of the Settlement
2 Agreement, and (c) to the extent not already provided for herein,
3 an amount sufficient to pay all Claims of Creditors not paid on
4 the Effective Date to the extent payable under the Plan if such
5 Claims were allowed in full.

6 For purposes of calculating the amount of Cash to be
7 transferred to the Liquidating Trust, the calculation of the
8 reserve required by section 1.28(3)(f) of the Settlement
9 Agreement shall take into account (a) all amounts required to be
10 paid into the Redress Fund on the Effective Date, including,
11 without limitation, all amounts required to be paid to the
12 Redress Fund by the Debtors and others pursuant to section 2.7 of
13 the Settlement Agreement, and (b) estimates of all amounts
14 anticipated to be paid directly into the Redress Fund after the
15 Effective Date, including, without limitation, a portion of any
16 amounts recovered by the Debtors from the Insurance Policies. On
17 the Effective Date, all remaining Cash of the Debtors' Estates
18 shall be transferred to the Redress Fund in accordance with and
19 as specified in the Settlement Agreement.

20 2. Management and Powers of Liquidating Trust. After
21 the Effective Date, the affairs of the Liquidating Trust and all
22 assets held or controlled by the Liquidating Trust shall be
23 managed under the direction of the Liquidating Trust Trustee in
24 accordance with the Liquidating Trust Agreement. The Liquidating
25 Trust shall be deemed to be the representative of the Estates as
26 provided by section 1123 of the Code, to the extent of and in
27 accordance with the terms of the Liquidating Trust Agreement, and
28 shall have the rights, powers and standing of debtors-in-

1 possession under section 1107 of the Code, and such other rights,
2 powers and duties incident to performance of the Debtors'
3 obligations under the Plan or otherwise as may be reasonably
4 necessary. Subject to the terms of the Liquidating Trust
5 Agreement, the powers of the Liquidating Trust Trustee shall
6 include, but not be limited to: (a) the ability and authority to
7 object to Claims, and the ability to prosecute or settle such
8 objections and defend claims and counterclaims asserted in
9 connection therewith (including by way of asserting the Debtors'
10 rights of recoupment, setoff or otherwise); (b) the initiation
11 and prosecution in every capacity, including as representative of
12 the Estates under section 1123(b)(3)(B) of the Code, of the
13 Recovery Rights, except for the Recovery Rights released pursuant
14 to the Settlement Agreement; (c) the compromise and settlement of
15 any such Recovery Rights; (d) the sale, lease, license,
16 abandonment or other disposition of any or all of the property of
17 the Liquidating Trust; (e) the filing and prosecution of any
18 requests for state and/or federal tax refunds; (f) effecting
19 distributions under the Plan to the holders of Allowed Claims in
20 accordance with the Plan, the Final Confirmation Order, any other
21 Final Claim Order or Final Post-Confirmation Order, the
22 Liquidating Trust Agreement, and/or the Settlement Agreement, as
23 appropriate; (g) participation in any post-Confirmation motions
24 to amend or modify the Plan or the Liquidating Trust Agreement,
25 or appeals from the Confirmation Order; (h) participation in
26 actions to enforce or interpret the Plan, (i) manage, liquidate
27 and prosecute any matters related to the Debtors' interest in the

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1 Insurance Policies including the rights, if any, to pursue
2 guaranty fund coverage; and (j) maintain the Contingency Fund.

3 Subject to sections 5.3.3(a) and 5.3.4(a) and (b) of the
4 Liquidating Trust Agreement, if, after the Effective Date, the
5 holder of a Disputed Claim and the Liquidating Trust Trustee
6 agree to a settlement of such holder's Disputed Claim for an
7 amount not in excess of the face amount of such Disputed Claim,
8 such Claim shall be deemed to be an Allowed Claim as of the
9 Effective Date in an amount equal to the agreed settlement amount
10 without need for further review or approval by the Court.

11 3. [Intentionally Omitted]

12 4. Employment of Professionals and Payment of
13 Trustee's Fees and Costs. The Liquidating Trust is authorized,
14 subject to further order of the Court, to employ such Entities,
15 including professional persons within the meaning of sections 327
16 of the Code, as it may deem necessary to enable it to perform its
17 duties under the Plan and the Liquidating Trust Agreement, and
18 the costs of such employment and other expenditures shall be paid
19 from the Liquidating Trust, except as otherwise specified in the
20 Liquidating Trust Agreement and subject to further order of the
21 Court and the procedures set forth in the Liquidating Trust
22 Agreement. Such Entities shall be disinterested under the Code
23 and professional persons must satisfy the requirements of Section
24 327 of the Code, except as provided in the next paragraph in this
25 section V.E.4. Such Entities shall be compensated and reimbursed
26 for their reasonable and necessary fees and out-of-pocket
27 expenses on a monthly basis from the Liquidating Trust pursuant
28 to the procedures set forth in the Liquidating Trust Agreement.

1 The Liquidating Trust Trustee initially shall employ
2 Pachulski, Stang, Ziehl, Young & Jones and Klee, Tuchin,
3 Bogdanoff & Stern LLP as litigation counsel for the purpose of
4 prosecuting certain actions and litigating certain Disputed
5 Claims as specified in sections V.E.5 and V.E.6 below and Irell &
6 Manella LLP as litigation counsel for the following matters,
7 subject to the right of the Committees to participate in such
8 actions as their interests may appear: (1) all insurance
9 declaratory relief actions; (2) claim objections for all Claims
10 except for Claims filed by secured creditors, Insiders,
11 shareholders, and professionals; (3) all Recovery Rights for
12 which Irell & Manella LLP is counsel of record, except for those
13 that were released pursuant to the Settlement Agreement; and (4)
14 such other matters as the Liquidating Trust Trustee deems to be
15 in the best interest of the Liquidating Trust. Thereafter, the
16 Liquidating Trust Trustee may retain the aforesaid law firms for
17 the actions specified herein without Court approval, or such
18 other professional persons, subject to approval by the Court and
19 the requirements of Section 327 of the Code, as the Liquidating
20 Trust Trustee deems to be in the best interests of the
21 Liquidating Trust.

22 In addition, the Liquidating Trust Trustee shall be entitled
23 to a reasonable hourly fee and reimbursement of all costs
24 incurred in performing its duties under the Liquidating Trust,
25 subject to the approval of the Court.

26 5. Prosecution of Recovery Rights.

27 Pursuant to the Final Confirmation Order, on the Effective
28 Date, the Debtors will irrevocably assign, transfer and convey to

1 the Liquidating Trust, the Recovery Rights, except for the
2 Recovery Rights released pursuant to the Settlement Agreement.
3 Subject to section V.E.4 above, the Liquidating Trust shall
4 employ Pachulski, Stang, Ziehl, Young & Jones and Klee, Tuchin,
5 Bogdanoff & Stern LLP as litigation counsel for the purpose of
6 resolving (1) any Recovery Rights against Insiders, except for
7 the Recovery Rights released pursuant to the Settlement
8 Agreement, (2) the Disputed Claims of Insiders, other than those
9 Disputed Claims that were released pursuant to the Settlement
10 Agreement, and (3) all claims and objections as may be asserted
11 against Lehman related entities or the Claims of Lehman. All
12 recoveries derived from any Recovery Rights shall be delivered to
13 the Liquidating Trust to be distributed in accordance with the
14 legal priorities established in the Plan and in accordance with
15 the Liquidating Trust Agreement and the Settlement Agreement.
16 Any and all fees, costs and expenses incurred in respect of the
17 investigation, initiation and prosecution of such claims shall be
18 payable and paid solely by the Liquidating Trust in accordance
19 with the Liquidating Trust Agreement.

20 6. [Intentionally Omitted]

21 7. Approved Distributions. The Liquidating Trust
22 Trustee shall make all distributions in accordance with the terms
23 of the Plan, the Settlement Agreement, the Liquidating Trust
24 Agreement, the Final Confirmation Order, and any other Final
25 Claim Orders or Final Post-Confirmation Orders of the Court. No
26 distributions shall be made on account of any Disputed Claims
27 unless and until such Claims become Allowed Claims, as provided
28 in the Plan, the Liquidating Trust Agreement, the Final

1 Confirmation Order, and any other Final Claim Orders of the
2 Court. Nothing in this section shall control, delay, or affect
3 distributions that will be made from and/or to the Redress Fund.

4 (a) *Reserve for Unpaid Claims.* For purposes of
5 calculating Pro Rata or any other distributions to be made under
6 the Plan to holders of Allowed Claims, the calculation of the
7 total Allowed Claims in any Class shall be computed as if all
8 Disputed Claims then pending were allowed in the full amount
9 thereof.

10 (b) *Initial Distribution Date.* Except for
11 payments required to be made on the Effective Date in accordance
12 with the Settlement Agreement and other sections of the Plan, and
13 subject to the discretion of the Liquidating Trust Trustee, on
14 the sixty-first (61st) day after the Effective Date, or as soon
15 as practicable thereafter, the Liquidating Trust Trustee shall
16 distribute any property required to be distributed under the Plan
17 (and in accordance with Liquidating Trust Agreement and the
18 Settlement Agreement) to the holders of Allowed Claims.

19 (c) *Allowance of Claims.* Distributions shall be
20 made with respect to any Disputed Claim which becomes an Allowed
21 Claim after the Effective Date on or as soon as practicable after
22 the date on which each Disputed Claim becomes an Allowed Claim.
23 The amount of any distribution shall be calculated, on a Pro Rata
24 basis, so that each Disputed Claim that becomes an Allowed Claim
25 receives an initial distribution equal to the total percentage
26 distributions made prior to the date of such allowance on other
27 Allowed Claims that are classified or treated similarly under the
28 Plan.

1 (d) *Subsequent Distribution Dates.* After the
2 Initial Distribution Date, unless otherwise directed in a Final
3 Post-Confirmation Order, the Liquidating Trust Trustee shall make
4 additional semi-annual distributions (to be made every sixth
5 month following the Effective Date) to the holders of Allowed
6 Claims and shall make periodic distributions to the Redress Fund
7 at the discretion of the Liquidating Trust Trustee (in each case,
8 as provided for in the Liquidating Trust Agreement), provided
9 that in the reasonable discretion and judgement of the
10 Liquidating Trust Trustee there shall be in the Liquidating Trust
11 cash in an amount sufficient to render feasible a distribution
12 after making reasonable reserves to pay the expenses (including,
13 but not limited to, federal income taxes and withholding taxes,
14 if any, and all expenses and fees incurred in the prosecution of
15 the Recovery Rights or in objecting to Claims), debts, charges,
16 liabilities, and obligations of the Liquidating Trust, and
17 provided that each distribution to a single Creditor must exceed
18 \$50.00. Any semi-annual distribution which is less than \$50.00
19 shall be withheld and carried-over to the next period only once;
20 thereafter, the distribution shall be made notwithstanding the
21 fact that it may be less than \$50.00.

22 (e) *Unclaimed Property.* Until the expiration of
23 one (1) year following the date on which the distribution of the
24 Unclaimed Property has been attempted, Unclaimed Property shall
25 be delivered upon presentation of proper proof by a holder of its
26 entitlement thereto, after which time any holder of an Allowed
27 Claim entitled to Unclaimed Property shall cease to be entitled
28 thereto. Thereafter, all right, title and interest therein shall

1 vest in the Liquidating Trust for redistribution in the order and
2 priority established in the Plan, the Settlement Agreement, and
3 the Liquidating Trust Agreement.

4 (f) *Surrender of Promissory Notes.*

5 Notwithstanding any other provision of the Plan, no holder of an
6 Allowed Claim shall receive any distribution under the Plan in
7 respect of such Allowed Claim until such holder has surrendered
8 to the Liquidating Trust, if applicable, any promissory note
9 evidencing such Allowed Claim, or until evidence of loss and
10 indemnity satisfactory to the Liquidating Trust Trustee, in its
11 sole and absolute discretion, shall have been delivered to the
12 Liquidating Trust in the case of any note alleged to be lost,
13 stolen or destroyed.

14 (g) *Final Distribution.* Following the final

15 liquidation of all of the assets, rights and interests comprising
16 the Liquidating Trust Estate, after the resolution of all
17 outstanding objections to Disputed Claims and all actions or
18 other proceedings relating to any Recovery Rights and any
19 Insurance Policies, after all funds that could be received by the
20 Liquidating Trust and/or the Redress Fund pursuant to the
21 Settlement Agreement have been received, and after the payment of
22 all expenses and other obligations of the Liquidating Trust in
23 accordance with the Liquidating Trust Agreement, the Liquidating
24 Trust Trustee shall cause the distribution of all remaining
25 available assets to the holders of Allowed Claims in accordance
26 with the Plan and the Settlement Agreement. Any property
27 remaining in the Liquidating Trust after payment of all expenses
28 of the Liquidating Trust (including, without limitation, all

1 taxes and professional fees) and all distributions required under
2 the Plan to the holders of Allowed Administrative Claims, Allowed
3 Tax Claims, Allowed Opt Out Claims, and Allowed Claims in Classes
4 1, 2, 3, and 5, shall be transferred to the Redress Fund. In
5 accordance with the Liquidating Trust Agreement, the Liquidating
6 Trust Trustee shall file a final report and account of all
7 receipts and disbursements with the Court.

8 (h) *Exemption From Certain Taxes.* Pursuant to
9 section 1146(c) of the Code, no transfer to or from the
10 Liquidating Trust or the Redress Fund under the Plan and related
11 documents, nor any subsequent transfer from the Liquidating Trust
12 or the Redress Fund to the beneficiaries of the Liquidating Trust
13 or the Redress Fund, shall be subject to any stamp tax or similar
14 tax.

15 (i) *Estimation of Disputed Claims for an*
16 *Unspecified Amount.* As to any Disputed Claim filed for an
17 unspecified amount, including, but not limited to, Claims based
18 upon rejection of executory contracts or leases, the Court, upon
19 motion by the Liquidating Trust, may estimate the amount of such
20 Disputed Claim and may determine an amount sufficient to reserve
21 for any such Disputed Claim. Any Entity whose Disputed Claim
22 filed for an unspecified amount is so estimated shall have
23 recourse only against the Liquidating Trust and against no other
24 assets (including, without limitation, the Redress Fund) or
25 person (including, without limitation, the Liquidating Trust
26 Trustee and the Redress Fund Administrator), and in any case only
27 in an amount not to exceed the estimated amount of such Entity's
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1 Disputed Claim, even if such Entity's Disputed Claim, as finally
2 allowed, exceeds the maximum estimated amount thereof.

3 (j) *Assets in Liquidating Trust in Excess of*
4 *Amount of Allowed Claims.* To the extent that assets available
5 for the payment of Allowed Settlement Claims have a value in
6 excess of \$217 million, the Plaintiffs may apply to the Court for
7 a determination of the value of their claims in excess of the
8 deemed \$217 million value agreed upon for Allowed Settlement
9 Claims herein. The judgment of the Court with regard to such
10 application shall be binding on all parties and that claim amount
11 shall be used by the Liquidating Trust Trustee to determine
12 appropriate distributions from the Liquidating Trust to Creditors
13 with Allowed Claims.

14 F. Tax Structure of the Liquidating Trust. The
15 Liquidating Trust shall be established to hold property of the
16 Debtors subject to conflicting claims of ownership and shall be
17 subject to the continuing jurisdiction of the Court. All
18 distributions from the Liquidating Trust to, or on behalf of,
19 holders of Allowed Claims shall be made pursuant to this Plan,
20 the Settlement Agreement, the Final Confirmation Order, the
21 Liquidating Trust Agreement and any other Final Claim Orders or
22 Final Post-Confirmation Orders of the Court. The Liquidating
23 Trust shall be deemed to be a "disputed ownership fund" within
24 the meaning of Prop. Treas. Reg. § 1.468B-9 and be taxed as a
25 corporation.

26 1. For the purpose of § 468B of the Internal Revenue
27 Code of 1986 as amended, and the proposed and final regulations
28 promulgated thereunder, the "administrator" of the Liquidating

1 Trust shall be the Liquidating Trust Trustee. The Liquidating
2 Trust Trustee shall timely and properly file all informational
3 and other tax returns necessary or advisable with respect to the
4 Liquidating Trust as required by Prop. Treas. Reg. § 1.468-9(c).
5 Such returns shall be consistent with this section and in all
6 events shall reflect that all Liquidating Trust Taxes (as defined
7 below) (including any estimated Liquidating Trust Taxes, interest
8 or penalties) on the income earned by the Liquidating Trust
9 shall be paid out of the Liquidating Trust as provided below.

10 2. On the Effective Date, each person, including each
11 of the Debtors, transferring property to the Liquidating Trust
12 shall provide a statement to the Liquidating Trust Trustee
13 setting forth the information described in Prop. Treas. Reg. §
14 1.468B-9(f)(3)(ii). Each such Debtor shall also attach a copy of
15 the statement provided to the Liquidating Trust Trustee to (and
16 as a part of) its timely filed income tax return for the taxable
17 year in which the transfers to the Liquidating Trust are made, as
18 required by Prop. Treas. Reg. § 1.468B-9(f)(3)(I).

