THIS IS NOT A SOLICITATION OF ACCEPTANCES OF THE CHAPTER 11 PLAN OF FIRSTPLUS FINANCIAL GROUP, INC. ACCEPTANCES MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT HAS BEEN APPROVED BY THE BANKRUPTCY COURT AS CONTAINING "ADEQUATE INFORMATION" WITHIN THE MEANING OF SECTION 1125(a) OF THE BANKRUPTCY CODE. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL BUT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT AND IS SUBJECT TO AMENDMENT PRIOR TO SUCH APPROVAL BEING GRANTED.

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION

IN RE:	§	
	§	
FIRSTPLUS FINANCIAL GROUP, INC.,	§	CASE NO. 09-33918-HDH
	§	
DEBTOR	§	

[PROPOSED] DISCLOSURE STATEMENT FOR THE TRUSTEE'S PLAN OF LIQUIDATION FOR FIRSTPLUS FINANCIAL GROUP, INC. UNDER CHAPTER 11 OF THE BANKRUPTCY CODE

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DATED: December 13, 2010
Dallas, Texas

THIS DISCLOSURE STATEMENT FOR THE PLAN OF LIQUIDATION OF FIRSTPLUS FINANCIAL GROUP, INC. (THIS "DISCLOSURE STATEMENT") HAS BEEN PREPARED PURSUANT TO SECTION 1125 OF TITLE 11 OF THE UNITED STATES CODE ON BEHALF OF FIRSTPLUS FINANCIAL GROUP, INC. ("DEBTOR" OR "GROUP") AND DESCRIBES THE TERMS AND PROVISIONS OF THE PLAN OF LIQUIDATION FOR FIRSTPLUS FINANCIAL GROUP, INC. (THE "PLAN"), IN THE CASE PENDING BEFORE THE UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF TEXAS, DALLAS DIVISION (THE "BANKRUPTCY COURT"), UNDER CHAPTER 11 OF THE UNITED STATES BANKRUPTCY CODE (THE "BANKRUPTCY CODE"). THE PLAN, FILED DECEMBER 13, 2010, PROPOSES THE LIQUIDATION OF THE DEBTOR. A COPY OF THE PLAN IS ATTACHED HERETO AS EXHIBIT A.

ALL CAPITALIZED TERMS USED AND NOT OTHERWISE DEFINED HEREIN HAVE THE MEANINGS ASSIGNED TO THEM IN ARTICLE I OF THE PLAN.

THE INFORMATION CONTAINED HEREIN HAS BEEN PREPARED BY THE TRUSTEE IN GOOD FAITH, BASED UPON INFORMATION AVAILABLE TO THE TRUSTEE AND HIS PROFESSIONALS. MUCH OF THE INFORMATION HAS BEEN DERIVED FROM PUBLICLY AVAILABLE DOCUMENTS, INCLUDING CERTAIN FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), AND DOCUMENTS PROVIDED TO THE TRUSTEE FROM THE DEBTOR, THE DEBTOR'S FORMER PROFESSIONALS AND VARIOUS PERSONS AND ENTITIES FAMILIAR WITH THE DEBTOR. THE INFORMATION HEREIN CONCERNING THE DEBTOR HAS NOT BEEN FULLY VERIFIED AND HAS NOT BEEN THE SUBJECT OF A VERIFIED AUDIT. THE TRUSTEE BELIEVES THAT THIS DISCLOSURE STATEMENT COMPLIES WITH THE REQUIREMENTS OF THE BANKRUPTCY CODE.

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF, UNLESS ANOTHER TIME IS SPECIFIED HEREIN, AND DELIVERY OF THIS DISCLOSURE STATEMENT SHALL NOT CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH HEREIN SINCE THE DATE OF THIS DISCLOSURE STATEMENT AND THE DATE THE FACTS RELIED UPON IN PREPARATION OF THIS DISCLOSURE STATEMENT WERE COMPILED.

THIS DISCLOSURE STATEMENT MAY NOT BE RELIED UPON FOR ANY PURPOSE OTHER THAN TO DETERMINE HOW TO VOTE ON THE PLAN, AND NOTHING CONTAINED HEREIN SHALL CONSTITUTE AN ADMISSION OF ANY FACT OR LIABILITY BY A PARTY, BE ADMISSIBLE IN ANY PROCEEDING INVOLVING THE DEBTOR OR ANY OTHER PARTY, OR BE DEEMED CONCLUSIVE ADVICE ON THE TAX OR OTHER LEGAL EFFECTS OF THE REORGANIZATION ON HOLDERS OF CLAIMS OR INTERESTS.

THIS DISCLOSURE STATEMENT HAS BEEN PREPARED IN ACCORDANCE WITH SECTION 1125 OF THE BANKRUPTCY CODE AND RULE 3016(b) OF THE FEDERAL RULES OF BANKRUPTCY PROCEDURE (THE "BANKRUPTCY RULES") AND NOT NECESSARILY IN ACCORDANCE WITH FEDERAL OR STATE SECURITIES LAWS OR ANY OTHER NON-BANKRUPTCY LAW. THE SEC HAS NEITHER APPROVED OR DISAPPROVED OF THIS DISCLOSURE STATEMENT NOR HAS THE SEC PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN. PERSONS OR ENTITIES TRADING IN OR OTHERWISE PURCHASING, SELLING OR TRANSFERRING SECURITIES OF OR CLAIMS AGAINST THE DEBTOR SHOULD EVALUATE THIS DISCLOSURE STATEMENT AND THE PLAN IN LIGHT OF THE PURPOSE FOR WHICH THEY WERE PREPARED.

THE DESCRIPTION OF THE PLAN CONTAINED IN THIS DISCLOSURE STATEMENT IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE PLAN ITSELF, WHICH IS INCLUDED AS AN EXHIBIT HERETO. EACH PARTY IS ENCOURAGED TO READ, CONSIDER, AND CAREFULLY ANALYZE THE TERMS AND PROVISIONS OF THE PLAN.

