



**IMPORTANT RECOMMENDATION FROM
THE FEDERAL TRADE COMMISSION, THE STATE
ATTORNEYS GENERAL AND AARP**



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



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 borrower's refund 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.