19 3. All (i) taxes (including any estimated taxes,
20 interest or penalties) arising with respect to the income earned
21 by the Liquidating Trust (including without limitation any taxes
22 or tax detriments that may be imposed upon the Debtors or their
23 counsel with respect to any income earned by the Liquidating
24 Trust for any period during which the Liquidating Trust does not
25 qualify as a "disputed ownership fund" for federal or state
26 income tax purposes) ("Liquidating Trust Taxes") and (ii)
27 expenses and costs incurred in connection with the operation and
28 implementation of the Liquidating Trust, the Plan or the

1 Settlement Agreement (including, without limitation, expenses of
2 tax attorneys and/or accountants and mailing and distribution
3 costs and expenses relating to filing (or failing to file) the
4 returns described in this section) ("Liquidating Trust Tax
5 Expenses") shall be paid out of the Liquidating Trust; in all
6 events neither the Debtors nor their counsel shall have any
7 liability or responsibility for the Liquidating Trust Taxes or
8 the Liquidating Trust Tax Expenses. The Liquidating Trust
9 Trustee shall indemnify and hold each of the Debtors and their
10 counsel harmless for Liquidating Trust Taxes and Liquidating
11 Trust Tax Expenses (including, without limitation, Liquidating
12 Trust Taxes payable by reason of any such indemnification).
13 Further, Liquidating Trust Taxes and Liquidating Trust Tax
14 Expenses shall be treated as, and considered to be, a cost of
15 administration of the Liquidating Trust and shall be timely paid
16 by the Liquidating Trust Trustee out of the Liquidating Trust
17 without prior order from the Court and the Liquidating Trust
18 Trustee shall be obligated (notwithstanding anything herein to
19 the contrary) to withhold from distribution to Authorized
20 Claimants any funds necessary to pay such amounts including the
21 establishment of adequate reserves for any Liquidating Trust
22 Taxes and Liquidating Trust Tax Expenses; neither the Debtors nor
23 their counsel are responsible nor shall they have any liability
24 therefor. The Debtors and the holders of Allowed Claims agree to
25 cooperate with the Liquidating Trust Trustee, each other, and
26 their tax attorneys and accountants to the extent reasonably
27 necessary to carry out the provisions of this section.

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1 For the purpose of this section, references to the
2 Liquidating Trust shall include any earnings thereon.

3 G. Tax Structure of the Redress Fund. Pursuant to the
4 Settlement Agreement, the Redress Fund shall be deemed to be a
5 "qualified settlement fund" within the meaning of Treas. Reg. §
6 1.468B-1. The Redress Fund Administrator (as defined in the
7 Settlement Agreement) shall timely make such elections as
8 necessary or advisable to carry out the provisions of this
9 section, including the "relation-back election" (as defined in
10 Treas. Reg. § 1.468B-1) back to the earliest permitted date.
11 Such elections shall be made in compliance with the procedures
12 and requirements contained in the regulations pursuant to § 468B
13 of the Internal Revenue Code of 1986 as amended (the "IRC"). It
14 shall be the responsibility of the Redress Fund Administrator, or
15 its designated agent, to timely and properly prepare and deliver
16 the necessary documentation for signature by all necessary
17 parties, and thereafter to cause the appropriate filing to occur.

18 1. For the purpose of § 468B of the IRC, and the
19 regulations promulgated thereunder, the "administrator" shall be
20 the Redress Fund Administrator. The Redress Fund Administrator
21 shall timely and properly file all informational and other tax
22 returns necessary or advisable with respect to the Redress Fund
23 (including without limitation the returns described in Treas.
24 Reg. § 1.468B-2(k)). Such returns (as well as the election
25 described in this section) shall be consistent with this section
26 and in all events shall reflect that all Redress Fund Taxes (as
27 defined below) (including any estimated Redress Fund Taxes,
28 interest or penalties) on the income earned by the Cash portion

1 of the Redress Fund shall be paid out of the Redress Fund as
2 provided below.

3 2. All (i) taxes (including any estimated taxes,
4 interest or penalties) arising with respect to the income earned
5 by the Redress Fund (including any taxes or tax detriments that
6 may be imposed upon the Defendants (as defined in the Settlement
7 Agreement) or their counsel with respect to any income earned by
8 the Redress Fund for any period during which the Redress Fund
9 does not qualify as a "qualified settlement fund" for federal or
10 state income tax purposes) ("Redress Fund Taxes") and (ii)
11 expenses and costs incurred in connection with the operation and
12 implementation of the Redress Fund (including, without
13 limitation, expenses of tax attorneys and/or accountants and
14 mailing and distribution costs and expenses relating to filing
15 (or failing to file) the returns described in this section)
16 ("Redress Fund Tax Expenses") shall be paid out of the Redress
17 Fund; in all events neither the Defendants nor their counsel
18 shall have any liability or responsibility for the Redress Fund
19 Taxes or the Redress Fund Tax Expenses. The Redress Fund
20 Administrator shall indemnify and hold each of the Defendants and
21 their counsel harmless for Redress Fund Taxes and Redress Fund
22 Tax Expenses (including, without limitation, Redress Fund Taxes
23 payable by reason of any such indemnification). Further, Redress
24 Fund Taxes and Redress Fund Tax Expenses shall be treated as, and
25 considered to be, a cost of administration of the Redress Fund
26 and shall be timely paid by the Redress Fund Administrator out of
27 the Redress Fund without prior order from the Court and the
28 Redress Fund Administrator shall be obligated (notwithstanding

1 anything herein to the contrary) to withhold from distribution to
2 Authorized Claimants any funds necessary to pay such amounts
3 including the establishment of adequate reserves for any Redress
4 Fund Taxes and Redress Fund Tax Expenses (as well as any amounts
5 that may be required to be withheld under Treas. Reg. § 1.468B-
6 2(1)(2)); neither the Defendants nor their counsel are
7 responsible nor shall they have any liability therefor. The
8 Settling Parties (as defined in the Settlement Agreement) agree
9 to cooperate with the Redress Fund Administrator, each other, and
10 their tax attorneys and accountants to the extent reasonably
11 necessary to carry out the provisions of this section.

12 For the purpose of this section, references to the Redress
13 Fund shall include any earnings thereon.

14 H. Rights and Duties of Post-Confirmation Committee.

15 The Post-Confirmation Committee shall have the powers and
16 duties set forth in Section 1103 of the Code as applicable to the
17 administration of the Liquidating Trust, including but not
18 limited to:

- 19 1. Consulting with the Liquidating Trust Trustee
20 concerning the administration of the Liquidating Trust;
- 21 2. Reviewing the Liquidating Trust Trustee's written
22 reports setting forth the business activities and financial
23 condition of the Liquidating Trust;
- 24 3. Consulting with the Liquidating Trust Trustee
25 regarding any litigation save and except (a) objections to Opt-
26 Out Claims, including any settlements thereof, provided, however,
27 that nothing in this section shall be construed to limit the
28 FTC's right to approve opt-out settlements pursuant to the

1 Settlement Agreement, (b) claims brought by Opt-Out Claimants
2 against the Debtors or any of their former officers and
3 directors, provided, however, that nothing in this section shall
4 be construed to limit the FTC's right to approve opt-out
5 settlements pursuant to the Settlement Agreement, (c) objections
6 to Claims in Class 3 and Class 5 where the face amount of the
7 Claim is less than or equal to \$50,000, (d) the Rasachack class
8 action litigation suit, and (e) litigation determining rights to
9 proceeds from the Lloyd's Policy (as defined in the Settlement
10 Agreement), except with respect to any settlement or judgment
11 which would result in total proceeds from the Lloyd's Policy (as
12 defined in the Settlement Agreement) of less than \$10,000,000;

13 4. Participating in any and all court proceedings
14 pertaining to the administration of the Liquidating Trust, except
15 as to matters set forth as exceptions to section V.H.3. above;
16 and

17 5. Employing, subject to the approval of the Court,
18 attorneys, accountants, or other agents to represent or perform
19 services for the Post-Confirmation Committee.

20 I. Membership in the Post-Confirmation Committee.

21 The Post-Confirmation Committee shall consist of
22 representatives of AARP, the State of California, the FTC, the
23 Representative Plaintiffs, and an individual borrower.

24 J. Objections to Claims.

25 All objections to Claims shall be filed with the Court and
26 served upon the holders of such Claims no later than one (1) day
27 prior to the Effective Date, except as extended by an agreement
28 between the claimant and the Debtors, or by order of the Court

1 upon a motion filed by the Debtors, with notice of such motion to
2 be served upon the Office of the United States Trustee and those
3 holders of Disputed Claims to which the objection is made. If an
4 objection has not been filed to a proof of claim that relates to
5 a Disputed Claim by the objection bar date established in this
6 section V.J., the Claim to which the proof of claim relates shall
7 be treated as an Allowed Claim for purposes of distribution under
8 the Plan.

9 K. Sole Equity Interest of Debtors

10 On the Effective Date, the Debtors shall cause to be issued
11 to the Liquidating Trust one (1) share of FAMCO common stock, one
12 (1) share of FACO common stock, one (1) share of FAMCO-MN common
13 stock, and one (1) share of FAPS common stock Date (collectively,
14 the "Trust Shares") for the purpose of further ensuring that the
15 Liquidating Trust is fully capable of administering and
16 distributing all property of the Debtors' Estates pursuant to the
17 Plan, the Settlement Agreement and the Liquidating Trust
18 Agreement. As of two (2) business days after the Effective Date,
19 the Trust Shares shall be the sole issued and outstanding stock
20 interests in the Debtors. The Trust Shares shall be cancelled on
21 the Termination Date (as defined in the Liquidating Trust
22 Agreement) and may not in any way be transferred from the
23 Liquidating Trust.

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ARTICLE VI

EXECUTORY CONTRACTS AND UNEXPIRED LEASES

A. Executory Contracts and Unexpired Leases

As of the Confirmation Date, all executory contracts and unexpired leases of the Debtors shall be rejected pursuant to the provisions of sections 365 and 1123 of the Code.

B. Proofs of Claim With Respect to Rejection Damages

Pursuant to the terms of the Final Confirmation Order and Bankruptcy Rule 3002(c)(4), and except as otherwise ordered by the Court, proofs of claim for Claims arising from the rejection of an executory contract or unexpired lease shall be filed with the Court no later than thirty (30) days after the earlier of (i) the date of the entry of a Final Claim Order approving such rejection, and (ii) the Confirmation Date, or such Claim shall be forever barred.

Any Allowed Claims arising from the rejection of an executory contract or unexpired lease shall be included in Class 5 of the Plan.

ARTICLE VII

RETENTION OF JURISDICTION

Notwithstanding the Confirmation Date or the Effective Date having occurred, the Court shall retain jurisdiction for the following purposes:

A. Allowance of Claims. To hear and determine the allowance of all Claims upon objections to any such Claims;

B. Executory Contract Proceedings. To act with respect to proceedings regarding the rejection of any executory contract or unexpired lease of a Debtor pursuant to sections 365 and 1123 of

1 the Code and Article VI of the Plan, and to determine the
2 allowance and proper classification of any Claims arising from
3 the resolution of any such proceedings;

4 C. Plan Interpretation. To resolve controversies and
5 disputes regarding the interpretation of the Plan;

6 D. Plan Implementation. To implement and enforce the
7 provisions of the Plan, the Final Confirmation Order, the
8 Settlement Agreement, and the Liquidating Trust Agreement, and
9 otherwise to enter orders in aid of confirmation and
10 implementation of the Plan, including, without limitation,
11 appropriate orders to interpret and enforce the Plan, the Final
12 Confirmation Order, the Settlement Agreement, and the Liquidating
13 Trust Agreement, and to protect the Liquidating Trust from any
14 action or other proceeding that may be initiated by any Creditor
15 or Interest Holder;

16 E. Plan Modification. To modify the Plan pursuant to
17 section 1127 of the Code and the applicable Bankruptcy Rules;

18 F. Adjudication of Controversies. To adjudicate such
19 contested matters and adversary proceedings as may be pending or
20 subsequently initiated in the Court including, but not limited
21 to, actions relating to any Recovery Rights, objections to
22 Claims, or actions relating to taxes, brought by the Liquidating
23 Trust;

24 G. Injunctive Relief. To issue any injunction or other
25 relief appropriate to implement the intent of the Plan, and to
26 enter such further orders enforcing any injunctions or other
27 relief issued under the Plan or pursuant to the Final
28 Confirmation Order;

1 H. Correct Minor Defects. To correct any defect, cure any
2 omission or reconcile any inconsistency or ambiguity in the Plan,
3 the Final Confirmation Order or any document executed or to be
4 executed in connection therewith, including, without limitation,
5 the Liquidating Trust Agreement, as may be necessary to carry out
6 the purposes and intent of the Plan, provided that the rights of
7 any holder of an Allowed Claim are not materially and adversely
8 affected thereby;

9 I. Post-Confirmation Orders Regarding Confirmation. To
10 enter and implement such orders as may be appropriate in the
11 event the Confirmation Order is, for any reason, stayed,
12 reversed, revoked, modified or vacated; and

13 J. Final Decree. To enter a final decree closing any or
14 all of the Cases.

15 ARTICLE VIII

16 MODIFICATION; MISCELLANEOUS

17 A. Modification. Debtors reserve the right to amend or
18 modify the Plan prior to its confirmation, at all times
19 consistent with and in accordance with section 1127 of the Code.

20 B. Headings Do Not Control. In interpreting the Plan, the
21 headings of individual sections are provided for convenience
22 only, and are not intended to control over the text of any
23 section.

24 C. Taking Action. After the Effective Date, to the extent
25 the Plan requires an action by a Debtor, the action may be taken
26 only by the Liquidating Trust, acting through the Liquidating
27 Trust Trustee, as representative and on behalf of the Estates.

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1 D. Termination of Committees. Except for the Post-
2 Confirmation Committee, the Committees shall be dissolved as of
3 the Effective Date, and the members of the Committees shall be
4 relieved of all of their responsibilities and duties in the
5 Cases. The Committees shall have no further participation in the
6 Cases, and any rights to investigate and prosecute Recovery
7 Rights previously assigned to the Committees by the Debtors shall
8 be terminated and shall vest in the Liquidating Trust.

9 E. Limitation of Liability. Neither the Debtors, the
10 Committees, the Liquidating Trust, nor any of their respective
11 officers, directors, employees, trustees, members, or agents, nor
12 any Professionals employed by one or more of them, shall have or
13 incur any liability to any person for any act taken or omission
14 made in good faith in connection with or related to: (1) the
15 business judgment of the Debtors and any affiliated or subsidiary
16 entities, including, but not limited to, the filing of these
17 Cases; (2) the business judgment of the Committees; and (3) the
18 post-Petition Date administration of these Cases, including, but
19 not limited to, the formulation, implementation, confirmation, or
20 consummation of the Plan, the Disclosure Statement, the business
21 operations of the Debtors, the duties and obligations of the
22 Committees, liquidation of the Debtors' assets, the negotiation
23 and implementation of any settlement agreement or any security
24 contract, instrument, release, or other agreement or document
25 created in connection with the Plan, or regarding any
26 distributions made pursuant to the Plan, other than a claim
27 based, in whole or in part, upon a breach of a written contract.

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1 F. United States Trustee's Fees. Transfers from the
2 Debtors' Estates to the Redress Fund or the Liquidating Trust
3 pursuant to the Plan or the Settlement Agreement shall be treated
4 as disbursements pursuant to 28 U.S.C. § 1930(a)(6).

5 Distributions from the Redress Fund or the Liquidating Trust
6 pursuant to the Plan or the Liquidating Trust Agreement shall not
7 be treated as disbursements pursuant to 28 U.S.C. § 1930(a)(6).

8 G. Post Confirmation Conversion/ Dismissal. A Creditor or
9 party in interest may bring a motion to convert or dismiss the
10 case under section 1112(b) of the Code, after the Plan is
11 confirmed, if there is a default in performing the Plan. If the
12 Court orders the case converted to Chapter 7 after the Plan is
13 confirmed, then all property that had been property of the
14 Chapter 11 estate, and that has not been disbursed pursuant to
15 the Plan, will revert in the Chapter 7 estate, and the automatic
16 stay will be reimposed upon the revested property only to the
17 extent that relief from stay was not previously granted by the
18 Court during this case.

19 H. Governing Law. To the extent that state law is deemed
20 applicable to any of the provisions of the Plan, the law that
21 shall be applied is the law of the State of California.

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ARTICLE IX

CONFIRMATION REQUEST

Debtors request Confirmation pursuant to section 1129(a) of the Code and, if applicable, section 1129(b) of the Code.

DATED: May __, 2002

FIRST ALLIANCE MORTGAGE COMPANY, a California corporation

By: _____
Joel Blitzman,
Its Vice President and
Controller

DATED: May __, 2002

FIRST ALLIANCE CORPORATION, a Delaware corporation

By: _____
Joel Blitzman,
Its Vice President and
Controller

DATED: May __, 2002

FIRST ALLIANCE MORTGAGE COMPANY, a Minnesota corporation

By: _____
Joel Blitzman,
Its Vice President and
Controller

[Signatures continued on next page]

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DATED: May __, 2002

FIRST ALLIANCE PORTFOLIO
SERVICES, Inc., a Nevada
corporation

By: _____
Joel Blitzman,
Its Vice President and
Controller

PRESENTED BY:

IRELL & MANELLA LLP

By: _____
William N. Lobel
Jeffrey M. Reisner
Evan C. Borges
Mike D. Neue
Attorneys for Debtors
and Debtors in Possession

FIRST ALLIANCE LIQUIDATING TRUST AGREEMENT

THIS LIQUIDATING TRUST AGREEMENT (this "**Agreement**") is dated as of [**agreement date**], by and among FIRST ALLIANCE CORPORATION, a Delaware corporation ("**FACO**"); FIRST ALLIANCE MORTGAGE COMPANY, a California corporation ("**FAMCO**"); FIRST ALLIANCE PORTFOLIO SERVICES, a Nevada corporation ("**FAPS**"); and FIRST ALLIANCE MORTGAGE COMPANY (MINNESOTA), a Minnesota corporation ("**FAMCO-MN**", and together with FACO, FAMCO and FAPS, the "**Debtors**"; and [**trustee 1**], a/an [**entity type**], not in its individual or corporate capacity, but solely as trustee hereunder (the "**Trustee**").