AS TO CONTESTED MATTERS, ADVERSARY PROCEEDINGS AND OTHER ACTIONS OR THREATENED ACTIONS, THIS DISCLOSURE STATEMENT SHALL NOT CONSTITUTE OR BE CONSTRUED AS AN ADMISSION OF ANY FACT OR LIABILITY, STIPULATION OR WAIVER. THIS DISCLOSURE STATEMENT SHALL NOT BE ADMISSIBLE IN ANY NON-BANKRUPTCY PROCEEDING NOR SHALL IT BE CONSTRUED TO BE CONCLUSIVE ADVICE ON THE TAX, SECURITIES OR OTHER LEGAL EFFECTS OF THE PLAN AS TO HOLDERS OF CLAIMS AGAINST OR EQUITY INTERESTS IN THE DEBTOR.

I.

INTRODUCTION

Purpose of this Disclosure Statement

The Debtor filed a voluntary petition under chapter 11 of the Bankruptcy Code on June 23, 2009. On or about December [[ ]], 2010, the Trustee filed the Plan. The Plan provides for the liquidation of the Debtor in accordance with the Bankruptcy Code. This Disclosure Statement has been prepared by the Trustee for the purpose of disclosing information which the Bankruptcy Court has determined is material, important, and necessary for parties entitled to vote on the Plan to arrive at an informed decision with respect to the Plan.

Confirmation of the Plan will be facilitated by the receipt of a sufficient number of votes in favor of the Plan. Accordingly, if you hold Claims or Interest in impaired Classes, your vote is important.

ALL CAPITALIZED TERMS USED AND NOT OTHERWISE DEFINED HEREIN HAVE THE MEANINGS ASSIGNED TO THEM IN OF THE PLAN.

II.

GENERAL INFORMATION AND BACKGROUND

A. History and Overview of the Debtor

Group was a diversified consumer finance company that originated, serviced, and sold consumer finance receivables. At one time, its shares were listed on the New York Stock Exchange. Group operated through various subsidiaries until 1998 when macroeconomic factors adversely affected financial markets and largely destroyed the industry's access to the capital markets. Without access to working capital, Group's ability to provide consumer-based products evaporated and, like virtually all its competitors, it saw its business liquidated to satisfy obligations.

Group's beginnings date back to the early 1990's when under different names it began operating as a specialty consumer finance company. After a few combinations, by 1995 it had become a formidable consumer finance company and was reorganized into a holding company format. Group's business

technically became the ownership of various subsidiary entities that operated in the consumer finance market. Its primary operating entity was FirstPlus Financial Inc. ("FPFI"). Through FPFI, Group offered to consumers various lending products, but its most familiar and defining one was its High Loan to Value product ("HLTV"). With a secured HLTV loan from FPFI, a consumer could consolidate debt or obtain liquidity in amounts up to 125% of the home's value. Because FPFI enjoyed superior underwriting and servicing, default rates and timely performance by borrowers were above industry average. In addition, because the HLTV loans often had 20 year maturities and exceeded the value of the borrower's home, prepayments were rare, thus providing Group with a steady yield. Group's HLTV product allowed it to obtain and hold a dominant market position despite attempts by others to duplicate its success.

Critical to FPFI's success was constant access to an active and competitive securitization market. During the 1995-1998 time frame, approximately each quarter FPFI would assemble the consumer loans it extended or bought and sell them to various trusts which would then securitize the loans to the investing public. As a result of each securitization, Group generally received $40 to $60 million in working capital and retained an "interest only strip" in the securitization that provided the prospect of a cash flow to FPFI in the future. Wall Street financial institutions competed for the opportunity to sponsor each quarterly securitization due to the attractive financial attributes and historic performance of FPFI's transactions. Indeed, in order to maintain relations on Wall Street, Group and FPFI tended to sequence quarterly securitizations in a way that allowed each large financial institution the right to sponsor a securitization periodically without any one of them procuring an exclusive position for all securitizations.

In early 1996 Group raised approximately $55 million by selling its stock in an initial public offering. Additional capital was raised, including through a secondary offering (approximately $121 million), a DRIP (approximately $50 million) and the sale of $100 million of convertible subordinated notes (of which approximately $55 million in debt was converted to equity). The capital raised in the public market and yearly profits were reinvested into the business. No dividends were paid. At one time Group's stock traded at over $60 per share and Group was highly regarded among analysts for its unique product and sound management team.

1. The Demise of FPFI and Other Subsidiaries

By 1998, the Group empire consisted of numerous subsidiaries,[1] which together employed between 6,000 to 7,000 employees and had loan originations taking place throughout the entire United States. However, beginning in 1997 events in the industry began to place a drag on Group's meteoric rise. In the fall of 1997, a number of specialty finance companies that did not make HLTV loans began to experience a higher rate of prepayments on their loans, thus undermining their anticipated yield. While Group was not likewise experiencing unanticipated prepayments, all specialty finance companies suffered in the stock market. In addition, in 1997 a general debate over the accounting treatment for securitizations of financial products began which created great caution among the investing public. In an attempt to "get ahead" of the debate in late 1997, Group announced that it would prospectively adjust its discount rate to more conservatively account for securitizations. Despite the late 1997 turbulence, the first three quarters of 1998 were largely non controversial for Group. It held an Annual Meeting in March of 1998 which was noteworthy by the addition of former Vice President Dan Quayle to the Board of Directors.

[1] Because Group's business was solely that of owning its subsidiaries, it generally employed only about 6 to 7 persons at any one time. Virtually all of Group's employees were executive officers. Importantly, Group had no accounting staff. Rather, FPFI's accounting staff of over 75 professionals served Group's needs to the extent they were distinct from those of FPFI.

In October of 1998, Group and FPFI were hit with two jolts from which neither ever recovered. First, a burgeoning financial collapse hit the world financial markets. Commonly referred to as the “Asian Flu” and “Russian Ruble Crisis”, it had a profound effect on financial markets causing investors to engage in a "flight to quality." Second, the Financial Accounting and Standards Board ("FASB") issued a pronouncement that required companies that securitized assets to account for securitizations in a way previously not required. In light of FASB mandate, Group's auditors Ernst and Young required Group to take a one time adjustment from the financial results of operations which were previously reported. Group agreed with Ernst and Young and was prepared to make the necessary one time adjustment until the SEC advised that because Group was a public company, a one time adjustment would not suffice. Rather, the SEC required that all earlier financial reports filed by Group with the SEC would have to be restated.

