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18 FEDERAL TRADE COMMISSION

19 UNITED STATES DISTRICT COURT
20 CENTRAL DISTRICT OF CALIFORNIA
21 SOUTHERN DIVISION

22 FEDERAL TRADE COMMISSION,

23 Plaintiff,

24 v.

25 FIRST ALLIANCE MORTGAGE
26 COMPANY, a California Corporation,
27 FIRST ALLIANCE CORPORATION,
28 a Delaware Corporation, and FIRST
ALLIANCE CORPORATION, a
Minnesota Corporation,

Defendants.

CIVIL NO.

SACV 00-964 DOC (MLGx)

ENTERED

SEP 11 2002

CLERK, U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
SANTA ANA OFFICE

BY _____ DEPUTY

**THIS CONSTITUTES NOTICE OF ENTRY
AS REQUIRED BY FRCP, RULE 77(c)**

**[PROPOSED] ORDER
APPROVING THE FEDERAL
TRADE COMMISSION'S
REDRESS PLAN**

FILED
SEP - 9 2002
CLERK, U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
SOUTHERN DIVISION AT SANTA ANA
BY _____ DEPUTY

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AUG 20 2002
CLERK, U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
SOUTHERN DIVISION AT SANTA ANA
BY _____ DEPUTY

THIS MATTER having come before the Court on the Motion of the Federal Trade Commission ("FTC") for Approval of the Redress Plan, and the Court having considered the motion and the supporting declaration, and finding that good cause exists,

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IT IS HEREBY ORDERED AND ADJUDGED as follows:

1. The FTC's Motion for Approval of the FTC Redress Plan is hereby GRANTED.

2. Analytics Incorporated, of Excelsior, Minnesota ("Analytics"), shall be the Redress Fund Administrator in the above case, and shall establish and maintain a segregated, interest-bearing account (the "Redress Account") from which all payments to eligible consumers who qualify for a refund under the FTC Redress Plan will be made.

3. All amounts required to be paid to the FTC Redress Fund pursuant to the parties' February 25, 2002 Stipulation of Settlement, the parties' February 25, 2002 Supplemental Agreement,¹ and the confirmed Liquidating Plan of the Related Debtors First Alliance Corporation, a Delaware Corporation, First Alliance Mortgage Company, a California Corporation, First Alliance Mortgage Company, a Minnesota Corporation, and First Alliance Portfolio Services, a Nevada Corporation, shall be wired directly to the Redress Account.

4. Analytics' primary functions shall be, to the extent necessary, and in accordance with FTC Contract No. 29-2-Z-006, to identify and locate settlement class members, to calculate amounts to be distributed to eligible settlement class members who qualify for a refund based on the information provided to Analytics by the FTC, to make payments by check and provide applicable tax forms to eligible consumers who qualify for a refund, to give notice to consumers who receive payments but fail to cash their checks of the time period in which they must either cash their checks or request a replacement check, to make payments by replacement checks, to make subsequent distributions to eligible consumers who qualify for a refund, and to perform other administrative functions necessary to carry out the redress plan, including, establishing and maintaining bank

¹ The FTC filed the parties' February 25, 2002 Stipulation of Settlement with the Court on March 21, 2002. The Related Debtors filed the parties' February 25, 2002 Supplemental Agreement with the Court on April 17, 2002.

1 accounts, insurance and appropriate business records, preparing and filing required tax
2 records, and preparing a final accounting.

3 5. Analytics is hereby authorized to make payments directly from the Redress
4 Account to settlement class members in accordance with FTC Contract No. 29-2-Z-006
5 and with the following distribution plan:

6 A. Except as set forth in Section B below, settlement class members who
7 (i) have not requested exclusion from the class, and (ii) have not previously settled their
8 claims against First Alliance in return for a cash or credit payment, or the unwinding of
9 their transaction, will qualify for a refund in the full amount of the loan origination fee paid
10 to First Alliance Mortgage Company. Joint borrowers on a single loan will receive one
11 joint refund. Borrowers who obtained more than one First Alliance loan during the class
12 period will receive one refund with respect to each loan.

13 B. Settlement class members who have not requested exclusion from the class
14 but who previously released and settled their claims in return for eligibility for a coupon
15 for discounted mortgage fees on a new First Alliance loan through the class settlement in
16 the case of *Edward Dunning and Rosa Dunning, et al., vs. First Alliance Mortgage*
17 *Company, et al.*, Case No. 659123-8 OV (Superior Court of California, County of
18 Alameda) will qualify for a lump sum payment of \$500.00. Joint borrowers on a single
19 loan will receive one joint refund. Borrowers who obtained more than one First Alliance
20 loan during the class period will receive one refund with respect to each loan.

21 C. Settlement class members who validly and timely requested exclusion
22 from the settlement class will not qualify for a refund.