R E C I T A L S:

A. WHEREAS, voluntary petitions were filed by the Debtors on March 23, 2000 in the United States Bankruptcy Court for the Central District of California (the "**Bankruptcy Court**") under Chapter 11 of Title 11 of the United States Code (the "**Code**") as Case Nos. SA 00-12370-LR, SA 00-12371-LR, SA 00-12372-LR and SA 00-12373-LR (the "**Cases**");

B. WHEREAS, by Order entered May 3, 2002, the United States District Court for the Central District of California (the "**Court**") withdrew the reference of the Cases, pursuant to 28 U.S.C. § 157(d), which Cases are being jointly administered by the Court under Case No. SA CV 02-417-DOC;

C. WHEREAS, on February 25, 2002, the Debtors, the Plaintiffs, and others entered into a Stipulation of Settlement (the "**Settlement Agreement**");

D. WHEREAS, on May 6, 2002, Debtors filed the Debtors' First Amended Joint and Consolidated Plan of Liquidation Dated May 6, 2002 (the "**Plan**");

E. WHEREAS, the holders of Administrative Claims, Tax Claims, Opt-Out Claims in Class 4, and claims in Class 1, Class 2, Class 3, and Class 5, including all such claims arising from rejected leases and executory contracts (collectively, the "**Trust Claims**") and the holders of Allowed Class 4 Settlement Claims (and the Redress Fund on their behalf), have asserted conflicting claims of ownership of, or a legal or equitable interest in, certain property of the Debtors;

F. WHEREAS, pending the resolution of the conflicting claims of ownership, the Plan contemplates that the disputed ownership property will be transferred to a liquidating trust created as a trust under California law for the benefit of the Redress Fund and the holders of such Trust Claims that will be determined by the Court to be Allowed Claims (the "**Liquidating Trust**");

G. WHEREAS, the Plan was confirmed by the Court pursuant to that certain Order dated [**order date**] and entered on [**enter date**] (the "**Final Confirmation Order**") and is subject to the continuing jurisdiction of the Court;

H. WHEREAS, the Debtors desire to create and fund the Liquidating Trust, as contemplated by the Plan and the Settlement Agreement;

I. WHEREAS, as contemplated by the Plan and the Settlement Agreement and pursuant to this Agreement, the holders of Trust Claims that are Allowed Claims (the "Holders", and each individually, a "Holder") and the holders of Allowed Class 4 Settlement Claims desire to exchange their Allowed Claims, in whole or in part, for their respective rights and interests in and to the Liquidating Trust Estate (as hereinafter defined) (collectively, the "Beneficial Interests").

NOW THEREFORE, for and in consideration of the premises, and the mutual promises and agreements contained herein and in the Plan, the receipt and sufficiency of which are hereby expressly acknowledged, the Debtors and the Trustee hereby agree as follows.

AGREEMENTS:

1. Defined Terms; Rules of Interpretation.

1.1 Capitalized Terms. Capitalized terms used herein and not otherwise defined in this Agreement shall have the meanings assigned to them in the Plan. Any term that is not otherwise defined herein or in the Plan, but that is used in the Code or the Bankruptcy Rules, will have the meaning given to that term in the Code or the Bankruptcy Rules, as applicable.

1.2 Computation of Time. In computing any period of time prescribed or allowed by this Agreement, the provisions of Bankruptcy Rule 9006(a) will apply.

1.3 Rules of Interpretation. For purposes of this Agreement, unless otherwise provided herein: (a) any reference in this Agreement to a contract, instrument, release, or other agreement or document being in a particular form or on particular terms and conditions means that such document will be substantially in such form or substantially on such terms and conditions; (b) any reference in this Agreement to an existing document or exhibit filed or to be filed means such document or exhibit, as it may have been or may be amended, modified, or supplemented pursuant to this Agreement; (c) any reference to any entity as a holder of a Claim includes that entity's successors, assigns, and affiliates; (d) except as otherwise specified, all references in this Agreement to Sections, Articles, and Exhibits are references to sections, articles, and exhibits of or to this Agreement; (e) the words "herein," "hereunder," and "hereto" refer to this Agreement in its entirety rather than to a particular portion of this Agreement; and (f) the rules of construction set forth in section 102 of the Code will apply.

2. Declaration of Trust; Authority of and Certain Directions to the Trustee.

2.1 Creation of Liquidating Trust. Pursuant to section V.E of the Plan and in consideration of the confirmation of the Plan under the Code, effective as of the Effective Date of the Plan, and subject to the continuing jurisdiction of the Court, the Debtors hereby create the Liquidating Trust for the benefit of the holders of the Beneficial Interests. On the Effective Date of the Plan, all right, title and interest of the Debtors in and

to the disputed ownership property of the Debtors set forth in section V.E.1 of the Plan (the "**Liquidating Trust Estate**"), which Liquidating Trust Estate shall not include the transfers from the Debtor directly to the Redress Fund pursuant to the Settlement Agreement, shall be irrevocably transferred to the Trustee and to its successors and assigns and held in trust to be administered and disposed of pursuant to the terms of this Agreement, the Plan, and the Settlement Agreement for the benefit of the holders of the Beneficial Interests. In addition, on the Effective Date, in accordance with section V.K of the Plan, the Debtors shall cause the Trust Shares to be issued to the Liquidating Trust for the purpose of ensuring that the Liquidating Trust is fully capable of administering and distributing the Liquidating Trust Estate pursuant to the Plan, the Settlement Agreement and this Agreement.

2.2 Purpose of Liquidating Trust. This Liquidating Trust is established to resolve and satisfy the conflicting claims of ownership of, or legal entitlement or equitable interest in, the disputed ownership property of the Debtors and is organized for the purposes of: (a) collecting, holding and liquidating the Liquidating Trust Estate; (b) administering, compromising, settling, withdrawing, objecting to, or litigating objections to Trust Claims; and (c) distributing the net assets of the Liquidating Trust to the Holders and to the Redress Fund in accordance with the Plan and the Settlement Agreement, with no objective to engage in the conduct of a trade or business. The Trustee shall take all reasonable and necessary actions to dispose of the Liquidating Trust Estate in as prompt, efficient and orderly a fashion as possible, to make timely distributions of the proceeds of the Liquidating Trust Estate, and to otherwise not unduly prolong the duration of the Liquidating Trust.

2.3 General Powers of the Trustee. In accordance with the purposes set forth in Section 2.2, and subject to the limitations set forth in this Agreement, as of the Effective Date the Trustee is hereby authorized and directed (a) to take any and all steps necessary to maintain the Liquidating Trust as a disputed ownership fund for federal income tax purposes in accordance with Proposed Treasury Regulations sections 1.468B-9(a) and 1.468B-9(h)(2); (b) to take all reasonable and necessary actions to conserve and protect the Liquidating Trust Estate; (c) to administer, compromise, settle, object to and litigate objections to Trust Claims; (d) to prosecute, settle, or release all Recovery Rights, in accordance with the best interest of and for the benefit of the holders of the Beneficial Interests entitled to receive distributions; and (e) to maintain, operate or lease (for purposes of holding for sale), or sell or otherwise dispose of the Liquidating Trust Estate, in accordance with the terms of this Agreement, the Plan, and the instructions or orders of the Court; and (f) make disbursements and payments from the Liquidating Trust Estate in accordance with the provisions of Sections 5 and 6 and pursuant to the Plan and the Settlement Agreement and any instructions or orders of the Court to the holders of the Beneficial Interests in the amounts required under the Plan and the Settlement Agreement in as prompt, efficient and orderly a fashion as possible.

2.4 Means of Payment. The Trustee shall establish and maintain a bank account for the making of distributions to the holders of Beneficial Interests from the Liquidating Trust. Amounts distributed pursuant to Section 6 will be paid by checks drawn on such account.

2.5 Remainder in the Liquidating Trust. In accordance with the provisions of the Plan, the Settlement Agreement and Section 6.10, the remainder of the

Liquidating Trust Estate, if any, after all Allowed Claims of the Holders have been satisfied to the extent required by the Plan, the Settlement Agreement, the Final Confirmation Order and any other Final Claim Order or Final Post-Confirmation Order, shall be transferred to the Redress Fund.

3. Holders of Beneficial Interests.

3.1 Beneficial Interests. The Beneficial Interests in the Liquidating Trust shall be held by the Holders and the Redress Fund (on behalf of the holders of Allowed Class 4 Settlement Claims). All payments made by the Liquidating Trust for the benefit of the holders of Allowed Class 4 Settlement Claims shall be made to the Redress Fund in accordance with the Plan and the Settlement Agreement.

3.2 No Transfer or Exchange. The Beneficial Interests in the Liquidating Trust will not be evidenced by any certificate or other instrument or document. Beneficial Interests in the Liquidating Trust are non-transferable and non-assignable other than to successors in interest, or by will, the laws of descent and distribution, or by operation of law (each a "**Permitted Transfer**").

3.3 Absolute Owners. The Trustee shall treat the Holders and the Redress Fund as the absolute owners of the Beneficial Interests in the Liquidating Trust for the purpose of receiving trust distributions and payments thereof, or on account thereof, and for all other purposes whatsoever. Unless the Trustee receives actual written notice of a Permitted Transfer from the duly authorized transferee not less than thirty (30) days prior to a distribution made pursuant to the terms of this Agreement, and subject to the applicable provisions of Bankruptcy Rule 3001(e), the Trustee shall have no duty or obligation to make or direct any distributions or payments to such transferee of a Permitted Transfer.

3.4 [Intentionally Omitted.]

4. Delivery and Acceptance of Liquidating Trust Estate.

4.1 Conveyance by Debtors. On the Effective Date, the Debtors shall execute and deliver to the Trustee bills of sale, deeds, assumptions and assignments, and other instruments of title and conveyance of all of the assets in and of the Liquidating Trust Estate as specified in section V.E.1 of the Plan and the Final Confirmation Order. At any time and from time to time after the Effective Date at the Trustee's request and without further consideration, the Debtors shall execute and deliver such other instruments of sale, transfer, title, conveyance, assignment and confirmation, and will cooperate and take such other actions as the Trustee may deem reasonably necessary or desirable in order to more effectively transfer, convey and assign all rights, title and interests in and to the Liquidating Trust Estate to the Liquidating Trust.

4.2 Issuance of Trust Shares. On the Effective Date, in accordance with section V.K of the Plan, the Debtors shall cause the Trust Shares to be issued to the Liquidating Trust for the purpose of further ensuring that the Liquidating Trust is fully capable of administering and distributing the Liquidating Trust Estate pursuant to the Plan, the Settlement Agreement and this Agreement. The Trust Shares shall be non-transferable and shall be cancelled on the Termination Date (as defined in Section 6.12).

4.3 Acceptance of Conveyance and Trust Shares. The Trustee is hereby directed to, and the Trustee agrees that it will:

(a) accept delivery of the Liquidating Trust Estate and the Trust Shares on behalf of the Liquidating Trust;

(b) accept all bills of sale, deeds, assumptions and assignments, and all other instruments of conveyance and title required to be delivered by the Debtors, or by others, with respect to the Liquidating Trust Estate that shall be transferred to the Trustee pursuant to this Agreement on behalf of the Liquidating Trust pursuant to or in connection with the Plan, the Settlement Agreement, the Final Confirmation Order, any other Final Post-Confirmation Order or this Agreement; and

(c) subject to the limitations set forth in this Agreement, take such other action as may be required to effectuate the purpose and intent of this Liquidating Trust, including the receipt and acceptance as part of the Liquidating Trust Estate of any property or rights, including, without limitation, notes, other negotiable instruments, Recovery Rights and other choses in action, as specified in the Plan and the Settlement Agreement.

5. Administration of Liquidating Trust Estate.

5.1 Trust Administrative Fund. On the Effective Date, or as soon thereafter as practical, the Trustee shall establish a reserve fund (the "Trust Administrative Fund") for the payment by the Trustee of all reasonable and reasonably anticipated expenses, debts, charges, liabilities and obligations attributable or relating to the management, maintenance, operation, preservation or liquidation of the Liquidating Trust Estate, including without limitation any and all withholding taxes, federal income taxes, expenses and fees incurred in the prosecution of the Recovery Rights or in objecting to Trust Claims, and the administrative costs and professional fees of the Post-Confirmation Committee (collectively, the "Trust Expenses"). The Trust Administrative Fund shall be funded in such amounts deemed reasonably necessary by the Trustee in its discretion from the Liquidating Trust Estate. Any balance remaining in the Trust Administrative Fund, after the payment of all Trust Expenses, shall be transferred to the Redress Fund as part of the Final Distribution described in Section 6.10. Any Cash deposited in the Trust Administrative Fund pursuant to the terms of this Agreement shall be invested in interest-bearing deposits or investments that satisfy the requirements of Section 5.5.2, and the interest earned thereon shall be credited to the Trust Administrative Fund.

5.2 Reserves for Disputed Trust Claims and Contingency Fund.

5.2.1 Creation of the Opt-Out Reserve. As soon as is practicable after the initial transfer of the Liquidating Trust Estate to the Trustee, in accordance with the Plan and the Settlement Agreement, the Trustee shall establish a separate financial account and deposit therein an amount of Cash from the Liquidating Trust Estate sufficient to maintain a reserve in accordance with the Plan and the Supplemental Agreement (as defined in the Settlement Agreement) to be used for the

sole purpose making payments to holders of Disputed Opt-Out Claims that later become Allowed Claims (the "**Opt-Out Reserve**"). The initial transfer to the Opt-Out Reserve shall be an amount equal to the reserve required by the Plan and section 1.28(3)(f) of the Settlement Agreement.

5.2.2 Maintenance of the Opt-Out Reserve. Notwithstanding anything herein to the contrary, the Cash in the Opt-Out Reserve shall be accounted for separately from other Cash of the Liquidating Trust Estate and the Trustee shall not use funds in the Opt-Out Reserve for any purpose other than making payments to holders of Allowed Opt-Out Claims that were previously Disputed Opt-Out Claims. Any income earned on the funds in the Opt-Out Reserve, net of all taxes thereon, shall be retained in the Opt-Out Reserve. If the Trustee makes any distribution to the Redress Fund pursuant to Section 6.2.2, the Trustee shall also at the same time transfer to the Opt-Out Reserve the amount specified in such Section. All distributions made on account of Opt-Out Claims that were previously Disputed Opt-Out Claims shall be deducted from and paid out of the Opt-Out Reserve.

5.2.3 Termination of the Opt-Out Reserve. After all Disputed Opt-Out Claims either have been disallowed or have become Allowed Claims, any Cash remaining in the Opt-Out Reserve shall be distributed to the Redress Fund in accordance with the Supplemental Agreement (as defined in the Settlement Agreement).

5.2.4 Creation of the Disputed Claims Reserve. As soon as is practicable after the initial transfer of the Liquidating Trust Estate to the Trustee, the Trustee shall establish a separate financial account and deposit therein an amount of Cash from the Liquidating Trust Estate sufficient to maintain a reserve in accordance with the Plan and the Settlement Agreement to be used for the sole purpose making payments to holders of Disputed Administrative Claims, Disputed Class 3 Claims and Disputed Class 5 Claims that later become Allowed Claims (the "**Disputed Claims Reserve**"). The initial transfer to the Disputed Claims Reserve shall be the estimated amount of cash necessary to make the distributions required by the Plan to the holders of Administrative Claims, Class 3 Claims, and Class 5 Claims that are not paid on the Effective Date to the extent that such Claims are later allowed, in accordance with section 1.28 of the Settlement Agreement.

5.2.5 Maintenance of the Disputed Claims Reserve. Notwithstanding anything herein to the contrary, the Cash in the Disputed Claims Reserve shall be accounted for separately from other Cash of the Liquidating Trust Estate and the Trustee shall not use funds in the Disputed Claims Reserve for any purpose other than making payments to holders of Allowed Administrative Claims, Class 3 Claims or Class 5 Claims that were previously Disputed Claims. Any income earned on the funds in the Disputed Claims Reserve, however, shall not be retained in the Disputed Claims Reserve but such income, net of all taxes thereon, shall be considered unreserved Cash of the Liquidating Trust Estate. If the Trustee makes any distribution to the Redress Fund pursuant to Section 6.2.2, the Trustee may also at the same time make a transfer of Cash to the Disputed Claims Reserve to the extent that the Trustee's reasonable estimate of the amount necessary to pay all

Administrative Claims, Class 3 Claims and Class 5 Claims that will later become Allowed Claims exceeds the current balance in the Disputed Claims Reserve. All distributions made on account of Administrative Claims, Class 3 Claims, and Class 5 Claims that were previously Disputed Claims shall be deducted from and paid out of the Disputed Claims Reserve.