Group found itself fighting for its survival. The worldwide financial crisis virtually eliminated the industry's ability to securitize loans. In contrast to historically being able to generate $40-$60 million of working capital from each securitization, the only securitization opportunities available in late 1998 would have required FPFI to pay $40 million in order to securitize its loans. As Group searched in vain for securitization sponsors or adequate substitutes for securitization, it continued to originate loans which required access to its warehouse lines to fund. As the crisis continued unabated, warehouse lines became fully drawn, events of default began to occur and warehouse lenders began to exercise remedies. Group hired Bear Stearns and Company to find a "strategic opportunity" or buyer, but was unsuccessful in finding an acquirer. Thousands of employees were terminated. From October 1998 to March of 1999, Group's focus was trying to avert financial collapse. As a result, during this time it was unable to undertake the labor intensive task of restating its financial statements for previous years as required by the SEC. Given the pronouncement from the SEC and other strict securities laws requirements, Group was incapable of preparing for a 1999 annual meeting.

On March 5, 1999, FPFI and an affiliate, FirstPlus Specialty Finance Company, Inc. ("Specialty"), filed Chapter 11 bankruptcy petitions in Dallas, Texas. Group did not file a bankruptcy petition. Group faced claims from its own creditors totaling millions of dollars, but negotiated, inside and outside the bankruptcy process, for debt reduction, various other rights, and the allowance of an unsecured claim in the FPFI bankruptcy case of not less than $50 million dollars (the "Intercompany Claim"). The Intercompany Claim was classified as a Class 4 Claim and, under the terms of FPFI’s chapter 11 plan, would receive payment

On April 7, 2000 FPFI’s liquidating chapter 11 plan was confirmed by the Bankruptcy Court (the “FPFI Plan”). Pursuant to the FPFI Plan, substantially all of FPFI’s assets were transferred to a creditors’ trust (the “FPFI Creditors’ Trust”) and a trustee (the “FPFI Trustee”) was appointed to administer the FPFI Creditors’ Trust. Payment of the claims against FPFI, including the Intercompany Claim in favor of Group, depended upon positive long term performance by the securitization trusts in which FPFI held interest only securities. Assuming the securitization trusts performed well, Group was entitled to receive payment after creditors in the preceding classes were paid in full.

At the time that the FPFI plan of reorganization closed, Group still had outstanding obligations but had virtually no cash. By using the Intercompany Claim as a currency, however, Group subsequently reduced its obligations. In addition, because it had no cash, and no accounting staff to restate previous financials, it could not and did not take the steps required of a public company to hold an annual meeting. Primarily due to lack of funds, Group was for the most part in a dormant capacity from the time that the FPFI Plan was confirmed until 2007.

2. Payment from the FPFI Creditors Trust

In November 2004 the FPFI Creditors Trust starting making distributions to Class 4 creditors. As a result Group began receiving millions of dollars in payments on account of the Intercompany Claim. According to records maintained by the FPFI Trustee, between November 2004 and October 2008, the FPFI Creditors' Trust distributed approximately $45.7 million to Class 4 creditors of which approximately $34.2 million went to Group. In 2002 Group created a self-settled trust, titled the FirstPlus Financial Group Inc. Grantor Trust (the "Grantor Trust") that was supposed to receive and hold 52.4048% of the distributions from the FPFI Creditors Trust. Group was slated to receive 22% of the FPFI Creditors Trust distributions with the remainder going to Group creditors that received assignments of part of the Intercompany Claim to settle and resolve claims that they held against Group.

3. Shareholder Litigation

In March of 2005, a group of the Debtor's shareholders commenced a court action, styled *Danford L. Martin, et al. v. FirstPlus Financial Group, Inc., et al.*, in the Second Judicial District Court for the State of Nevada (the "Nevada Action") to compel a shareholders' meeting and election of directors. At the time that the Nevada Action was commenced, Group had not had an annual meeting of shareholders since March 4, 1998. In February 2006, Group filed an answer and counterclaim. The answer and counterclaim asserted claims against the plaintiffs for numerous legal violations against Group, including but not limited to intentional torts, negligent torts, breaches of contract, breaches of fiduciary duties, abuse of process, infringements on trade names, perjury, and civil conspiracy.

On or about April 6, 2006, Group and the Nevada Action petitioners entered into a settlement agreement (the "Settlement Agreement") pursuant to which:

- Group paid $300,00 of the plaintiffs' expenses arising from the Nevada Action;
- the parties dismissed all claims and counterclaims with prejudice and exchanged mutual releases;
- the petitioners agreed not to nominate an opposing slate of directors for election or interfere with or contest Group's 2006 special meeting of shareholders;
- Group was required to instruct the Grantor Trust to make a distribution to holders of Group's common stock on a *pro rata* basis as of August 3, 2006, equal to 50% of the funds received from the FPFI Creditors' Trust (the "Initial Distribution"); and
- Following the Initial Distribution, Group is required to instruct the Grantor Trust to make an annual distribution to holders of Group's common stock on a *pro rata* basis equal to 50% of the funds received by the Grantor Trust from the FPFI Creditors' Trust.

In light of the Settlement Agreement, the Nevada Action was dismissed on April 7, 2006. Beginning in the spring of 2006, Group disclosed and affirmed the existence of the Settlement Agreement

in its SEC filings. In August 2006, consistent with the terms of the Settlement Agreement, Group caused the Grantor Trust to make the Initial Distribution totaling $3,618,864.

Group failed to make any distributions pursuant to the terms of the Settlement Agreement following August 2006.

4. Formation of Olé Auto Group, Inc.

Since the confirmation of the FPFI Plan in 2000, Group had been dormant. In November 2006, Group formed a new subsidiary named FIRSTPLUS Auto Group, Inc. ("FP Auto"). On or about November 3, 2006, FP Auto acquired a pool of motor vehicle retail installment sale contracts and security agreements (the "Notes") from Eddie Perkins, individually and doing business as Pierce Auto Group for a $520,000 purchase price. Mr. Perkins was co-President and a director of FP Auto. FP Auto was subsequently re-named Olé Auto Group, Inc. ("Olé ").