23 D. Settlement class members who previously released and settled their claims
24 in return for a cash or credit payment from First Alliance through the settlement in the case
25 of *Minnesota v. First Alliance Mortgage Company, et al.*, Case No. C9-98-11416 (District
26 Court, Second Judicial District of Minnesota), or through formal or informal settlements
27 or judgments in individual cases, will not qualify for a refund.

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1 E. Settlement class members whose transactions were unwound by First
2 Alliance will not qualify for a refund.

3 6. If the total amount of money due to borrowers who qualify for a refund of the
4 full amount of the loan origination fee exceeds the amount in the Redress Fund, as is
5 expected, Analytics is authorized to pay each borrower in Paragraph 5.A. who qualifies
6 for a refund a percentage of the loan origination fee that is equal to the qualifying
7 borrower's pro rata share of the Redress Account. Each qualifying borrower's pro rata
8 share will be calculated by dividing the full amount of such borrower's loan origination
9 fees by the total of all qualifying borrowers' loan origination fees and multiplying this
10 fraction times the amount available in the Redress Account, after payments authorized to
11 be made to borrowers in Paragraph 5.D, above, and to persons and entities below in
12 Paragraphs 7 through 10 of this Order have been reserved or paid. In the event that
13 subsequent distributions to qualifying borrowers are economically feasible, and the FTC
14 elects to make such distributions in accordance with Paragraph 12 of this order, Analytics
15 is further authorized to make subsequent pro rata distributions of the funds to qualifying
16 borrowers who did not previously settle their claims.

17 7. Analytics is hereby authorized to make payments directly from the Redress
18 Account to the Plaintiffs' Counsel and/or the National Association of Attorneys General
19 only in such amounts as are approved by the Court after submission of application for such
20 fees in accordance with the April 24, 2002 Order Granting Preliminary Approval of Class
21 Action Settlement, Approving Form and Manner of Class Notice, and Scheduling Final
22 Settlement Hearing.

23 8. Analytics is hereby authorized to make payments of special awards to
24 individual plaintiffs directly from the Redress Account to individual plaintiffs only in such
25 amounts as are approved by the Court after submission of application for such awards in
26 accordance with the April 24, 2002 Order Granting Preliminary Approval of Class Action
27 Settlement, Approving Form and Manner of Class Notice, and Scheduling Final Settlement
28 Hearing.

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2 9. Analytics is hereby authorized to make payments directly from the Redress
3 Account to equity shareholders up to the amount of \$3.25 million, in accordance with
4 Contract No. 29-2-Z-006 and Paragraph 2.12 of the parties' February 25, 2002 Stipulation
5 of Settlement, and, to the extent necessary to effectuate these payments, to identify and
6 locate eligible equity shareholders, to notify shareholders of their eligibility to make a
7 claim against that portion of the Redress Fund available for their claims, and to process the
8 claims of equity shareholders for payment.

9 10. Analytics is hereby authorized to pay directly out of the Redress Account its
10 costs and expenses in administering the Redress Plan, including taxes on the Redress
11 Account, in accordance with Contract No. 29-2-Z-006.

12 11 Analytics is hereby authorized to receive monies, if any, obtained by the
13 Official Joint Borrowers Committee and/or the Class Plaintiffs from actions against
14 Lehman Brothers, Inc., and its affiliates, styled Official Joint Borrowers Committee v.
15 Lehman Commercial Credit, et al., Case No. SA CV 01-1111DOC, and Aiello, et al. v.
16 Brian Chisick, Lehman Commercial Paper, Inc., et al., Case No. SA CV 01-971 DOC, and
17 to make further distributions to borrowers from the Redress Account, to the extent such
18 monies are received, in accordance with further Order of the Court.

19 12. In the event that there is a surplus in the Redress Account after all authorized
20 payments are made, the FTC, pursuant to Paragraph IV. C. of the Court's April 25, 2002
21 Order Preliminarily Approving Stipulated Final Judgment, Permanent Injunction and
22 Monetary Settlement (the "FTC Consent Decree"), and after consultation with Coordinated
23 Plaintiffs, may elect to make a subsequent distribution to all located qualifying borrowers,
24 or, if appropriate, to apply any remaining funds for such other equitable relief, including
25 consumer education remedies, as the Commission determines to be reasonably related to
26 the practices of First Alliance and Brian Chisick as alleged in the FTC's Second Amended
27 Complaint. Any funds not used for such equitable relief shall be paid to the United States
28 Treasury.

IT IS SO ORDERED

Dated September 9, 2002
H. C. 1111 P. 4

1 **IT IS SO ORDERED.**

2 DATED: _____
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5 **DAVID O. CARTER**
6 **UNITED STATES DISTRICT JUDGE**
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