5.2.6 Termination of the Disputed Claims Reserve. After all Administrative Claims, Class 3 Claims and Class 5 Claims that are Disputed Claims either have been disallowed or have become Allowed Claims, any Cash remaining in the Disputed Claims Reserve shall become unreserved Cash of the Liquidating Trust Estate to be distributed by the Trustee in accordance with the Plan and this Agreement.

5.2.7 Contingency Fund. As soon as is practicable after the initial transfer of the Liquidating Trust Estate to the Trustee, in accordance with the Plan the Trustee shall establish and maintain the Contingency Fund for the payment of potentially necessary expenses of the Debtors after the Effective Date. The Contingency Fund shall be initially funded with \$50,000.00. After the Trustee determines, in its reasonable discretion, that the Contingency Fund is no longer necessary, any Cash remaining in the Contingency Fund shall become unreserved Cash of the Liquidating Trust Estate to be distributed by the Trustee in accordance with the Plan and this Agreement.

5.3 Powers of the Trustee.

5.3.1 Administrative Powers. During the Trustee's administration of the Liquidating Trust, and subject to all other provisions of this Agreement, the Trustee may exercise the power:

(a) to receive and hold all the assets of the Liquidating Trust Estate and to have exclusive possession and control thereof as permissible under applicable law;

(b) to enter into, perform and exercise rights under contracts binding upon the Liquidating Trust (but not upon the Trustee in its respective individual or corporate capacity) which are reasonably incident to the administration of the Liquidating Trust and which the Trustee, in the exercise of its best business judgment, reasonably believes to be in the best interests of the Liquidating Trust;

(c) to establish and maintain accounts at banks and other financial institutions, in a clearly specified fiduciary capacity, into which the Trust Administrative Fund or other cash and property of the Liquidating Trust may be deposited, and draw checks or make withdrawals from such accounts, and to pay or distribute such amounts of the Liquidating Trust Estate as permitted or required under this Agreement, the Plan and the Settlement Agreement;

(d) in accordance with section V.E.4 of the plan and subject to Section 10.14 and the approval of the Court, to employ attorneys, accountants, appraisers, property managers, brokers, realtors, expert witnesses, insurance

adjusters or other persons whose services may be necessary or advisable in the sole judgment of the Trustee to advise or assist it in the discharge of its duty as Trustee, or otherwise in the exercise of any powers vested in the Trustee and to pay from the Liquidating Trust Estate reasonable compensation to such attorneys, accountants, appraisers, property managers, brokers, realtors, expert witnesses, insurance adjusters or other persons;

(e) to hold, operate, market, and lease (for the purposes of holding for sale) the assets in the Liquidating Trust Estate;

(f) to sell or otherwise liquidate the assets in the Liquidating Trust Estate;

(g) to collect and receive any accounts receivable, income, proceeds of sale, and distributions derived from or relating to the Liquidating Trust Estate and to make distributions to the holders of Beneficial Interests in accordance with the terms of this Agreement, the Plan and the Settlement Agreement;

(h) to pay any and all necessary Trust Expenses;

(i) to investigate, file, compromise, settle, withdraw or litigate in the Court or on appeal objections to Trust Claims;

(j) manage, liquidate and prosecute any matters related to the Debtors' interest in the Insurance Policies including the rights, if any, to pursue guaranty fund coverage;

(k) to sue or be sued in connection with any matter arising from or related to the Plan, the Settlement Agreement or this Agreement that affects in any way the rights or obligations of the Liquidating Trust, the Trustee or the holders of Beneficial Interests, provided that the Trustee consult with the Post-Confirmation Committee to the extent required by the Plan;

(l) to represent the interests of the holders of Beneficial Interests with respect to any matters relating to the Plan, this Agreement, or the Liquidating Trust affecting the rights of such holders;

(m) to do any and all other things, not in violation of any other terms of this Agreement, the Plan or the Settlement Agreement which, in the reasonable business judgment of the Trustee is necessary or appropriate for the proper liquidation, management, investment and distribution of the assets of the Liquidating Trust Estate.

5.3.2 Objections to Trust Claims. From and after the Effective Date of the Plan, pursuant to section V.E.6 thereof and subject to the rights of the Post-Confirmation Committee set forth in section V.H thereof, the Liquidating Trust, through its Trustee, shall be the representative of the Estates for all appropriate purposes consistent with the Plan, including without limitation, investigating, settling, compromising, objecting to, and litigating in a court of competent

jurisdiction or on appeal objections to Trust Claims which shall be satisfied from the Liquidating Trust.

5.3.3 Settlement of Disputed Class 3 and Class 5 Claims.

(a) In General. Notwithstanding anything in Section 5.3.3(b) to the contrary, the settlement of all Disputed Claims in Class 3 and Class 5 shall be effected by the Trustee as follows:

(i) The Trustee shall provide reasonable notice to the Post-Confirmation Committee before entering into any settlements.

(ii) Subject to Section 5.3.3(a)(i) and the reporting requirements of Section 5.10, the Trustee is authorized to settle without a hearing any Disputed Claim in Class 3 or Class 5 when the face amount of such Claim is not in excess of \$50,000.

(iii) In all other instances, the Trustee is authorized to settle any Disputed Claim in Class 3 or Class 5 only after notice to the Post-Confirmation Committee and, if requested, a hearing.

(b) Court Approval. Subject to Section 5.3.3(a), if the Trustee and the holder of a Disputed Claim in Class 3 or Class 5 agree to settle such holder's Disputed Claim for an amount not in excess of the face amount of such Disputed Claim, such Claim shall be deemed to be an Allowed Claim as of the Confirmation Date in an amount equal to the agreed settlement amount without need for further review or approval by the Court.

5.3.4 Settlement of Disputed Opt-Out Claims.

(a) In General. Subject to Sections 5.3.4(b) and 5.3.4(c), the Trustee is authorized to settle, without a hearing, any Disputed Opt-Out Claim in Class 4 when the amount of the Allowed Claim resulting from such settlement is not in excess of \$150,000. In all other instances, subject to Sections 5.3.4(b) and 5.3.4(c), the Trustee is authorized to settle any Disputed Opt-Out Claim in Class 4 only after fifteen days' notice to the FTC and Brian Chisick and, if requested, a hearing.

(b) FTC Approval. The FTC shall have the right to approve all settlements made by the Trustee with holders of Disputed Opt-Out Claims in Class 4; provided, however, that such approval shall not unreasonably be withheld.

(c) Court Approval. Subject to Section 5.3.4(b), if the Trustee and the holder of a Disputed Opt-Out Claim in Class 4 agree to settle such holder's Disputed Claim for an amount not in excess of the face amount of such Disputed Claim, such Claim shall be deemed to be an Allowed Claim as of the Confirmation Date in an amount equal to the agreed settlement amount without need for further review or approval by the Court.

5.3.5 Prosecution and Settlement of Recovery Rights.

(a) Subject to Sections 5.3.5(b) and (c) below, the Trustee shall be empowered to and shall prosecute or settle all Recovery Rights in consultation with the Post-Confirmation Committee.

(b) Subject to the reporting requirements of Section 5.10, the Trustee may settle any Recovery Right without notice or a hearing if the amount claimed on account of such Recovery Right is less than or equal to \$50,000.

(c) The Trustee may enter into a settlement of any Recovery Right for which more than \$50,000 is claimed only after fifteen days' notice to the Post-Confirmation Committee, and, if requested, a hearing.

5.3.6 Liquidation of Assets other than Recovery Rights.

(a) Subject to Sections 5.3.6(b) and (c) below and Section 5.4, the Trustee shall be empowered to and shall at his discretion sell or otherwise liquidate all remaining unliquidated assets of the Liquidating Trust Estate, other than Recovery Rights, in consultation with the Post-Confirmation Committee.

(b) Subject to the reporting requirements of Section 5.10, the Trustee may sell or otherwise liquidate any such asset, without notice and hearing, if the proceeds as expected by the Post-Confirmation Committee on account of such asset are less than or equal to \$150,000.

(c) In all other instances, the Trustee may sell or otherwise liquidate any such asset only after fifteen days' notice to the persons identified in Section 10.3 (except the Redress Fund), and, if requested, a hearing.

5.4 Trustee's Litigation Discretion. Subject only to Section 5.3.4, and notwithstanding anything else herein to the contrary, the Trustee shall have, in its sole discretion, the right to review, evaluate, defend, settle and make all other decisions pertaining to (a) objections to Class 4 Opt-Out Claims, (b) claims brought by Opt-Out Claimants against the Debtors or any of their former officers or directors; (c) the Rasachack class action lawsuit, (d) the settlement or prosecution of the insurance coverage claims with respect to the Lloyds Policy (as defined in the Settlement Agreement), except with respect to any settlement or judgment which would result in total proceeds from the Lloyd's Policy (as defined in the Settlement Agreement) of less than \$10,000,000, and (e) Trust Claims having a face amount which is less than or equal to \$50,000. Except as provided in Section 5.3.4, the Trustee shall not be required to advise, notify, consult with or obtain the approval of the Court, the Post-Confirmation Committee or any other person with respect to any of the matters identified in this Section 5.4.

5.5 Limitations on the Trustee: Investments.

5.5.1 No Trade or Business. The Trustee shall carry out the purposes of the Liquidating Trust and the directions contained herein and shall not at any time enter into or engage in any business (except as may be consistent with the

limited purposes of the Liquidating Trust), including, without limitation, the purchase of any asset or property (other than such assets or property as are necessary to carry out the purposes of Section 2, Section 7, and Section 5.5.2), on behalf of the Liquidating Trust or the holders of Beneficial Interests. The Trustee is directed to take all reasonable and necessary actions to dispose of the Liquidating Trust Estate in as prompt, efficient and orderly a fashion as possible, to make timely distributions of the proceeds of the Liquidating Trust Estate, and to otherwise not unduly prolong the duration of the Liquidating Trust.

5.5.2 Investments. The Trustee shall invest any Cash held at any time as part of the Liquidating Trust Estate, including without limitation, in the Trust Administrative Fund, the Disputed Claim Reserve, and any other reserve or escrow funds established pursuant to the terms of this Agreement, only in interest-bearing deposits or certificates of deposit issued by any federally insured banking institution with a combined capital and surplus of at least \$100,000,000.00 or short-term investments and obligations of, or unconditionally guaranteed as to payment by, the United States of America and its agencies or instrumentalities, or as otherwise permitted pursuant to section 345 of the Code, pending need for the disbursement thereof in payment of Trust Expenses or in making a distribution pursuant to Section 6, the Plan and the Settlement Agreement. The Trustee shall be restricted to the collection and holding of such Cash and to the payment and distribution thereof for the purposes set forth in this Agreement and to the conservation and protection of the Liquidating Trust Estate in accordance with the provisions hereof.

5.5.3 Borrowing. Subject to the approval of the Court after consultation with the Post-Confirmation Committee, the Trustee is authorized to borrow funds to the extent such borrowing is consistent with the administration of the Liquidating Trust in accordance with its purpose as stated in Section 2.2.

5.6 Transferee Liabilities. If any liability shall be asserted against the Liquidating Trust as transferee of the Liquidating Trust Estate on account of any claimed liability of or through the Debtors, the Trustee may use such part of the Liquidating Trust Estate as may be necessary in contesting any such claimed liability and in payment, compromise, settlement and discharge thereof on terms reasonably satisfactory to the Trustee. In no event shall the Trustee be required or obligated to use their own property, funds or assets for any such purposes.

5.7 Administration of Liquidating Trust. In administering the Liquidating Trust, the Trustee, subject to the express limitations contained herein, is authorized and directed to do and perform all such acts, to execute and deliver such deeds, bills of sale, instruments of conveyance, and other documents as they may deem necessary or advisable to carry out the purposes of the Liquidating Trust.

5.7.1 Employer Identification Number. The Trustee shall obtain an employer identification number for the Liquidating Trust in accordance with the requirements of Proposed Treasury Regulations section 1.468B-9(c)(1).

5.8 Payment of Expenses and Other Liabilities. Subject to Section 5.1, to the extent that the amount of funds in the Trust Administrative Fund is at any time insufficient, the Trustee shall pay from the Liquidating Trust Estate all Trust Expenses, including without limitation, such debts, liabilities, or obligations as may be payable from the Liquidating Trust Estate, interest, taxes (including, but not limited to, federal income taxes imposed on the Liquidating Trust and any withholding tax imposed on the distributions under the Plan), assessments, and public charges of every kind and nature, and the costs, charges and expenses in connection with or arising out of the execution or administration of the Liquidating Trust and the Liquidating Trust Estate, and such other payments and disbursements as are provided for in this Agreement or which may be reasonably determined by the Trustee to be proper charges against the Liquidating Trust and the Liquidating Trust Estate. Subject to Court approval, the Trustee, in its reasonable discretion and business judgment, may from time to time make provision in the Trust Administrative Fund or otherwise, out of the Liquidating Trust Estate, for such amount or amounts as the Trustee in its reasonable discretion and business judgment may determine to be necessary or advisable to meet or satisfy unascertained, unliquidated or contingent liabilities of the Liquidating Trust. The Trustee shall make such payments without application to or order of the Court.

5.8.1 Payment of United States Trustee's Fees. Post-Effective Date, any applicable U.S. Trustee's fees related to assets transferred to the Liquidating Trust or the Redress Fund, which are payable during the administration of the Plan and until the cases are converted, dismissed or closed, shall be paid by the Trustee from the Trust Administrative Fund or in accordance with Section 5.8.

5.9 Fiscal Year; Tax Year; Accounting Method. The Liquidating Trust's fiscal year shall end on December 31 of each year, unless the Trustee deems it advisable to establish some other date on which the fiscal year of the Liquidating Trust shall end. The Liquidating Trust's taxable year is the calendar year. The Liquidating Trust shall use an accrual method of accounting within the meaning of section 446(c) of the Internal Revenue Code of 1986, as amended.

5.10 Tax Return and Reporting Obligations. The Trustee shall prepare and file or provide, as the case may be, to the specified persons the following reports:

5.10.1 Deposit Reports. Within fifteen (15) days following the Effective Date and any subsequent deposits to the Trust Administrative Fund, the Trustee shall provide to the Post-Confirmation Committee and the FTC a report regarding the financial condition of the Liquidating Trust, including but not limited to the total amount of the Trust Administrative Fund, the amount and the categories of the reserves established, and the amount and description of each category of expenditures included in the Trust Administrative Fund.

5.10.2 Quarterly and Semi-Annual Reports. Within thirty (30) days after the end of each calendar quarter for the first year subsequent to the Effective Date, and semi-annually thereafter (within thirty (30) days after the end of such semi-annual period), the Trustee shall provide to the Post-Confirmation Committee, Chisick, and the FTC a written report setting forth the business activities and

financial condition of the Liquidating Trust, including: (a) all transactions consummated during the report period and the amounts thereof (including: all amounts collected; sales, conveyances, transfers, assignments, liquidations, or abandonments of Liquidating Trust Estate assets; settlements of Disputed Claims; distributions to the Redress Fund and Holders pursuant to the Plan and the Settlement Agreement; fees paid to the Trustee, employees of the Liquidating Trust and Professionals; and other expenditures); and (b) the status of all Recovery Rights and the Liquidating Trust Estate assets as of the commencement of the report period, except to the extent that the Trustee believes that such general disclosure might negatively affect such litigation or the settlement thereof.

5.10.3 Monthly Reports. On a monthly basis, by no later than the 25th of every month, the Trustee shall file with the Court, and provide a copy to the Post-Confirmation Committee, Brian Chisick, and the FTC, a Compensation Report setting forth, for each of the Trustee, the Professionals employed by the Trustee, and any other Professionals, including any Professionals employed by the Post-Confirmation Committee, (a) a detailed summary of their respective activities with respect to the Liquidating Trust, and (b) the compensation and fees and expenses sought to be paid from the Liquidating Trust Estate for such activities pursuant to Section 10.14.

5.10.4 Unaudited Financial Reports. The Trustee shall prepare unaudited interim financial reports as may be required by regulatory authorities, applicable laws, rules or regulations or at least quarterly and shall file any such reports with the appropriate authorities, with copies to the Post-Confirmation Committee and the FTC.

5.10.5 Tax Preparation. Within the time required by applicable law or regulation, the Trustee shall prepare all necessary or required income tax information, tax returns (including requests for tax refunds and required information returns), and related reports and shall file them with the applicable taxing authorities and, if necessary or required, distribute copies to the Holders and the Redress Fund.

5.10.6 Final Report. In accordance with section V.E.7.g of the Plan, the Trustee shall prepare and file a final report and account of all receipts and disbursements with the Court and shall serve the same on those persons identified in Section 10.3.

6. Distributions from the Liquidating Trust.

6.1 Payments from Liquidating Trust Estate. All payments to be made hereunder to the Holders or the Redress Fund shall be made only from the assets, income and proceeds of the Liquidating Trust Estate and only to the extent that the Trustee shall have received sufficient assets, income or proceeds of the Liquidating Trust Estate to make such payments in accordance with the terms of this Section 6, the Plan and the Settlement Agreement. All payments to be made to the Redress Fund shall be deemed payments to and for the benefit of the holders of Allowed Class 4 Settlement Claims. The Redress Fund and each Holder shall look solely to the assets, income and proceeds of the Liquidating Trust

Estate, and not to the Trustee in its personal, corporate or individual capacities for distributions to such Holder and the Redress Fund as herein provided.