By March 31, 2007, Olé opened three auto sales and finance locations. Revenues were generated from the auto sales and finance operations and consisted of gross revenues from auto sales of approximately $1.38 million, interest income of approximately $13 thousand and other income of approximately $40 thousand. Olé sold 117 vehicles during its first quarter of operations for a gross profit margin of approximately 33.7% on financed sales. For these sales, Olé collected approximately $160 thousand in cash down payments and recorded approximately $1.1 million in finance receivables.

5. June 2007 Takeover

Beginning in or around late 2006 or early 2007 Jack Roubinek ("Roubinek") engaged William Maxwell ("W. Maxwell") to advise and assist him in his efforts to obtain control of Group. In March 2007, W. Maxwell advised Roubinek that because Group had no creditors, all contingent litigation had been resolved and the FPFI Creditors Trust would likely distribute even more funds, it would be prudent to take all necessary measures to acquire control of Group.

Roubinek and/or W. Maxwell devised a plan to pursuant to which they would solicit investors to make a $2,000,000 to $2,500,000 cash investment through several limited liability companies with the proceeds to be used to acquire a controlling interest in Group. Throughout early 2007, Roubinek solicited investments from various persons and entities, but it was not until late April or early May 2007 that an investor was identified.

According to testimony given by Reginald Anderson ("Anderson"), Roubinek approached him and his business partner, Kevin Smith, about making an investment to acquire Group. Although Anderson and Kevin Smith were not in a position to make an investment, Anderson introduced Roubinek to John Ponte who Anderson believed would be able to invest. Anderson further testified that John Ponte was not able to make the investment, but suggested to Roubinek that Salvatore Pelullo, of Philadelphia, Pennsylvania, would be interested. Some time in late April or early May 2007, Pelullo came to Dallas to meet with Roubinek, W. Maxwell and others. However, Pelullo would not proceed until he obtained advise from a securities attorney.

It appears that W. Maxwell, on behalf of Pelullo, retained the law firm of Olshan Grundman Frome Rosenzweig & Wolosky LLP ("Olshan") to advise on Pelullo's efforts to acquire control of FirstPlus. As early as May, 10, 2007 Olshan began having lengthy telephone calls with Pelullo and others regarding the proposed takeover. In preparation for the engagement, Olshan conducted background checks on

Pelullo and other prospective members of Group's post-takeover board of directors, including William Handley, Harold Garber, David Roberts and Robert O'Neal.

In further preparation for the takeover, W. Maxwell caused his professional corporation, William Maxwell, P.C., to enter into a Consulting Agreement with Seven Hills Management, LLC ("Seven Hills"), effective May 1, 2007 (the "Seven Hills Agreement 1"). Pursuant to the Seven Hills Agreement 1, Seven Hills was to "perform consulting duties…with respect to the restructuring of the management and board of directors of FirstPlus Financial Group, Inc." The Seven Hills Agreement 1 had a term of two months and provided for a flat fee payment of $100,000 to Seven Hills on or before June 30, 2007.

On June 7, 2007, Group's board of directors held a special meeting.[2] The minutes from that special meeting disclose that the members of the Phillips Board discussed an "unsolicited takeover proposal" from an unidentified group of "take over parties". The minutes further disclose that Daniel Phillips met with the "take over parties" who had targeted the company several months earlier and indicated that the terms of the takeover could be either "hostile" or "friendly." The Phillips Board agreed that "complying with the take over plan would be positive for the Company's shareholders." Prior to alerting shareholders to the wholesale reconstitution of the board, the Phillips Board increased the size of the board from five members to ten members, appointed new directors to fill the vacancies and, once the vacancies were filled, the members of the Phillips Board tendered their resignations. In exchange for their compliance, the members of the Phillips Board, excluding Daniel Phillips, each received severance and bonus packages totaling more than $400,000.

Pursuant to the actions of the Phillips Board, new Board of Directors was appointed consisting of: Harold Garber (Chairman), John Maxwell (President and Chief Executive Officer), William Handley (Chief Financial Officer and Treasurer), Robert O'Neal (Vice-Chairman) and David Roberts (Secretary) (the "Maxwell Group").[3]

Immediately after the Maxwell Group took over Group's board of directors, they terminated the services of Group's independent public accounting firm, Lightfoot Guest Moore & Company, replacing it with Bkno Lisicky & Company. The Maxwell Group also hired W., the brother of President, Chief Executive Officer and Director John Maxwell, as Group's "special counsel" to advise the board on a range of operational and legal issues. William Handley, purportedly acting on behalf of Group, executed a Legal Services Agreement effective as of June 7, 2008 ("Legal Services Agreement"). W. Maxwell was granted "All legal authority for any matter involving the Corporation." Mr. Maxwell's duties included "vetting and review of potential acquisitions; regarding due diligence to be performed prior to the acquisition of companies … and all other actions required to assist the Board in the operation of the company." The Legal Services Agreement also states that Group is retaining W. Maxwell in order to "hire and manage outside consultants to perform work for the company as deemed reasonably necessary to effectuate the duties under the contract."

W. Maxwell had authority to spend the Debtor's funds without prior board approval. He was "specifically authorized to disburse from the Corporation all such reasonable funds for the purpose of insuring [*sic*] the Corporation's compliance with all Federal, state, or local law ordinance, statute, rules,

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[2] The members of the board of directors as of 9:00 a.m. Central on June 7, 2007 were Daniel Phillips, John Fitzgerald, James Roundtree, Robert Freeman and David Ward (the "Phillips Board").

[3] In August of 2007, Harold Garber died and was replaced on Group's board of directors by Roger Meek.

and directives…to protect the Corporation from any and all civil and criminal liability." He was also "specifically authorize[d] [] to spend funds, incur legal expenses, and to expend fees in excess of Counsel's retainer and to seek reimbursement for such excess fees on a quarterly basis."

In consideration for his services, W. Maxwell was paid $100,000 per month, or $1.2 million per year. This was more than three times the combined salaries of John Maxwell (as the chief executive officer) at $225,000 per year, and William Handley (as the chief financial officer) at $145,000 per year. William Maxwell was also promised a $3 million bonus (payable in cash or stock) if Group was listed on the bulletin board exchange and another $2 million bonus (payable in cash or stock) if Group reached a national stock exchange.