6.2 Frequency and Amounts of Payments. Subject to Section 6.11, the aggregate amounts required to be distributed to the Holders and the Redress Fund in accordance with the provisions of this Agreement, the Plan and the Settlement Agreement shall be determined by the Trustee in its reasonable discretion and its determination shall be final and conclusive on all persons, in the absence of gross negligence or willful misconduct on the part of the Trustee. In determining the amount of any such distribution, the Trustee may rely and shall be fully protected in relying upon the advice and opinion of independent public accountants or of counsel to the Liquidating Trust.

6.2.1 Payments to Holders. Pursuant to this Agreement and section V.E.7 of the Plan, distributions from the Liquidating Trust to the Holders shall be made on the Effective Date, on the sixty-first day following the Effective Date, and semi-annually thereafter, provided, that in the reasonable discretion and judgment of the Trustee there shall be in the Liquidating Trust Estate Cash in an amount sufficient to render feasible a distribution of Cash to the Holders. On each distribution date, the Trustee shall allocate and distribute to the Holders such aggregate amount of Cash, if any, as shall then be held in the Liquidating Trust, excluding reasonable amounts of Cash held in the Trust Administrative Fund pursuant to Section 5.1 or in the Disputed Claims Reserve pursuant to Section 5.2 or otherwise needed to pay the Trust Expenses (the "**Distribution Amount**").

6.2.2 Interim Distributions to the Redress Fund. Notwithstanding anything in this Section 6 to the contrary, if at any time the total amount of Cash in the Liquidating Trust Estate exceeds the sum of (a) the Trustee's reasonable estimate of all anticipated Trust Expenses, (b) the Trustee's reasonable estimate of the amount necessary to pay in accordance with the Plan the unpaid portion, if any, of all Allowed Administrative Claims, Allowed Tax Claims and Allowed Claims in Class 1 and Class 2, (c) the Trustee's reasonable estimate of the amount necessary to pay in accordance with the Plan any Disputed Class 3 or Class 5 Claims which later become Allowed Claims, and (d) the current balance in the Opt-Out Reserve (such excess being the "**Available Cash**"), the Trustee may in its reasonable discretion, and subject to Section 6.2.3, make a payment to the Redress Fund equal to the product obtained by multiplying (w) the Available Cash by (x) a fraction which has \$217,000,000 as its numerator and has as its denominator the sum of (i) \$217,000,000, (ii) the amount of all Allowed Opt-Out Claims in Class 4, and (iii) the face amount of all Disputed Opt-Out Claims in Class 4. Subject to Section 6.2.3, if the Trustee makes a distribution to the Redress Fund pursuant to this Section 6.2.2, the Trustee shall at the same time transfer an amount of Cash to the Opt-Out Reserve equal to the product obtained by multiplying (y) the Available Cash by (z) a fraction which has as its numerator the face amount of all Disputed Opt-Out Claims in Class 4, and which has as its denominator the sum of (i) \$217,000,000, (ii) the amount of all Allowed Opt-Out Claims in Class 4, and (iii) the face amount of all Disputed Opt-Out Claims in Class 4.

6.2.3 Adjustment of Interim Distribution and Opt-Out Reserve Calculations. If, pursuant to section V.E.7(j) of the plan, the value of the Allowed Settlement Claims is determined by the court to be in excess of \$217,000,000, the calculations of the amounts to be paid to the Redress Fund and the Opt-Out Reserve pursuant to Section 6.2.2 shall be calculated by substituting the redetermined value of the Allowed Settlement Claims in the place of \$217,000,000 in each instance.

6.3 Establishment of the Claim Accounts.

6.3.1 Establishment of the Claims List. The Debtors shall establish a list of all holders of Trust Claims, including the addresses of all holders of Trust Claims as of a record date which is not more than fifteen (15) days prior to the date of the list, the amount and type of each Trust Claim (so as to distinguish between general unsecured Claims and other Claims), and the designation of each such Trust Claim as Allowed or disputed, fixed or contingent, and liquidated or unliquidated (the "Claims List") and will deliver the Claims List to the Trustee on or prior to the Effective Date. The Trustee shall be entitled to rely upon the Claims List in calculating and distributing the Liquidating Trust Estate as provided herein; provided, however, that the Claims List shall be adjusted from time to time by the Trustee as provided in Sections 6.6 and 6.9. The Trustee shall also revise the Claims List from time to time upon receipt of notice from the holder of a Trust Claim stating that such Trust Claim has been transferred pursuant to a Permitted Transfer (as defined in Section 3.2) to a new holder, that the new holder has complied with any applicable provisions of Bankruptcy Rule 3001(e) (and providing evidence thereof), and setting forth the name and address of such new holder; provided, however, that the Trustee shall not be required to revise such Claims List during the ten (10) day period preceding the date of any distribution made hereunder. The Trustee shall establish the revised Claims List that is to be used in conjunction with the distribution of any particular Distribution Amount not less than ten (10) days prior to the date of such distribution.

6.3.2 Establishment of the Claim Accounts. Upon receipt of the Claims List, the Trustee will establish on the books and records maintained by the Trustee, or its duly authorized agent, an account representing each Allowed or Disputed Claim as set forth on the Claims List (each, a "Claim Account"). It is expressly understood that the establishment of the Claim Accounts by the Trustee, or its agents, is solely for administrative convenience, and that amounts allocable to such Claim Accounts need not be segregated and may be commingled for investment purposes as specified herein.

6.4 Distributions to Holders; Priority of Payments. Distributions from the Liquidating Trust shall be made only in respect of Allowed Claims and a Creditor with an Allowed Claim shall be entitled only to a single recovery against the consolidated Debtors. Subject to Sections 6.1 and 6.2 and pursuant to the Plan, the Trustee shall make distributions of Cash to Holders to the extent of the amounts allocated to each such Holder's Claim Account pursuant to Section 6.5, in the following order:

6.4.1 Allowed Administrative Claims. First, pursuant to section II.A of the Plan, the Trustee will pay to each Holder of an Allowed Administrative Claim, unless that Holder agrees to different treatment, in Cash the portion of such Allowed Administrative Claim that has not previously been paid, if any.

6.4.2 Allowed Tax Claims. Second, pursuant to section II.D of the Plan, the Trustee will pay to each Holder of an Allowed Tax Claim in Cash the portion of such Allowed Tax Claim that has not previously been paid, if any.

6.4.3 Class 3 Priority Claims. Third, pursuant to section IV.C of the Plan, the Trustee will pay to each Holder of an Allowed Claim in Class 3, unless that Holder agrees to different treatment, Cash in an amount equal to the portion of such Allowed Class 3 Claim that has not previously been paid, if any, less the amount of any applicable withholding taxes.

6.4.4 Class 1 Secured Claim. Fourth, pursuant to section IV.A of the Plan, and subject to the right of the Debtors under the Plan to instruct the Liquidating Trust Trustee to cure and reinstate, to the extent that the Allowed Claim in Class 1 has not previously been satisfied, the Trustee will pay Cash to the Holder of an Allowed Claim in Class 1 for which the collateral securing such Claim has been sold in the amount of such Holder's Allowed Class 1 Claim as set forth in the Plan and Final Confirmation Order or other Final Claim Order in complete satisfaction of such Holder's Allowed Class 1 Claim.

6.4.5 Class 2 Secured Claim. Fifth, pursuant to section IV.B of the Plan, and subject to the right of the Debtors under the Plan to instruct the Liquidating Trust Trustee to cure and reinstate, to the extent that the Allowed Claim in Class 2 has not previously been satisfied, the Trustee will pay Cash to the Holder of an Allowed Claim in Class 2 for which the collateral securing such Claim has been sold in the amount of such Holder's Allowed Class 2 Claim as set forth in the Plan and Final Confirmation Order or other Final Claim Order in complete satisfaction of such Holder's Allowed Class 2 Claim.

6.4.6 Class 5 Unsecured Claims. Sixth, pursuant to section IV.E of the Plan the Trustee will distribute to each Holder of an Allowed Class 5 Claim Cash in an amount equal to the portion of the amount allocated to such Holder's Claim Account that has not previously been paid, if any,

6.4.7 Class 4 Opt-Out Claims. Finally, pursuant to sections IV.D, of the Plan, the Trustee will make distributions to Holders of Allowed Opt-Out Claims in Class 4 pro rata in the proportion that each Holder's Allowed Claim bears to the sum of all Allowed Opt-Out Claims in Class 4, as determined from time to time, until the earlier of (a) such time as each Holder of an Allowed Opt-Out Claim in Class 4 has received in the aggregate an amount equal to a percentage equal to the Redress Fund Percentage (as hereinafter defined) of such Holder's Allowed Claim, or (b) the date on which the Liquidating Trust Estate, including any Unclaimed Property, has been fully liquidated and the proceeds thereof distributed pursuant to

this Agreement, the Plan and the Settlement Agreement. The "Redress Fund Percentage" on any date shall be that fraction, expressed as a percentage, which has as a numerator the total amount of cash transferred to the Redress Fund through such date and which has as its denominator \$217,000,000; provided, however, that if, pursuant to section V.E.7(j) of the Plan, the value of the Allowed Settlement Claims is determined by the court to be in excess of \$217,000,000, the Redress Fund Percentage shall be calculated by substituting such redetermined value of the Allowed Settlement Claims as the denominator in the place of \$217,000,000. Notwithstanding the preceding sentence, the Redress Fund Percentage shall at no time exceed one hundred percent (100%).

6.5 Allocation of Distribution Amounts.

6.5.1 Generally. The Trustee shall distribute specified amounts to the Holders in accordance with the allocations specified in this Section 6.5. Allocations of the Distribution Amount relating to Disputed Claims shall be retained in the Liquidating Trust by the Trustee as part of the Liquidating Trust Estate (and, if applicable, shall remain in the Opt-Out Reserve or the Disputed Claims Reserve) pending resolution of the Disputed Claims and further distributions as provided for herein.

6.5.2 Allocation of Distribution Amount. With respect to each distribution of Cash made to the Holders pursuant to the terms of this Agreement, to the extent that Cash has not been previously allocated to any Claim Account pursuant to this Section 6.5.2, the Trustee will allocate the Distribution Amount to the Claim Accounts of the holders of Trust Claims as follows:

(a) first, to the Claim Account of each holder of an Administrative Claim or Tax Claim, until the full amount of each such holder's Claim has been allocated to such holder's Claim Account;

(b) second, to the Claim Account of each holder of a Claim in Class 3 pro rata in the proportion that each such holder's Class 3 Claim bears to the aggregate amount of all Class 3 Allowed Claims and the face amount of all Disputed Class 3 Claims, as determined from time to time, until the full amount of each holder's Allowed Claim or the face amount of each holder's Disputed Claim has been allocated to such holder's Claim Account;

(c) third, to the Claim Account of each holder of an Allowed Claim in Class 1 or Class 2 for which the collateral securing such Claim has been sold, until the full amount of each such holder's Allowed Claim has been allocated to such holder's Claim Account;

(d) fourth, to the Claim Account of each holder of a Claim in Class 5 to the extent that such holder has not already received payment of fifty percent (50%) of such holder's Allowed Class 5 Claim, pro rata in the proportion that each holder's Claim bears to the sum of all Allowed Class 5 Unsecured Claims and the face amount of all Disputed Class 5 Claims, until fifty percent (50%) of the

amount of each holder's Allowed Claim or fifty percent (50%) of the face amount of each holder's Disputed Claim has been allocated to such holder's Claim Account;

(e) fifth, if the Liquidating Trustee has received a Cash recovery (whether by way of judgment, settlement, reduction or subordination of claim, or any other methodology) from either the Reliance Company Litigation (as defined in the Settlement Agreement) or from Lehman, including from the Official Borrowers' Committees' action against Lehman (Case No. CV 01-971 DOC) (all the preceding being collectively, the "Recovery Actions") or if the Liquidating Trustee has received a non-Cash recovery on account of the Recovery Actions and the Liquidating Trustee has liquidated such non-Cash proceeds, then to the Claim Account of each holder of a Claim in Class 5, the lesser of:

(i) such holder's pro rata share of twenty percent (20%) of the amount of Cash received by the Liquidating Trust in respect of the Recovery Actions, allocated to each such holder's Claim Account in the proportion that such holder's Class 5 Claim bears to the aggregate amount of all Allowed Class 5 Claims and the face amount of all Disputed Class 5 Claims; or

(ii) twenty-five percent (25%) of the amount of such holder's Allowed Class 5 Claim or the face amount of such holder's Disputed Class 5 Claim;

(f) sixth, if any holder of an Allowed Claim in Class 4 receives more than 75% of the amount of his or her Allowed Claim in Class 4, then to the Claim Account of each holder of an Allowed Claim in Class 5 such holder's Pro Rata share of the aggregate sum of all monies to be distributed to all holders of Allowed Claims in Classes 4 and 5 by the Liquidating Trust and the Redress Fund, without duplication, so that in such event, holders of Allowed Claims in Classes 4 and 5 shall receive the same percentage payment on their Allowed Claims; and

(g) finally, to the Claim Account of each holder of an Opt-Out Claim in Class 4, pro rata in the proportion that each holder's Claim bears to the sum of all Allowed Opt-Out Claims in Class 4 and the face amount of all Disputed Opt-Out Claims in Class 4, as determined from time to time, until a percentage equal to the Redress Fund Percentage of the amount of such holder's Allowed Opt-Out Claim in Class 4 or of the face amount of such holder's Disputed Opt-Out Claim in Class 4, as the case may be, has been allocated to such holder's Claim Account.

6.5.3 Reallocation of Disallowed Claim Amounts. The Trustee will reallocate to other Claim Accounts (other than the Claim Accounts of holders of Claims paid on the Effective Date or the Claim Accounts of holders of Claims whose distributions hereunder have been limited or whose Claims have been equitably subordinated by order of the Court) the portion of any Distribution Amount previously allocated to any Claim Account on account of a Trust Claim or portion thereof which has been disallowed as provided in Section 6.6 in the manner provided in section 6.5.2.

6.6 Distributions of Property Allocated to Disputed Claims (including Disputed Opt-Out Claims). At such time as the Trustee compromises, settles or resolves all or any portion of a Disputed Claim, by Final Claim Order or otherwise (a "**Resolved Claim**"), the Trustee shall take the following actions with regard to the Distribution Amount allocated to the Claim Account established for that Resolved Claim (the "**Disputed Claim Distribution Amount**"): (i) distribute to the holder of the Resolved Claim the same portion of such Disputed Claim Distribution Amount as the portion, if any, of the Resolved Claim which is Allowed; (ii) retain for that Claim Account the same portion, if any, of such Disputed Claim Distribution Amount as the portion of the Resolved Claim which remains Disputed; and (iii) reallocate to all other Claim Accounts pursuant to Section 6.5 the same portion of such Disputed Claim Distribution Amount as the portion, if any, of the Resolved Claim which was disallowed. Upon the final resolution of any Disputed Claim and the subsequent distribution or reallocation of the Disputed Claim Distribution Amount as herein provided, the Trustee shall adjust the Claims List to reflect the actions taken pursuant to this Section 6.6.

6.7 Fractional Distributions. No distributions in fractions of hundredths of U.S. Dollars (\$0.00's) (i.e., cents) shall be issued. If the Distribution Amount allocated to an Allowed Claim at the time of a distribution hereunder would include fractions of cents, the amount to be distributed to the Holder of such Claim shall be rounded down to the highest integral number of cents in the applicable Claim Account, but such rounding down shall not affect such allocation (i.e., the retained fractional distribution amount will remain allocated to such Holder's Claim Account). The aggregate amount of the retained fractional distributions from the Distribution Amount shall be retained in the Liquidating Trust by the Trustee and shall remain part of the Liquidating Trust Estate. In the case of the Final Distribution only, the Trustee shall distribute any final remaining fractional amounts to the Redress Fund.

6.8 Allocation of Unclaimed Property to Claim Accounts. If, in connection with any distribution under this Section 6, any Holder entitled to a distribution does not receive such attempted distribution for any reason, including without limitation, that the Holder is not at the address set forth in the Claims List, the Distribution Amount allocated to the Claim Account of such Holder shall remain part of the Liquidating Trust Estate and shall remain allocated to such Holder's Claim Account for one (1) year following the date of such attempted distribution. Nothing contained herein or in the Plan shall require the Trustee or the Liquidating Trust to attempt to locate any Holder, other than to take customary and reasonable steps to obtain new addresses and forward any distribution that was returned as undeliverable to the appropriate Holder, including obtaining information from the National Change of Address Registry.

6.9 Distributions of Unclaimed Property. Unclaimed Property that is allocated to a Holder's Claim Account shall be distributed as follows:

6.9.1 Holder Located. If the Holder shall claim the property, then such property shall immediately be delivered to such Holder, unless previously distributed in accordance with Section 6.9.2, in which case the Holder shall have no rights or recourse whatsoever against the Liquidating Trust Estate, the Trustee, or any agents or representatives thereof.

6.9.2 Reallocation and Redistribution of Unclaimed Property.

Pursuant to section V.E.7(e) of the Plan, all amounts allocated to a Claim Account which the Trustee previously attempted to distribute and which remains unclaimed after the expiration of one (1) year following the date of the attempted distribution shall be reallocated in the manner provided in Section 6.5.3 herein as if such amount had been allocated with respect to a Disallowed Claim and such amount shall be redistributed in accordance with this Section 6. Each Trust Claim with respect to such Unclaimed Property shall be treated as if it had been disallowed in its entirety, and the Claims List shall be adjusted accordingly.