There is no indication in the Legal Services Agreement or in the Debtor's records that the Debtor was represented in negotiating and drafting the Legal Services Agreement.

On June 15, 2007, W. Maxwell engaged Seven Hills to provide various consulting services with respect to FirstPlus (the "Seven Hills Agreement 2"). It appears that this consulting arrangement with Seven Hills and Pelullo's significant involvement in the operations of the Debtor and its subsidiaries was not disclosed to Group's shareholders. On July 1, 2007, Seven Hills executed an additional consulting agreement with Learned Associates of North America, LLC ("Learned Associates") to "perform services for [Seven Hills] with respect to the Company's engagement with Maxwell" (the "LANC Agreement"). The LANC Agreement had a term of one year and provided Learned Associates with compensation of $33,000 per month.

Finally, on July 19, 2007, the Maxwell Board reconstituted the board of directors of its wholly-owned subsidiary Olé. The new Olé board consisted of John Maxwell ("J. Maxwell"), Martin Ward and Kimberley Grasty.

Shortly after assuming control of Group, the Maxwell Board formed first-tier subsidiaries Rutgers Investment Group, Inc., FirstPlus Development and FirstPlus Enterprises (the "Direct Subsidiaries"). Beginning in July 2007, the Maxwell Group approved the use of Group's cash for the purchase of various entities by Group's newly formed Direct Subsidiaries. In each transaction Seven Hills and Learned Associates were among the sellers and thereby received a portion of the sale price.

6. Acquisition of Rutgers Investment Group, LLC

On or about June 20, 2007, Group created a Texas subsidiary named Rutgers Investment Group, Inc. ("Rutgers, Inc."). The following month, or about July 23, 2007, Group entered into an agreement whereby Rutgers, Inc. purchased an entity based in New Jersey named Rutgers Investment Group, LLC ("Rutgers LLC") (the "Rutgers Purchase Agreement").

Rutgers LLC was owned 25% by Seven Hills and 25% by Learned Associates. The Rutgers Purchase Agreement was entered into by Rutgers, Inc. and Rutgers LLC, Seven Hills and Learned Associates. Under the Rutgers Purchase Agreement, Rutgers, Inc. purchased the assets of Rutgers LLC for a cash payment of $1,825,000 and 500,000 shares of Group's common stock.

7. Acquisition of the Globalnet Entities

Approximately one week after the execution of the Rutgers Purchase Agreement, on or about July 30, 2007, the Group's wholly owned direct subsidiaries, FirstPlus Enterprises, Inc. ("FirstPlus Enter.") and FirstPlus Development Company ("FirstPlus Dev."), entered into a purchase agreement whereby the subsidiaries acquired all of the limited liability company interest of Globalnet Development Co., LLC,

Globalnet Facility Services Co., LLC and Globalnet Restoration Co., LLC (collectively, "Globalnet") which, like Rutgers LLC were partly owned by Seven Hills and Learned Associates (the "Globalnet Purchase Agreement").

Under the Globalnet Purchase Agreement, FirstPlus Enter. and FirstPlus Dev. acquired Globalnet for the purchase price of $4,540,000, consisting of $3,045,000 paid in cash at closing, and a note for the remaining amount of $1,495,000 to be paid on the second anniversary of the closing, plus 1,100,000 shares of Group's common stock. Following the acquisition the Globalnet entities were renamed FirstPlus Restoration Co., LLC, FirstPlus Facility Services Co., LLC and FirstPlus Restoration & Facility Services Company (collectively, the "Restoration Entities").

8. Acquisition of Premier Group LLC

On or about January 31, 2009, the Debtor subsidiary FirstPlus Enter. acquired a company called The Premier Group LLC ("Premier", and together with the Direct Subsidiaries and the Restoration Entities the "East Coast Companies"), a public adjusting firm based in Miami, Florida, for the purchase price of $425,000, payable in the form of cash at closing and promissory notes to the sellers, plus 1,000,000 shares of Group's common stock (the "Premier Purchase Agreement"). Like Rutgers LLC and Globalnet, Premier was partly owned by Seven Hills and Learned Associates.

9. Sale of Olé

Prior to June 7, 2007, Group's public filings indicate that Olé was a profitable subsidiary with an extensive inventory of used cars, operating three car lots in the Dallas metropolitan area. Moreover, Olé owned the real estate at which it operated its Northwest Highway lot. Notwithstanding Olé's profitability, however, shortly after the Maxwell Board assumed control of Group, John Maxwell fired Olé's management and installed Martin Ward as the new president of Olé. It also appears that shortly after their takeover, the Maxwell Board formulated plans to dismantle and liquidate Olé's assets. First, FirstPlus Enter. created a new subsidiary, FirstPlus Acquisitions-1, into which Olé's real estate was transferred and subsequently sold. Second, J. Maxwell negotiated the sale of Olé to Stalwart Enterprises, Inc., an entity controlled by Martin Ward, Olé's president, in exchange for a $3.2 million note. It does not appear that any cash was received in exchange for Olé or that the note was ever paid.

10. Execution of FBI Search Warrant

On or about May 8, 2008, as part of an ongoing organized crime investigation, the Federal Bureau of Investigation ("FBI") executed a search warrant at Group's office located in Irving, Texas and seized extensive records from Group and its subsidiaries (the "Federal Seizure"). The search warrant specifically authorized the FBI to seize Group's books and records beginning from June 2007—the time when the Maxwell Group took over Group's board of directors.

The search warrant also indicates that the grand jury's investigation extends to most, if not all, of the transactions and acquisitions discussed above and potential criminal violations of numerous federal statutes, including the *Racketeer Influenced and Corrupt Organizations Act* ("RICO").

Upon learning of the federal criminal investigation, Group pledged its cooperation therewith and restructured its management to isolate from meaningful corporate authority the individuals that Group understood were the targets of the federal probe. In this regard, Group proposed to the Department of Justice ("DOJ") a written plan for the Debtor's continued operations, and met with the DOJ to review the

proposal. Since the summer of 2008, it appears that Group has been operating pursuant to the plan and has continued its cooperation with the investigation. Shortly thereafter, the Debtor ceased its day-to-day operations and terminated its few remaining employees as described in the plan.

Subsequent thereto, it appears that Group had utilized a small staff on an *ad hoc*, contractual basis, which included a chief executive officer, an acting chief financial officer, and additional administrative, clerical and support staff. Jack Roubinek presided over Group as its Chief Executive Officer, and Gary Alexander served as the acting Chief Financial Officer. Leslie Bedford had also worked with Group in several administrative support roles before it ceased substantial operations.

Key insight into the federal investigation can be gained by reading that certain sentencing letter filed by Assistant U.S. Attorney Steve D'Aguanno on September 11, 2008 in a related criminal prosecution styled *U.S. v. Daniel Daidone*. Mr. D'Aguanno's letter reveals how the Government's investigation, using wiretaps and seized documents, seeks to unravel the transactions that were allegedly orchestrated by organized crime members who, the letter asserts, assumed control of Group in 2007.

In very graphic terms, Mr. D'Aguanno's letter reveals Mr. Daidone's affiliation with prominent members of the Philadelphia La Cosa Nostra, including its boss Nicodemo Scarfo, Sr. Mr. D'Aguanno's September 11, 2008 letter then states: "In early June 2007, a group of individuals headed by Pellulo and Nicodemo Scarfo, Jr. assumed control of a company named FIRSTPLUS FINANCIAL GROUP, INC ("FPFG"), a financial services corporation located in Dallas, Texas." Mr. D'Aguanno's letter then outlines how Group created a subsidiary called Rutgers Investment Group. Inc which then entered into a transaction to purchase Rutgers LLC, an entity controlled by Pellulo and Scarfo, Jr. through two other corporate entities. Mr. D'Aguanno's letter then states: "A review of bank records related to this transaction, as well as other transactions, has revealed that FPFG transferred several millions of dollars between June 2007 and May 2008 to corporate entities controlled by Pellulo and Scarfo, Jr., including Rutgers LLC."

Upon information and belief the federal criminal investigation is ongoing. Upon information and belief, John Maxwell, William Handley and Salvatore Pellulo are all targets of the federal grand jury investigation.

11. Operations Following the Federal Raid

Following the Federal Seizure Group's board of directors went through several changes. James Steward, who had been appointed to the board on or about November 30, 2007, resigned from the board on or about May 19, 2008. As of July 23, 2008, the board of directors consisted of John Maxwell, William Handley, Gary Alexander, Jack Roubinek, Todd Hickman, Robert O'Neal and Paul Ballard (he "O'Neal Board"). By written consent dated July 23, 2008, the board of directors appointed an executive committee, comprised of Robert O'Neal ("O'Neal"), Todd Hickman and Jack Roubinek (the "Executive Committee"). The Executive Committee was appointed to expedite Group's decisions and was given authority to "exercise the powers of the Board of Director in the management of the business and affairs of the Corporation [Group], specifically, to deal with legal matters of the Corporation and shall power to authorize the seal of the Corporation to be affixed to all papers which may require authorization of the Corporation."

On July 30, 2008, the Executive Committee passed resolutions to cooperate with the federal criminal investigation and authorized Group's counsel at the time, Hulse Stucki, to send a letter to the federal government to: (i) respond to specific requests made by the government in a letter dated July 14, 2008; (ii) outline Group's business plan, and (iii) delineate Group's plan to cooperate with the federal government. On or about July 31, 2008, Group sent such a letter to the Assistant United States Attorney handling the federal criminal investigation against Group (the "McNulty Memorandum").

After sending the McNulty Memorandum, the Executive Committee attempted to gather Group's books and records and information regarding the operation of the East Coast Companies. The Executive Committee also attempted to pursue a business plan for Group involving the use of the distributions that Group receives from the FPFI Creditors' Trust to regenerate FirstPlus' mortgage business. To this end, Group formed a new entity called FirstPlus Financial Inc. It does not appear that Group was able to re-enter the mortgage business or that FirstPlus Financial Inc., other than being formed as a corporate entity, ever operated.

During the tenure of the O'Neal Board, O'Neal provided loans to Group in exchange for a security interest and stock. The Trustee is analyzing these loan transactions.

12. Litigation in Pennsylvania and New Jersey Courts

Subsequent to the raid and seizure of Group's books and records and those of its subsidiaries, Seven Hills along with others, all represented by either Arkadiy Grinshpun or Gary Freedman, Philadelphia attorneys who operate from the same office, began filing actions in Pennsylvania and New Jersey state courts against Group, all of its direct and indirect subsidiaries and members of the board of directors. As of the commencement of this chapter 11 case, the following matters had been filed:

- *Seven Hills Management, LLC v. FirstPlus Financial Group, Inc. and Rutgers Investment Group, Inc.*, Case No. 002779, Court of Common Pleas, Philadelphia County;
- *Learned Associates of North America LLC v. FirstPlus Financial Group, Inc. et al.*, Case No. 09-cv-2087, Court of Common Pleas, Philadelphia County
- *Michael Cordova v. FirstPlus Financial Group, Inc.*, Case No. 003924, Court of Common Pleas of Philadelphia County;
- *L&L Holdings, LLC v. FirstPlus Financial Group, Inc. et al.*, Case No. 2009-10421, Court of Common Pleas of Montgomery County;
- *L&L Holdings, LLC v. FirstPlus Development Inc. et. al.*, Case No. 2009-09852, Court of Common Please of Montgomery County;
- *L&L Holdings, LLC v. FirstPlus Financial Building Maintenance, Inc., et al.*, Case No. 2009-17371, Montgomery County; and
- *Svetlana Pellulo v. FirstPlus Financial Group, Inc.*, Case No. 2009-04639, 151st District Court, Harris County, Texas.

13. Shareholder Dispute

Notwithstanding the existence of the Settlement Agreement requiring annual distributions to shareholders of 50% of amounts held by the Grantor Trust, Group did not make any distributions after the Initial Distribution in August 2006. In response Group's shareholders have consistently taken steps to protect their interest. In response, Group has taken steps to preclude the shareholders recovery.