6.10 Final Distribution. Following the final liquidation of all of the assets, rights and interests comprising the Liquidating Trust Estate, and upon resolution of all outstanding objections to Disputed Claims and all actions or other proceedings relating to any Recovery Rights or any Insurance Policies, after all funds that could be received by the Liquidating Trust and/or the Redress Fund pursuant to sections 2.3(a) and 2.9(a) of the Settlement Agreement have been received, and prior to the Termination Date (as defined in Section 6.12 hereof), the Trustee shall prepare and file with the Court a final accounting of any and all distributions from the Liquidating Trust and the proposed distribution of all Cash remaining in any accounts maintained by the Trustee on behalf of the Liquidating Trust, including the Trust Administrative Fund, or otherwise remaining in the Liquidating Trust Estate (the "Final Cash"). Once the amount of the Final Cash has been determined, the Trustee shall distribute the Final Cash in accordance with the final accounting, as approved by the Court, as follows:

6.10.1 Liquidating Trust Liabilities. First, the Trustee shall deduct and pay from the Final Cash any and all Trust Expenses.

6.10.2 Secured Claims. Second, the Trustee shall make distributions to each Holder of an Allowed Claim in Class 1 or Class 2 to the extent that such Claims have not previously been satisfied as required by the Plan.

6.10.3 Priority Unsecured Claims. Third, the Trustee shall make distributions to each Holder of (i) an Allowed Administrative Claim, (ii) an Allowed Tax Claim, or (iii) an Allowed Class 3 Priority Claim, in each case to the extent that such Claims have not previously been satisfied as required by the Plan.

6.10.4 Unsecured Claims. Fourth, the Trustee shall make allocations to the holders of Allowed Claims in Class 5 and Allowed Opt-Out Claims in Class 4 in accordance with Section 6.5.2(e) and Section 6.5.2(f), respectively, in each case calculated as if the Redress Fund had already received the Final Distribution (as hereinafter defined), and shall make distributions in accordance with such allocations.

6.10.5 The Final Distribution. Finally, the Trustee shall distribute all Cash remaining in the Liquidating Trust Estate after the distributions required by Sections 6.10.1 through 6.10.4 (the "Final Distribution") to the Redress Fund.

6.10.6 Unclaimed Property. Upon the expiration of one (1) year following the date of an attempted Final Distribution, any remaining Unclaimed Property shall be reallocated and redistributed in accordance with the Plan.

6.11 No De Minimis Distributions. With the exception of the Final Distribution, no distribution shall be made to a Holder with respect to amounts allocated to such Holder's Claim Account if the amount of the distribution will not exceed fifty dollars (\$50.00). In no event shall the Trustee refrain from distributing an amount to any Holder pursuant to this paragraph for two consecutive semi-annual distributions.

6.12 Termination. The Liquidating Trust shall terminate upon the liquidation of all of the assets of the Liquidating Trust Estate and the distribution of the proceeds thereof to the Holders to the extent required by the Plan and the Settlement Agreement (with the remainder, if any, distributed to the Redress Fund pursuant to Sections 2.5 and 6.10 hereof), which date shall not be more than two (2) years from and after the Effective Date of the Plan (the "**Termination Date**"); provided, however, that if in the reasonable determination of the Trustee, in light of existing facts and circumstances, the liquidation of the Liquidating Trust Estate and the distribution of the proceeds thereof will not be completed prior to the Termination Date, then not more than ninety (90) days prior to the Termination Date the Trustee may seek the approval of the Court to extend the termination date for additional periods of one (1) year; and provided further that the Liquidating Trust shall not terminate on the Termination Date if the duration of the Liquidation Trust is extended by an order of the Court after notice to those persons identified in Section 10.3. Prior to termination of the Liquidating Trust, and in accordance with Section 6.10, the Trustee shall have filed a final accounting with the Court indicating fulfillment of the purpose of the Liquidating Trust and the Court shall have approved such final accounting. In addition, pursuant to section V.K of the Plan, on the Termination Date, the Trust Shares issued to the Liquidating Trust on the Effective Date shall be cancelled.

7. Other Duties of the Trustee.

7.1 Management of Liquidating Trust Estate. With respect to the assets of the Liquidating Trust Estate, the Trustee shall and is hereby directed to purchase and maintain in existence such insurance as the Trustee from time to time deems reasonable and appropriate to protect the interests of the Liquidating Trust, the Trustee, the Holders, and the Redress Fund in the assets of the Liquidating Trust Estate from any potential claims or liabilities relating thereto or the distribution thereof.

7.2 Trustee as Administrator. For federal income tax purposes, the Trustee shall be the "**Administrator**" of the Liquidating Trust and shall fulfill the duties of an Administrator of a disputed ownership fund, including without limitation, those described in Proposed Treasury Regulations section 1.468B-9(b)(1).

7.3 No Implied Duties. The Trustee shall not manage, control, use, sell, dispose of, collect or otherwise deal with the Liquidating Trust Estate or otherwise take any action hereunder except as expressly provided herein, and no implied duties or obligations whatsoever of the Trustee shall be read into this Agreement.

8. Concerning the Trustee.

8.1 Acceptance by the Trustee. The Trustee accepts the Liquidating Trust hereby created for the benefit of the holders of the Beneficial Interests and agrees to act as Trustee of the Liquidating Trust pursuant to the terms of this Agreement. The Trustee shall have and exercise the rights and powers herein granted and shall be charged solely with the performance of the duties herein declared on the part of the Trustee. The Trustee also agrees to receive and disburse all Cash actually received by it constituting part of the Liquidating Trust Estate pursuant to the terms of this Agreement, the Settlement Agreement and the Plan.

8.2 Standard of Care; Exculpation. The Trustee shall perform all duties and obligations imposed on it by this Agreement with reasonable diligence and care under the circumstances. The Trustee shall not be personally liable to the Liquidating Trust or to the holders of the Beneficial Interests except for such of its own acts as shall constitute fraud, bad faith, willful misconduct, gross negligence or willful disregard of its duties. Except as aforesaid, the Trustee shall be entitled to be exonerated and indemnified as set forth in Sections 8.8 and 8.9. The foregoing provisions of this Section 8.2 shall also extend to the employees and agents of the Trustee, as the case may be, except with respect to Professionals. The Court may require the Trustee to post a fidelity bond of the type typically required of a Chapter 7 bankruptcy trustee and in an amount to be determined by the Court.

8.3 Discretionary Submission of Questions. Subject to the provisions of this Section 8, and except as otherwise required under this Agreement, the Plan or the Settlement Agreement, the Trustee, in its sole discretion and reasonable business judgment, may, but shall not be required to, submit to the Court, from time to time, any question or questions with respect to which the Trustee may desire to have explicit approval of the Court for the taking of any specific action proposed to be taken by the Trustee with respect to the Liquidating Trust Estate, or any part thereof, and the administration and distribution of the Liquidating Trust Estate. The written authorization of the Court set forth in a Final Post-Confirmation Order shall constitute approval by the Court of the proposed action to be taken by the Trustee. All costs and expenses incurred by the Trustee in the exercise of any right, power or authority conferred by this Section 8.3 shall be considered Trust Expenses.

8.4 Limitation on Liability. The Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized hereby or within the rights or powers conferred upon it hereunder, or taken or omitted by it in accordance with advice of counsel (which counsel may be of the Trustee's own choosing), and shall not be liable for any mistake of fact or error of judgment or for any acts or omissions of any kind unless caused by willful misconduct or gross negligence.

8.5 Discretion of the Trustee. Except as otherwise provided herein, the Trustee, within the limitations and restrictions expressed and imposed herein, may act freely under all or any of the rights, powers and authority conferred hereby, in all matters concerning the Liquidating Trust Estate, after forming its best reasonable business judgment based upon the circumstances of any particular question or situation as to the best course to pursue, without the necessity of obtaining the consent or permission or authorization of the

Holders, the Redress Fund, the Debtors, the Court, the Post-Confirmation Committee, or of any official or officer; and the rights, powers and authority conferred on the Trustee by this Agreement are conferred in contemplation of such freedom of reasonable business judgment and action within the limitations and restrictions so expressed and imposed; provided, however, that the Trustee shall not be liable for any error or exercise of judgment, unless it shall be proved that such Trustee was grossly negligent or acted in a manner which constituted willful misconduct.

8.6 Reliance by the Trustee.

8.6.1 Genuineness of Documents. The Trustee may rely and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, objection, order, judgment, decree, or other paper or document reasonably believed by it to be genuine and to have been signed, made, entered or presented by the proper party, parties, official, officials, entity or entities.

8.6.2 Reliance on Certificates or Opinions. In the absence of gross negligence or willful misconduct on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, on any certificates or opinions furnished to the Trustee and conforming to the requirements of this Agreement, but in the case of any such certificates or opinions that are specifically required to be furnished to the Trustee by any provision hereof, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Agreement.

8.6.3 Reliance on Counsel. The Trustee may consult with legal counsel and with independent public accountants and other experts to be selected by it. In the absence of gross negligence or willful misconduct on the part of the Trustee, the Trustee shall not be liable for any action taken or for any omission made in reliance on any opinion or certification of such accountants or in accordance with the advice of such counsel or experts, provided that such accountants, counsel and experts were selected and retained with reasonable care.

8.7 Reliance on the Trustee. No person dealing with the Trustee shall be obligated to inquire into the expediency or propriety of any transaction or the right, power, or authority of the Trustee to enter into or consummate the same upon such terms as the Trustee may deem advisable. Persons dealing with the Trustee shall look only to the Liquidating Trust Estate to satisfy any liability incurred by the Trustee to such persons in carrying out the terms of this Agreement, and, except as otherwise expressly provided herein, the Trustee shall have no personal, corporate or individual obligation to satisfy any such liability.

8.8 Indemnification.

8.8.1 Indemnification of Trustee and Agents. The Trustee, and each employee and agent of the Liquidating Trust shall be indemnified out of the Liquidating Trust Estate and to the full extent of the Liquidating Trust Estate against

any and all liabilities and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with the defense or disposition of any threatened, pending, or completed action, suit or other proceeding whether civil, criminal, administrative, or investigative, by reason of its being or having been such a Trustee, employee or agent; provided, however that it shall not be entitled to have such indemnification in respect of any matter as to which it shall have been adjudicated to have acted in bad faith or with willful misconduct or gross negligence or in reckless disregard of its duties. The rights accruing to any Trustee, employee or agent under these provisions shall not exclude any other right to which it may be lawfully entitled.

8.8.2 Payment of Expenses. After consultation with the Post-Confirmation Committee, the Trustee may make advance payments for expenses (including attorneys' fees) incurred in defending any action, suit or proceeding referred to in Section 8.8.1, provided that the indemnified Trustee, employee or agent shall have given a written undertaking to repay any amount advanced to it and to reimburse the Liquidating Trust in the event it is subsequently determined that it is not entitled to such indemnification.

8.8.3 Insurance. The Trustee shall purchase such insurance as it determines, in the exercise of its reasonable discretion, adequately insures that the Trustee, the employees, and the agents of the Liquidating Trust shall be indemnified against any loss, liability or damage pursuant to Section 8.8.1.

8.9 Costs and Expenses of the Trustee. Except as otherwise provided herein, the Trustee shall pay out of the Liquidating Trust Estate all reasonable costs, expenses and obligations incurred by the Trustee in carrying out its duties under this Agreement or in any manner connected, incidental or related to the administration of the Liquidating Trust including, without limitation:

(a) any reasonable fees and expenses of attorneys, accountants, investment advisors, expert witnesses, insurance adjustors, property managers, realtors, brokers, professionals or other persons whom the Trustee may reasonably deem advisable to employ in connection with the Liquidating Trust, or on its own behalf in accordance with the terms of this Agreement; and

(b) any taxes, charges and assessments which may be owed by, or levied or assessed against, the Liquidating Trust Estate or any property held in trust hereunder.

8.10 Resignation and Removal.

8.10.1 Resignation. The Trustee may resign and be discharged from any future obligations and liabilities hereunder by giving written notice thereof to the Court and all persons identified in Section 10.3 at least thirty (30) days prior to the effective date of such resignation. Such resignation shall become effective on the day specified in such notice.

8.10.2 Removal. The Trustee may be removed at any time, with cause by application for such removal to the Court by any interested party. Upon any such removal, such removed Trustee shall be entitled to any and all reimbursement and indemnification set forth in this Agreement which the Court determines remains due and owing to such Trustee at the time of such removal.

8.10.3 Appointment of Successor Trustee. If, at any time, the Trustee shall give notice of its intent to resign pursuant to Section 8.10.1 or be removed or become incapable of acting, the Trustee or any counsel to the Liquidating Trust shall provide notice thereof to the Court and all persons identified in Section 10.3 and the Court shall designate a successor Trustee.

8.10.4 Acceptance of Appointment by Successor Trustee. Any successor Trustee appointed hereunder shall execute an instrument accepting such appointment consistent with the terms set forth herein and shall deliver counterparts thereof to the Court. Thereupon, such successor Trustee shall, without any further act, become vested with all of the estates, properties, rights, powers, trusts and duties of his predecessor in the Liquidating Trust hereunder with like effect as if originally named herein.

8.10.5 Trust Continuance. The death, resignation, incompetency or removal of the Trustee shall not operate to terminate the Liquidating Trust or to revoke any existing agency created pursuant to the terms of this Agreement or to invalidate any action theretofore taken by the retiring Trustee. In the event of the resignation or removal of the Trustee, such retiring Trustee shall (a) promptly execute and deliver such documents, instruments and other writings as may be requested by the successor Trustee to effect the change in the retiring Trustee's capacity under this Agreement and the conveyance of the Liquidating Trust Estate then held by the retiring Trustee to its successor and (b) otherwise cooperate in effecting such successor Trustee's assumption of its obligations and functions.

9. Supplements and Amendments to this Trust Agreement.

9.1 Supplements and Amendment. Subject to the provisions of Sections 2 and 9.2, at any time and from time to time, after providing fifteen days' notice to the persons identified in Section 10.3, and subject to approval by the Court if sought by the Trustee pursuant to Section 8.3, the Trustee may execute a supplement or amendment hereto for the purpose of adding provisions to, or changing or eliminating provisions of, this Agreement, or amendments thereto; provided, however, that no such supplement or amendment shall (i) require any holders of the Beneficial Interests to furnish or advance funds to the Trustee or shall entail any additional personal liability or the surrender of any individual right on the part of any holders of the Beneficial Interests, except with their written consent, or (ii) without the consent of those holders of the Beneficial Interests holding not less than two-thirds of the Beneficial Interests in the Liquidating Trust, change or modify the provisions for distribution of the Liquidating Trust Estate. In no event, however, shall this Agreement be amended in any way that would change the purposes of the Liquidating Trust as set forth in Section 2.2 or conflict with the provisions of the Plan, the Settlement Agreement, the Final Confirmation Order or any other Final Post-Confirmation Order.

9.2 Trustee, Declining to Execute Documents. If, in the reasonable opinion of the Trustee, any document required to be executed pursuant to the terms of Section 9.1 materially and adversely affects any immunity or indemnity in favor of the Trustee under this Agreement, the Trustee may in its discretion decline to execute such document.

9.3 Notice of Form of Supplement and Amendments Requiring Vote or Consent. A copy of each amendment or supplement (or a fair summary thereof) shall be furnished to the holders of the Beneficial Interests promptly after the execution thereof, except that with respect to any proposed amendment or supplement for which the consent of the Beneficial Interests holders is required, the form of such proposed supplement or amendment (or a fair summary thereof) shall be furnished to the Beneficial Interests holders and approval thereof by vote or consent of the Beneficial Interests holders shall be requested and obtained prior to the Trustee's execution of such proposed amendment or supplement.

9.4 Notice and Effect of Executed Amendment. Upon the execution of any declaration of amendment or supplement and the approvals required herein, this Agreement shall be deemed to be modified and amended in accordance therewith and the respective rights, limitations of rights, obligations, duties and immunities under this Agreement of the Trustee and the Beneficial Interests holders shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such amendment or supplement shall be thereby deemed to be part of the terms and conditions of this Agreement for any and all purposes.

10. Miscellaneous.

10.1 Title to Liquidating Trust Estate. No holder of a Beneficial Interest shall have title to any part of the Liquidating Trust Estate. For federal income tax purposes and in accordance with Proposed Treasury Regulations section 1.468B-9(c)(1), the Liquidating Trust shall be treated as the owner of all assets that it holds.

10.2 Sales of Assets of the Liquidating Trust Estate. Any sale or other conveyance of any assets of the Liquidating Trust Estate, or part thereof, by the Trustee made in accordance with the terms of this Agreement shall bind the Beneficial Interests holders and shall be effective to transfer or convey all right, title and interest of the Trustee and the Beneficial Interests holders in and to such assets of the Liquidating Trust Estate.