On July 28, 2007, one of Group's shareholder, Terence Allan, drafted a letter to J. Maxwell (the "7/28/2007 Allan Letter") in his capacity as Group's President nominating certain shareholders for election

to Group's board of directors at the next shareholders meeting.[4] On August 30, 2007, J. Maxwell, responded to the 7/28/2007 Allan Letter rejecting Mr. Allan's nominees stating that it did not comply with Group's Amended and Restated Articles of Incorporation. After Group announced that a shareholder meeting would be held on October 17, 2007, Mr. Allan again sent J. Maxwell a letter requesting that the October 17th meeting be a "special meeting" to allow Mr. Allan an opportunity to have his slate of board nominees considered at the scheduled meeting.

On October 15, 2007, Group commenced an action in the District Court of Cameron County, Texas seeking declaratory relief against the Allan Nominees and John Does 1-100, Case 2007-10-005135-E (the "Cameron Action"). Specifically, Group's petition sought a declaration of the parties with respect to the Grantor's Trust and Group's right to terminate the Grantor Trust. In connection with the Cameron Action, Group also sought and obtained a temporary restraining order enjoining each of the Allan Nominees from "filing any suit, prosecuting any suit or taking any litigation action separate and apart from seeking relief herein for any matters pertaining to this litigation." The temporary restraining order was signed on October 17, 2007.

Additionally, on October 12, 2007, Group filed an action in the United States District Court for the Southern District of Texas for injunctive and declaratory relief, Case No. B-07-163 (the "Federal Action"). The Federal Action named as defendants Robert D. Davis, John Hughey, George T. Davis, Terrance Allan, Danford Martin, Khan Martin, Rupen Gulenyan, James Hanson, Robert Malnar and John Does 1-20 (collectively the "Federal Defendants"). The Federal Action alleged that the Federal Defendants violated various securities laws in that they were acting as group without making the necessary public disclosures.

On May 9, 2008 the court in the Cameron Action mailed notices that the Cameron Action was dropped from the docket. By order dated June 4, 2008, the case was reinstated. However, on March 2, 2009, the court entered an order granting certain defendants' plea in abatement.

On January 9, 2009 the District Court dismissed the Federal Action.

In an effort to collect amount owed under the Settlement Agreement, on September 17, 2008 Tom Mitchell, Ronald Miller and Welton E. Robinson, Group stockholders (the "Petitioning Creditors"), filed an involuntary bankruptcy petition against Group in the United States Bankruptcy Court for the District of Nevada. On October 9, 2008, the bankruptcy court entered an order freezing and restraining disposition of funds received by Group and the Grantor Trust from the FPFI Creditors Trust. Subsequently on December 15, 2008, Group and the Petitioning Creditors stipulated to the dismissal of the involuntary petition.

On February 13, 2009, James Hanson ("Hanson"), a Group shareholder, commenced an action in the Second Judicial District Court of the State of Nevada, County of Washoe against Group, Does 1-100 and Black and White Companies 101-200 for, among others things, breach of the Settlement Agreement, specific performance and the appointment of a receiver (the "Hanson Acton"). On March 26, 2009, Hanson filed a Motion for Temporary Restraining Order and Preliminary Injunction seeking to enjoin the dissipation of any funds received by Group or the Grantor Trust from the FPFI Creditor Trust and to deposit any such funds in the registry of the Nevada court. On April 10, 2009, the Nevada court entered a Preliminary Injunction enjoining the dissipation of any funds held by Group and/or the Grantor Trust and ordered that any funds in their possession be immediately deposited into the Court registry. Consistent with the Nevada court's preliminary injunction, Group remitted $1,196,402.83 to the court registry.

As a consequence of the preliminary injunction in Nevada, the Debtor effectively had no source of cash.

[4] Mr. Allan's nominees were: John Hughey, Rolland Keller, Robert D. Davis. George T. Davis and Terrence Allan (collectively, the "Allan Nominees").

B. Commencement of the Chapter 11 Case

On June 23, 2009 (the "Petition Date"), the Debtor filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code.

Upon commencing this Case, the Debtor had no employees and virtually no books and records.

1. The Debtor's "First Day" Motions

After commencing the chapter 11 case the Debtor, through its counsel, filed several motions seeking Court authority to extend certain time periods, approve retention of certain professionals and authorizing the Debtor to receive a loan from O'Neal. On July 2, 2009, the Court entered an order authorizing the Debtor to obtain a $20,000 loan from O'Neal [Docket Entry No. 23]. The Court also entered orders granting other forms of relief for the Debtor. For instance, the Debtor's time to file its schedules and statements of financial affairs was extended indefinitely [Docket Entry No. 69] and authorizing the Debtor to limit notice to the largest creditors and those entities who file a notices of appearance [Docket Entry No. 22].

2. No Committee Appointed

With the commencement of the case, the Office of the United States Trustee is empowered to appoint creditors to one or more creditors committee and equity interest holders to one or more equity committees. As of the filing of this Disclosure Statement, no committees have been formed.

3. The United States Trustee's Motion to Appoint a Trustee

On July 14, 2009, the United States Trustee for Region 6 filed a *Motion for the Appointment of a Chapter 11 Trustee Under 11 U.S.C. § 1104 or, in the Alternative, Conversion to Chapter 7 Under 11 U.S.C. § 1112(b)* (the "Trustee Motion") [Docket Entry No. 50]. As explained in the Trustee Motion, the Debtor admitted that the federal government seized its records as "part of an ongoing organized crime investigation" and that the Creditors Trust distributions have "been the subject of extensive litigation and federal criminal investigation." The Trustee Motion was ultimately unopposed and by order of this Court dated July 24, 2009, the Court appointed the Trustee.

4. Retention of Trustee's Professionals

On September 9, 2009, SNR Denton filed its *Application to Employ Sonnenschein Nath & Rosenthal LLP as Counsel to the Chapter 11 Trustee* [Docket Entry No. 135].[5] On February 2, 2010, after holding a full evidentiary hearing and denying a motion to disqualify SNR Denton, the Court entered an *Order Granting Application to Employ Sonnenschein Nath & Rosenthal LLP* [Docket Entry No. 324].

The Trustee also sought to hire an accountant Robbins Tapp Cobb & Associates, PLLC [Docket Entry No. 136] and local counsel, Franklin Skierski Lovall Hayward, LLP [Docket Entry No. 145]. On November 12, 2009, the Court entered an *Order Granting Application to Employ Robbins Tapp Cobb & Associates, PLLC as Accountant* [Docket Entry No. 257]. On November 19, 2009, the Court entered an *Order Granting Application to Employ Franklin Skierski Lovall Hayward LP as Local Counsel* to the Trustee [Docket Entry No. 262].