10.3 Notices. Unless otherwise expressly specified or permitted by the terms of the Plan or this Agreement, all notices shall be in writing and delivered by registered or certified mail, return receipt requested, or by a hand or by facsimile transmission (and confirmed by mail), in any such case addressed as follows:

If to the Trustee:

[trustee 1]
Attn: [name]
[address]
Fax: [#]

With a copy to:

[firm]
Attn: [name]
[address]
Fax: [#]

If to Brian Chisick:

Brian Chisick
[address]
Fax: [#]

With a copy to:

[firm]
Attn: [name]
[address]
Fax: [#]

If to the Redress Fund:

[entity]
Attn: [name]
[address]
Fax: [#]

With a copy to:

Federal Trade Commission
Attn: Anne M. McCormick, Esq.
600 Pennsylvania Avenue, N.W.
Room S-4429
Washington, D.C. 20580

If to the Post-Confirmation Committee:

[entity]
Attn: [name]
[address]
Fax: [#]

With a copy to

[entity]
Attn: [name]
[address]
Fax: [#]

If to the FTC:

Federal Trade Commission
Attn: Anne M. McCormick, Esq.
600 Pennsylvania Avenue, N.W.
Room S-4429
Washington, D.C. 20580

and if to any Holder, addressed to its latest mailing address reflected on the Claims List.

10.4 Severability. In the event any provision of this Agreement or the application thereof to any person or circumstances shall be finally determined by a court of proper jurisdiction to be invalid or unenforceable to any extent, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each provision of this Agreement shall be valid and enforced to the fullest extent permitted by law.

10.5 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same instrument.

10.6 Binding Agreement. All covenants and agreements contained herein shall be binding upon, and inure to the benefit of, the Trustee and its respective successors and assigns, and any successor Trustee provided for in Section 8 and its respective successors and assigns, and the Holders, and their respective personal representatives, successors and assigns. Any request, notice, direction, consent, waiver or other instrument or action by any party hereto or any Holder shall bind their respective heirs, personal representatives, successors and assigns.

10.7 Liability of the Liquidating Trust. Subject to Section 5.2, liabilities of the Liquidating Trust are to be satisfied in all events (including the exhaustion of the Liquidating Trust Estate) exclusively from the Liquidating Trust Estate and such liabilities are not to attach to or be paid from any amounts distributed to the Holders or the Redress Fund, regardless of the time at which such distribution took place, or from the assets of the Holders or the Redress Fund.

10.8 Headings. The headings of the various Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

10.9 Construction. Except where the context otherwise requires, words importing the masculine gender shall include the feminine and the neuter, if appropriate; words importing the singular number shall include the plural number and vice versa; and words importing persons shall include partnerships, associations, and corporations.

10.10 Governing Law. This Agreement including all matters of construction, validity and performance hereof, shall in all respects be governed by, and construed and interpreted in accordance with the internal laws of the State of California.

10.11 Construction with the Plan and Settlement Agreement. The Plan and the Settlement Agreement are hereby incorporated fully by reference and are made a part hereof for all purposes. In the event of any inconsistency or conflict between the terms, conditions, and provisions of this Agreement and the terms, conditions and provisions of the Plan or the Settlement Agreement, the terms, conditions, definitions and provisions of the Plan or the Settlement Agreement, as the case may be, shall control. To the extent that there is an inconsistency between the Settlement Agreement and the Plan, the provisions of the Settlement Agreement shall control.

10.12 Subject to Court's Jurisdiction. The Court shall retain jurisdiction over this Liquidating Trust, the Liquidating Trust Estate, the Trustee, the Debtors and the Post-Confirmation Committee to: (a) ensure that the purposes and intent of this Agreement are carried out; (b) issue any and all orders and take other actions necessary to implement this Agreement; and (c) determine all controversies and disputes arising under and in connection with the Liquidating Trust or this Agreement. Such jurisdiction shall include, without limitation, the jurisdiction contemplated by (a) section 1142 of the Code and (b) Proposed Treasury Regulation section 1.468B-9(a)(2).

10.13 Intention of the Parties. The Debtors, the Beneficial Interests holders and the Trustee hereby express their intent to create and maintain the Liquidating Trust as a disputed ownership fund for federal income tax purposes in accordance with Proposed Treasury Regulation section 1.468B-9. It is intended that the Liquidating Trust will be subject to federal income tax on all income and gain realized with respect to the Liquidating Trust Estate after the date of its transfer to the Liquidating Trust in accordance with Proposed Treasury Regulations section 1.468B-9(c)(1)(i) or 1.468B-9(c)(1)(ii), as the case may be.

10.14 Retention of Professionals and Compensation of Trustee and Professionals.

10.14.1 In accordance with section V.E.4 of the Plan, and subject to the approval of the Court, the Trustee and the Post-Confirmation Committee shall be entitled to employ attorneys, accountants, appraisers, property managers, brokers, realtors, expert witnesses, insurance adjusters or other persons whose services may be necessary or advisable in the sole judgment of the Trustee to advise or assist them in the discharge of their respective duties or otherwise in the exercise of any powers vested in them.

10.14.2 The Trustee shall be entitled to compensation and reimbursement of necessary fees and expenses reasonably incurred in performing its duties as Trustee, as approved by the Court. Any successor Trustee shall receive such reasonable compensation for its services as may be approved by the Court and shall also be entitled to reimbursement for necessary fees and expenses reasonably incurred in performing its duties as Trustee. Professionals retained by the Trustee

and the Post-Confirmation Committee shall also be entitled to compensation and reimbursement for necessary fees and expenses in accordance with the terms of their respective retainer agreements, which terms and payment shall be subject to approval by the Court.

10.14.3 No later than the twentieth (20th) day of each month, the Trustee shall submit to the Post-Confirmation Committee and all Professionals shall submit to both the Trustee and the Post-Confirmation Committee invoices detailing the services rendered and the compensation and fees and expenses incurred during the immediately preceding month. Except to the extent a written objection to a Compensation Report is received by the Trustee and the Post-Confirmation Committee within twenty (20) days of service of the invoices, the Trustee shall pay to himself, his Professionals, and any other Professionals, including any Professionals of the Post-Confirmation Committee, ninety-five percent (95%) of compensation and fees and one hundred percent (100%) of expenses reflected in the invoices. Pending resolution of any objections, the Trustee shall pay any and all undisputed amounts set forth in the invoices, up to ninety-five percent (95%) of requested compensation and fees and one hundred percent (100%) of expenses. The Trustee and the Post-Confirmation Committee shall use reasonable efforts to resolve any objections to the invoices within twenty (20) days after receipt. If no consensual resolution is reached within that time, the objection shall be resolved by a hearing before the Court, and the Trustee shall pay the amount, if any, ordered by the Court after hearing.

10.14.4 Every twelve (12) months, the Trustee and each Professional shall be required to file with the Court and serve on those persons identified in Section 10.3 an interim fee application. Prior to the filing of the final accounting required by Section 6.10, the Trustee and each Professional shall be required to file with the Court and serve on those persons identified in Section 10.3 a final fee application.

IN WITNESS WHEREOF, the parties have executed or have hereunto caused this Agreement to be duly executed, as of the day and year first above written.

DEBTORS:

FIRST ALLIANCE CORPORATION

By: _____
Name: _____
Title: _____

FIRST ALLIANCE MORTGAGE COMPANY

By: _____
Name: _____
Title: _____

FIRST ALLIANCE PORTFOLIO SERVICES

By: _____
Name: _____
Title: _____

FIRST ALLIANCE MORTGAGE COMPANY
(MINNESOTA)

By: _____
Name: _____
Title: _____

TRUSTEE:

FIRST ALLIANCE LIQUIDATING TRUST

By: [Trustee 1], not in its individual or corporate capacity, but solely as Trustee of the First Alliance Liquidating Trust

By: _____
Name: _____
Title: _____

EXHIBIT "2" TO THE PLAN, THE STIPULATION OF SETTLEMENT, DATED AS OF FEBRUARY 25, 2002, WHICH WAS ATTACHED AS EXHIBIT "2" TO THE PLAN FILED ON MAY 7, 2002, IS INTENTIONALLY OMITTED.

EXHIBIT "3" TO THE PLAN, THE SCHEDULE OF SUBORDINATED CLAIMS, WHICH WAS ATTACHED AS EXHIBIT "3" TO THE PLAN FILED ON MAY 7, 2002, IS INTENTIONALLY OMITTED.

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
SOUTHERN DIVISION

In re

FIRST ALLIANCE MORTGAGE CO., a
California corporation; FIRST ALLIANCE
CORPORATION, a Delaware corporation; FIRST
ALLIANCE MORTGAGE COMPANY, a Minnesota
corporation, and FIRST ALLIANCE PORTFOLIO
SERVICES, INC., a Nevada corporation,

Debtors.

Case No. SA CV 02-417 DOC

Chapter 11 Cases

**BALLOT RE DEBTORS' FIRST
AMENDED JOINT AND
CONSOLIDATED PLAN OF
LIQUIDATION DATED MAY 6, 2002**

CONFIRMATION HEARING:

Date: September 10, 2002
Time: 8:30 a.m. (Pacific Daylight Time)
Place: Courtroom 9D
411 W. Fourth Street
Santa Ana, California 92701

The Debtors' First Amended Joint and Consolidated Plan of Liquidation Dated May 6, 2002 (the "Plan") filed by FIRST ALLIANCE MORTGAGE COMPANY, a California corporation, FIRST ALLIANCE CORPORATION, a Delaware corporation, FIRST ALLIANCE MORTGAGE COMPANY, a Minnesota corporation, and FIRST ALLIANCE PORTFOLIO SERVICES, a Nevada corporation (collectively, the "Debtors"), is enclosed along with the Disclosure Statement Re: Debtors' First Amended Joint and Consolidated Plan of Liquidation Dated May 6, 2002 (the "Disclosure Statement"). **DEBTORS URGE YOU TO READ THE DISCLOSURE STATEMENT AND THE PLAN CAREFULLY.**

TO HAVE YOUR VOTE ON THE PLAN COUNT, YOU MUST COMPLETE THIS BALLOT IN FULL AND RETURN IT TO CPT GROUP, INC. BY 4:00 P.M., ON AUGUST 13, 2002, AS SET FORTH ON THE REVERSE.

VOTING:

The undersigned, holder of a **Class 3** Claim under the Plan:

Accepts Debtors' Plan

Rejects Debtors' Plan

SIGNATORY:

By signing this Ballot, the undersigned certifies that he or she has been provided with a copy of the Disclosure Statement pursuant to Section 1125 of the Bankruptcy Code in support of the Plan proposed by Debtors and exhibits thereto and that he or she has full power and authority to vote to accept or reject the Plan. The undersigned also acknowledges that this solicitation of acceptances of the Plan is subject to all the terms and conditions set forth in the Disclosure Statement.

Authorized Signature: _____

Dated: _____

Print Name: _____

Title (if any): _____

Company: _____

Address: _____

Amount of Claim: \$ _____

**BALLOTS MUST BE RECEIVED BY 4:00 P.M., PACIFIC DAYLIGHT TIME, ON
AUGUST 13, 2002, BY:**

CPT Group, Inc.
Attn: FAMCO Ballots
16630 Aston Street
Irvine, California 92606

**THIS BALLOT DOES NOT CONSTITUTE A PROOF OF CLAIM,
AND WILL NOT BE CONSIDERED A PROOF OF CLAIM**

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
SOUTHERN DIVISION

In re

FIRST ALLIANCE MORTGAGE CO., a
California corporation; FIRST ALLIANCE
CORPORATION, a Delaware corporation;
FIRST ALLIANCE MORTGAGE
COMPANY, a Minnesota corporation, and
FIRST ALLIANCE PORTFOLIO SERVICES,
INC., a Nevada corporation,

Debtors.

Case No. SA CV 02-417 DOC

Chapter 11 Cases

**BALLOT RE DEBTORS' FIRST
AMENDED JOINT AND
CONSOLIDATED PLAN OF
LIQUIDATION DATED MAY 6,
2002**

CONFIRMATION HEARING:

Date: September 10, 2002
Time: 8:30 a.m. (Pacific Daylight Time)
Place: Courtroom 9D
411 W. Fourth Street
Santa Ana, California 92701

The Summary of Disclosure Statement and Plan for First Alliance Borrowers and Notice of Confirmation Hearing and Deadlines (the "Summary of Disclosure Statement and Plan") is enclosed. FIRST ALLIANCE MORTGAGE COMPANY, A CALIFORNIA CORPORATION, FIRST ALLIANCE CORPORATION, A DELAWARE CORPORATION, FIRST ALLIANCE MORTGAGE COMPANY, A MINNESOTA CORPORATION, AND FIRST ALLIANCE PORTFOLIO SERVICES, A NEVADA CORPORATION (COLLECTIVELY, THE "DEBTORS"), URGE YOU TO READ THE SUMMARY OF DISCLOSURE STATEMENT AND PLAN CAREFULLY.

TO HAVE YOUR VOTE ON THE PLAN COUNT, YOU MUST COMPLETE THIS BALLOT IN FULL AND RETURN IT TO CPT GROUP, INC. BY 4:00 P.M., ON AUGUST 13, 2002, AS SET FORTH ON THE REVERSE.

VOTING:

The undersigned (check one only):

Accepts Debtors' Plan

Rejects Debtors' Plan

SIGNATORY:

By signing this Ballot, the undersigned certifies that he or she has been provided with a copy of the Summary of Disclosure Statement and Plan which was approved by the District Court, and that he or she has full power and authority to vote to accept or reject the Plan. The undersigned also acknowledges that this solicitation of acceptances of the Plan is subject to all the terms and conditions set forth in the Disclosure Statement.

Authorized Signature: _____ Dated: _____

Print Name: _____ Title (if any): _____

Company: _____

Address: _____

Amount of Claim: \$ _____

**BALLOTS MUST BE RECEIVED BY 4:00 P.M., PACIFIC DAYLIGHT TIME, ON
AUGUST 13, 2002. SEND YOUR BALLOT TO:**

CPT Group, Inc.
Attn: FAMCO Ballots
16630 Aston Street
Irvine, California 92606

**THIS BALLOT DOES NOT CONSTITUTE A PROOF OF CLAIM,
AND WILL NOT BE CONSIDERED A PROOF OF CLAIM.
MOREOVER, ANY CLAIM AMOUNT ASSERTED ABOVE SHALL
BE USED ONLY FOR VOTING PURPOSES, AND MAY NOT BE THE SAME
AS THE AMOUNT OF YOUR CLAIM FOR DISTRIBUTION PURPOSES.
ANY ASSERTED CLAIM MAY BE SUBJECT TO LATER CHALLENGE.
IN ADDITION, THE DEBTORS RESERVE THE RIGHT TO ARGUE THAT
THIS BALLOT SHALL NOT BE COUNTED.**

Class 5 – Allowed Claims, including Claims arising from the rejection of executory contracts, other than (a) Administrative Claims, (b) Tax Claims, and (c) Claims included within any other Class designated by the Plan

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
SOUTHERN DIVISION

In re

FIRST ALLIANCE MORTGAGE CO., a California corporation; FIRST ALLIANCE CORPORATION, a Delaware corporation; FIRST ALLIANCE MORTGAGE COMPANY, a Minnesota corporation, and FIRST ALLIANCE PORTFOLIO SERVICES, INC., a Nevada corporation,

Debtors.

Case No. SA CV 02-417 DOC

Chapter 11 Cases

**BALLOT RE DEBTORS' FIRST
AMENDED JOINT AND
CONSOLIDATED PLAN OF
LIQUIDATION DATED MAY 6, 2002**

CONFIRMATION HEARING:

Date: September 10, 2002

Time: 8:30 a.m. (Pacific Daylight Time)

Place: Courtroom 9D
411 W. Fourth Street
Santa Ana, California 92701

The Debtors' First Amended Joint and Consolidated Plan of Liquidation Dated May 6, 2002 (the "Plan") filed by FIRST ALLIANCE MORTGAGE COMPANY, a California corporation, FIRST ALLIANCE CORPORATION, a Delaware corporation, FIRST ALLIANCE MORTGAGE COMPANY, a Minnesota corporation, and FIRST ALLIANCE PORTFOLIO SERVICES, a Nevada corporation (collectively, the "Debtors"), is enclosed along with the Disclosure Statement Re: Debtors' First Amended Joint and Consolidated Plan of Liquidation Dated May 6, 2002 (the "Disclosure Statement"). **DEBTORS URGE YOU TO READ THE DISCLOSURE STATEMENT AND THE PLAN CAREFULLY.**

TO HAVE YOUR VOTE ON THE PLAN COUNT, YOU MUST COMPLETE THIS BALLOT IN FULL AND RETURN IT TO CPT GROUP, INC. BY 4:00 P.M., ON AUGUST 13, 2002, AS SET FORTH ON THE REVERSE.

VOTING:

The undersigned, holder of a **Class 5** Claim under the Plan:

Accepts Debtors' Plan

Rejects Debtors' Plan

SIGNATORY:

By signing this Ballot, the undersigned certifies that he or she has been provided with a copy of the Disclosure Statement pursuant to Section 1125 of the Bankruptcy Code in support of the Plan proposed by Debtors and exhibits thereto and that he or she has full power and authority to vote to accept or reject the Plan. The undersigned also acknowledges that this solicitation of acceptances of the Plan is subject to all the terms and conditions set forth in the Disclosure Statement.

Authorized Signature: _____

Dated: _____

Print Name: _____

Title (if any): _____

Company: _____

Address: _____

Amount of Claim: \$ _____

**BALLOTS MUST BE RECEIVED BY 4:00 P.M., PACIFIC DAYLIGHT TIME, ON
AUGUST 13, 2002, BY:**

CPT Group, Inc.
Attn: FAMCO Ballots
16630 Aston Street
Irvine, California 92606

**THIS BALLOT DOES NOT CONSTITUTE A PROOF OF CLAIM,
AND WILL NOT BE CONSIDERED A PROOF OF CLAIM**

[FTC, STATE, AARP letterhead]

**IMPORTANT RECOMMENDATION FROM
THE FTC, THE STATE ATTORNEYS GENERAL AND AARP**

**RE: YOUR VOTE
ON FIRST ALLIANCE'S BANKRUPTCY PLAN**

[Date]

Dear First Alliance borrower:

You have already received notice that you may be eligible to receive **money back** as part of a class action settlement of government and private lawsuits against First Alliance Mortgage Company. The Settlement Agreement can only be implemented after certain conditions are met, including the Court's approval of First Alliance's bankruptcy Plan of liquidation.

Please read the enclosed packet of information carefully. It explains how First Alliance's bankruptcy Plan will affect borrowers, and includes a ballot asking for your vote on the Plan. The Federal Trade Commission ("FTC"), the Attorneys General of the States of Arizona, California, Florida, Illinois and the Commonwealth of Massachusetts, the New York State Banking Department and **AARP all recommend that you VOTE "YES" to accept the Plan.**

The FTC, the States, AARP, and certain individual borrowers brought lawsuits alleging that First Alliance and certain of its officers and employees deceived borrowers about the terms of their loans. After investigating and preparing the case for trial, and engaging in long and hard-fought negotiations, the parties agreed to compromise and settle the cases rather than expend further estate funds on litigation and trial.

The Settlement Agreement and the Plan require First Alliance to turn over its remaining assets to an FTC Redress Fund that will provide refunds to eligible borrowers, and to a Liquidating Trustee that will pay the claims of its other valid creditors. The amount of the refunds depends on many factors, but may be between **\$1000 and \$5000** per First Alliance loan.

The FTC, the States and AARP have conducted a thorough investigation of the claims alleged in the lawsuits, including inspecting many thousands of pages of documents and taking and defending depositions of numerous witnesses. After weighing the substantial benefits of the proposed Settlement against the costs, risks, and delays of continuing the lawsuits, the FTC, the States, and the AARP believe that the proposed Settlement Agreement and the Plan, as presented in this package by the Debtors, is in the best interests of borrowers in these bankruptcy proceedings.

The alternative to the Settlement Agreement and the Plan would be costly and time-consuming litigation that would further delay refunds to borrowers and erode the assets of First Alliance's bankruptcy estate.

Accordingly, the FTC, the States, and AARP urge you to Vote "YES" on the First Alliance Plan of liquidation.

If you have any questions you may contact - - -

June __, 2002

To the General Unsecured Creditors of First Alliance Mortgage Company ("FAMCO")
and its debtor affiliates

Re: Recommendation of Official Committee of Unsecured Creditors in
Favor of Plan of Reorganization for FAMCO and Certain Affiliates

Dear General Unsecured Creditor:

This firm represents the Official Committee of Unsecured Creditors (the "Creditors' Committee") of FAMCO, First Alliance Corporation, First Alliance Mortgage Company, and First Alliance Portfolio Services, Inc. (collectively, the "Debtors"). This letter is being sent to each of you to inform you of the Creditors' Committee's support for the *Debtors' First Amended Joint and Consolidated Plan of Liquidation Dated May 6, 2002* (the "Plan") and to urge you to cast your vote to accept the Plan.

On March 23, 2000, the Debtors filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code. Shortly thereafter, the United States Trustee appointed the Creditors' Committee to represent the interest of the Debtors' general unsecured creditors. (The United States Trustee appointed a separate committee to represent individual FAMCO borrowers in all aspects of these bankruptcy cases.) The Creditors' Committee has participated in discussions and negotiations concerning many aspects of these cases, including the drafting of provisions pertinent to general unsecured creditors.

In broad outline, the Plan provides for the orderly liquidation of substantially all remaining property of the Debtors and their estates, including substantial amounts being paid to the Debtors' estates by the Debtors' present and former insiders and/or the Debtors' insurance carriers in satisfaction of claims against these insiders. The Debtors will use cash on hand, cash provided by former insiders and insurance carriers, and the cash generated from the sale, disposition, or collection of their property — including the satisfaction of certain recovery rights — to pay allowed claims in these cases. To implement the Plan, on its effective date a liquidating trust will be funded with certain of the Debtors' property for the benefit of all creditors holding allowed claims against the Debtors. Concurrently, other estate property will be set aside to create a so-called "Redress Fund" pursuant to the terms of a heavily negotiated, multiparty settlement agreement. Through this process, the Plan proposes to avoid significant litigation with respect to the allocation of assets among the various creditors of these estates and thereby to provide a higher return to holders of general unsecured claims against the

General Unsecured Creditors of FAMCO
June __, 2002
Page 2

Debtors than would otherwise be available. Accordingly, the Plan filed by the Debtors has the full support of the Creditors' Committee.

The treatment for general unsecured creditors holding claims against the Debtors is set forth in the provisions governing Class 5 in the Plan. Class 5 consists of all claims other than administrative claims, tax claims, and claims included within any other class under the Plan (such as borrower claims). Subject to the Plan's specific terms, holders of allowed Class 5 claims will receive payments, not to exceed 75% of the total amount of their allowed Class 5 claims, as follows: (1) 50% of the amount of their allowed Class 5 claim; and (2) 20% of the amount of any recovery from the satisfaction of certain recovery rights designated under the Plan. In addition, if any holder of an allowed borrower claim classified in Class 4 under the Plan will receive more than 75% of the amount of his or her allowed Class 4 claim, then each holder of an allowed Class 5 claim additionally shall receive a *pro rata* share of the aggregate sum of all monies to be distributed to all holders of allowed claims in Classes 4 and 5, without duplication, so that holders of allowed Class 4 and 5 claims will receive the same percentage payment on account of their allowed claims. It is anticipated that the liquidating trust and the Redress Fund will be funded on the Plan's effective date, and distributions will thereafter be made from the liquidating trust — subject to the terms set forth in the Plan — commencing on the sixty-first day following the Plan's effective date and continuing semiannually thereafter.

The distributions to be provided to the Debtors' general unsecured creditors under the Plan, in the Creditors' Committee's opinion, avoid the risk and cost of protracted litigation in these cases and provide more value than would be received by creditors in the event of a Chapter 7 liquidation. Accordingly, the Creditors' Committee recommends that creditors vote to accept the Plan.

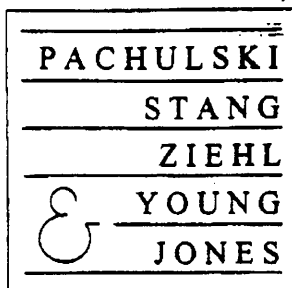
Sincerely yours,

David M. Stern

DMS:mhk

Creditors' Committee:

Carney Direct Marketing (Representative & Committee Chair: Diana M. Arroyo)
Fidelity Federal Bank, F.S.B. (Representative: Matthew J. Bonaccorso)
Workflow Direct/Pacific Admail, Inc. (Representative: Erin Schlegel)
Direct List Technology, Inc. (Representative: Thomas Philip)
Tension Envelope Corporation (Representative: Stanley D. Moskowitz)
Miller/Davis Company (Representative: A.K. Dube)



LAW OFFICES
PROFESSIONAL CORPORATION
LOS ANGELES, CA
SAN FRANCISCO, CA
WILMINGTON, DE

10100 SANTA MONICA BLVD.
11th FLOOR
LOS ANGELES
CALIFORNIA 90067-4100

TELEPHONE: [REDACTED]

FACSIMILE: [REDACTED]

June 13, 2002

TO BE PRINTED ON YELLOW PAPER

[borrower name & address]

Re: First Alliance Mortgage Company ("FAMCO")

Dear FAMCO Borrower:

We are counsel for the Official Joint Borrower's Committee (the "Committee") in the bankruptcy proceedings of First Alliance Mortgage Company ("FAMCO"). Members of the Committee are AARP, David Zlotnick, Esq., Daniel Mulligan Esq., Robert Silver, and Jerome Ritter, Esq. **The purpose of this letter is to advise you of our support of the Plan of Reorganization/Liquidation that is described in the documents received with this letter and the Committee's request that you vote in favor of the Plan.**

The Committee was formed by the U.S. Trustee to represent the interest of FAMCO's borrowers in the bankruptcy proceedings, including certain litigation actions (the "actions") between the FTC, AARP, five state attorneys general and the New York State Banking Department, class action representatives and certain private litigants as plaintiffs, against FAMCO and certain of its officers and directors.

In or around February 2002 the parties to the actions, including the Committee, reached a settlement of the actions. You have previously been presented information on the settlement and have elected to either participate in the settlement ("opt in") or not

SAN FRANCISCO
THREE EMBARCADERO CENTER
SUITE 1020
SAN FRANCISCO
CALIFORNIA 94111

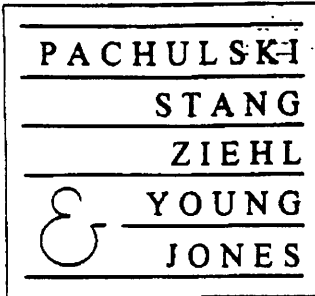
TELEPHONE: [REDACTED]

FACSIMILE: [REDACTED]

DELAWARE
919 NORTH MARKET STREET
16th FLOOR
P.O. BOX 8705
WILMINGTON
DELAWARE 19899-8705

TELEPHONE: [REDACTED]

FACSIMILE: [REDACTED]



L A W O F F I C E S

June 13, 2002
Page 2

('opt out'). Accordingly we will not review the terms of the settlement.

More recently and because of the settlement, FAMCO, was able to present to the Unsecured Creditors Committee, this Committee and various other parties, including the FTC, the state attorneys general and certain private litigants (the "Parties"), a proposed plan of reorganization/liquidation (the "Plan") for consideration. The Plan is a proposal which essentially provides for the liquidation of FAMCO's assets and for distribution of those assets to FAMCO's creditors, including borrowers. These Parties then negotiated various changes and modifications to the Plan. The Plan, as agreed upon between the parties, is summarized in the Summary Disclosure Statement that is part of this package of information. The Summary Disclosure Statement explains the history of FAMCO and the events leading up to its bankruptcy; and presents the manner in which FAMCO's assets will be liquidated and how and in what manner the assets will be distributed to creditors.

The Plan is subject to approval of the creditors of the estate, and creditors having allowed claims are entitled to vote for the acceptance or rejection of the Plan. **The Committee supports approval of the Plan, and recommends that you vote in favor of the Plan as being in the best interests of the creditors of the estate.**

Sincerely,

Pachulski, Stang, Ziehl,
Young & Jones
Attorneys for the Official Joint
Borrowers Committee

By: _____
Larry W. Gabriel

Exhibit H
Page 296

1 **PROOF OF SERVICE**

2 I am employed in the County of Orange, State of California. I am over the age of 18 and
3 not a party to the within action. My business address is 3200 S. Bristol Street, Suite 150, Costa
4 Mesa, California 92626.

5 On June 24, 2002, I served the foregoing document described as **[PROPOSED] ORDER:**
6 **(1) APPROVING DISCLOSURE STATEMENT; (2) APPROVING SOLICITATION AND**
7 **NOTICE PROCEDURES; (3) APPROVING FORMS OF BALLOTS; (4) ESTABLISHING**
8 **PROCEDURES FOR TABULATING VOTES; (5) ESTABLISHING CONFIRMATION**
9 **PROCEDURES AND DEADLINES; (6) ESTABLISHING CERTAIN BAR DATES; AND**
10 **(7) PRESERVING CLAIMS AND DEFENSES** on each interested party, as stated on the
11 attached service list.

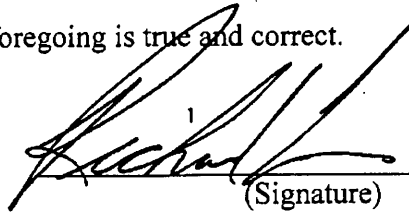
12 (BY MAIL) I placed a true copy of the foregoing document in a sealed envelope
13 addressed to each interested party, as stated on the attached service list. I
14 deposited each such envelope, with postage thereon fully prepaid, at the United
15 States Post Office General Mail Facility in Santa Ana, California.

16 Executed on June 24, 2002, at Newport Beach, California.

17 I certify that I am employed by the office of a member of the bar of this Court at whose
18 direction the service was made.

19 I declare under penalty of perjury that the foregoing is true and correct.

20
21
22
23
24
25
26
27
28
Richard Lira
(Type or print name)


(Signature)

SERVICE LIST

Office of the United States Trustee

Arthur Marquis, Esq.
Office of the United States Trustee
411 West Fourth St., Ste. 9041
Santa Ana, CA 92701-8000

Debtor in Possession (FAMCO Entities)

Jerry Hager, Esq.
First Alliance Mortgage Company
17305 Von Karman Ave.
Irvine, CA 92614-6203

Counsel to Creditors' Committee

David M. Stern, Esq.
Klee, Tuchin, Bogdanoff & Stern LLP
1880 Century Park East, Ste. 200
Los Angeles, CA 90067-1698
[X] *Courtesy copy sent via FEDERAL EXPRESS*

Counsel to Borrowers' Committee and Co-Counsel for AARP

Larry W. Gabriel, Esq.
Mona S. Amer, Esq.
Pachulski Stang Ziehl Young & Jones PC
10100 Santa Monica Blvd., Ste. 1100
Los Angeles, CA 90067
[X] *Courtesy copy sent via FEDERAL EXPRESS*

Federal Trade Commission

Anne M. McCormick, Esq.
Federal Trade Commission
Room 4429
600 Pennsylvania Ave., NW
Washington, DC 20580
[X] *Courtesy copy sent via FEDERAL EXPRESS*

Barbara Y.K. Chun
Federal Trade Commission
10877 Wilshire Blvd., Ste. 700
Los Angeles, CA 90024

National Association of Attorneys General

Karen Cordry, Esq.
National Association of Attorneys General
750 First Street NE, Ste. 1100
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State of Arizona

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State of California

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State of Florida

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Office of Florida Attorney General
110 SE 6th St., 9th Flr.
Fort Lauderdale, FL 33301

States of Florida and Massachusetts

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Rein Evans & Sestanovich LLP
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Los Angeles, CA 90067

State of Illinois

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James E. Ryan, Esq.
Mary E. Welsh, Esq.
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Commonwealth of Massachusetts

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State of New York

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Director Consumer Affairs and Financial Products
New York State Banking Department
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Counsel for AARP and Claimants

Phillip M. Steinbock, Esq.
Steinbock & Hofmann APC
60 South Market St., Ste. 1400
San Jose, CA 95113
[X] *Courtesy copy sent via FEDERAL EXPRESS*

Co-Counsel for AARP, V. Durney, L. Wilder, M. Ryan, I. Forrest, Carol Hong and Henry Hong:

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Moab, UT 84532

Counsel to Purported Class Action Claimants

David B. Zlotnick, Esq.
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San Diego, CA 92101

**Counsel for Fred and Julia Passmore, and
Bowser Claimants**

Daniel J. Mulligan, Esq.
Jenkins & Mulligan
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Co-Counsel for Class Claimants

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Jeanne A. Markey, Esq.
Berger & Montague PC
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Philadelphia, PA 19103

Counsel for Brian Chisick

Ronald Rus, Esq.
Joel Miliband, Esq.
Rus Miliband & Smith APC
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Irvine, CA 92612

Counsel for Sarah Chisick

Stuart P. Jasper, Esq.
Jasper & Jasper, PC
19800 MacArthur Blvd., Ste. 860
Irvine, CA 92612

Courtesy Copy (insurance issues)

Victor C. Peters, Esq.
Hanson & Peters
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Barrington, IL 60010

**Co-Counsel for Lehman Brothers, Inc. and
Lehman Commercial Paper, Inc.**

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Pillsbury Winthrop LLP
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Costa Mesa, CA 92626-7122

**Co-Counsel for Lehman Brothers, Inc. and
Lehman Commercial Paper, Inc.**

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Joseph H. Park, Esq.
Fulbright & Jaworski
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Los Angeles, CA 90017

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Counsel for Claimants (Aiello and Bowser)

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Alan Genitempo, Esq.
Piro, Zinna, Cifelli & Paris
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Nutley, NJ 07110-2787

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Ashley Hutchings Hendren, Esq.
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P.O. Drawer 1425
Pascagoula, Mississippi 39568-1425

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Milberg, Weiss Bershad, Hynes & Lerach, LLP
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Los Angeles, CA 90071

Richard M. Heimann, Esq.
Lieff, Cabraser, Heimann & Bernstein, LLP
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San Francisco, CA 94111-3339

Of Counsel for Bohnsack Plaintiffs

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Notre Dame, Indiana 46556

Counsel for MBIA

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and Roger Smith**

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Jan M. Adler, Esq.
Arthur C. Leahy, Esq.
Tor Gronborg, Esq.
Milberg Weiss Bershad Hynes & Lerach LLP
401 B Street, Ste. 1700
San Diego, CA 92101
[X] *Courtesy copy sent via FEDERAL EXPRESS*

**Counsel for Robert Dierolf, Jack Rosenthal,
and Roger Smith**

Michael S. Etkin, Esq.
Lowenstein Sandler PC
65 Livingston Avenue
Roseland, NJ 07068

[X] *Courtesy copy sent via FEDERAL EXPRESS*

Counsel for County of San Diego

Martha Romero, Esq.
7743 S. Painter Ave., Ste. E
Whittier, CA 90602