[5] On September 30, 2010, Sonnenschein Nath & Rosenthal LLP combined with the international firm Denton Wilde Sapte. The combined firm is named SNR Denton US LLP.

5. Significant Events Since Trustee's Appointment

Within days of the Trustee's appointment, a group of entities, who called themselves the "ad hoc creditors committee" (the "Objectors") began an aggressive campaign to impede the Trustee's investigation and to increase the overall costs of administering the estate.[6]

On August 11, 2009, approximately two weeks after the trustee's appointment, the Objectors filed a motion to strike the appointment of the chapter 11 trustee and to hold an election of chapter 11 trustee together with a motion for an expedited hearing alleging, among other things, that Trustee had a conflict because he was recommended by the Debtor's counsel, he personally had no bankruptcy experience and he was formerly a United States Attorney with alleged ties to the assistant United States Attorney who is leading the criminal investigation of the pervasive wrongdoing by the Debtor and certain insiders (including the Objectors) [Docket Entry No. 99]. Finally, the Objectors complained that they were not consulted in the selection of the Trustee. The Objectors demanded a meeting for purpose of electing a trustee.

Approximately four weeks after the Trustee's appointment each of the Objectors, except William Maxwell and William Maxwell PLLC, filed seven adversary proceedings against the Debtor and each of its direct and indirect subsidiaries and, in some cases, certain of the Debtor's former officers and directors.[7]

From there, the Objectors moved to disqualify the Trustee's counsel [Docket Entry No. 255], sought to compel production of the Trustee's counsel's time records [Docket Entry No. 283] and objected to nearly every pleading the Trustee filed, including innocuous submissions such as the Trustee's limited service list. [Docket Entry No. 110].

An eighth adversary proceeding was also filed against the Debtor on behalf of Lepercq Corporate Income Fund L.P.

Thus, during the first few months following his appointment, the newly appointed Trustee had to juggle several crucial and daunting tasks. First, consistent with his statutory obligations under Section 1106, the Trustee had to identify parties who could have pertinent information regarding the Debtor's "acts, conduct, assets, liabilities and financial condition", the Trustee had to gather such information and the Trustee had to organize and process any information received. Second, while performing the aforementioned investigative tasks, the Trustee had to perform his ordinary administrative and transitional tasks of obtaining control of the Debtor's mail, bank accounts and collecting any outstanding amounts owed to the Debtor. Third, the Trustee was compelled to protect the estate from an onslaught of lawsuits

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[6] The Objectors are Seven Hills Management, LLC, Michael Cordova, LandL Holdings, LLC, Learned Associates of North America LLC, Svetlana Pelullo Revocable Deed of Trust, William Maxwell and William Maxwell PLLC.

[7] The Objectors' seven adversary proceedings (collectively, the "Pelullo Actions") duplicated pre-petition lawsuits brought by the Objectors in various courts in Pennsylvania and New Jersey. On August 24, 2009, Arkadiy Grinshpun filed five adversary proceedings on behalf of the so-called Svetlana Pellulo Deed of Trust (adv. proc. no. 09-03288), Seven Hills Management, LLC (adv. proc. no. 09-03295) and two adversaries on behalf of LandL Holdings, LLC (adv. proc. nos. 09-03293 and 09-03294). On September 18, 2009, Mr. Grinshpun filed a third adversary proceeding on behalf of LandL Holdings, LLC (adv. proc. no. 09-03329). Gary Freedman filed two adversary proceedings: one on behalf of Learned Associates of North America, LLC (adv. proc. no. 09-03291) and another on behalf of Michael Cordova (adv. proc. no. 09-03289). In each of these adversary proceedings the plaintiffs sued the Debtor along with some or all of its non-debtor direct and indirect subsidiaries. Additionally, the two actions commenced by Mr. Freedman and the action filed by Mr. Grinshpun on behalf of Seven Hills also named the Debtor's former officers and directors.

that raised issues and alleged facts that the Trustee lacked the background and the records with which to inform himself. Fourth, the Trustee had to defend his appointment in a hotly contested election in pursuit of which the Objectors filed several rounds of proofs of claims and amended proofs of claim.

Again, due to the federal government's seizure of the Debtor's books and records, the Trustee did not inherit information sufficient to allow him immediately to commence the administration of the estate. Moreover, the Debtor had not filed schedules and statements of affairs and the estate only had approximately $27,000 of cash. Given the aggressive actions taken by the Objectors, the Trustee had to divide his attention among a number of competing interests while conserving the estate's limited resources.

To illustrate the scale of the task facing the Trustee, between June 2007 and June 2009, when this Case was commenced, the Debtor had employed three different accountants, at least ten different law firms, had three changes in the board of directors and had its books and records seized by federal agents as part of a criminal investigation. The Debtor's former chief executive and chief financial officers, the ordinary source for crucial information, were cooperating with the Objectors and did not, in any event, have possession and control over the Debtor's books and records. Moreover, given the pending federal criminal investigation and the fact that millions of dollars had virtually evaporated from the Debtor's coffers pre-petition, many of the parties with first-hand knowledge of the Debtor's pre-petition operations were not likely to cooperate with the Trustee's statutorily mandated investigation. In sum, the Trustee was starting at an extreme disadvantage.

The Trustee took preemptive steps and pursued his investigative duties on parallel tracks -- a cooperative track and a judicial track. As to the latter track, the Trustee sought and obtained authority to conduct examinations and seek discovery pursuant to Bankruptcy Rule 2004 through the issuance of subpoenas against fourteen persons who, in the early stages of the Case, the Trustee had flagged as being central to the Debtor's pre-petition acts and conduct, and therefore, were most likely to have pertinent information regarding the Debtor's assets, liabilities and financial condition. As to the former track, the Trustee began reaching out to parties to conduct informal interviews and to collect whatever information such parties possessed. Naturally, this process started with the professionals who advised the Debtor immediately prior to the Petition Date and fanned outwards.

Simultaneous with the performance of the Trustee's investigative duties described above, the Trustee successfully defended the estate from the Objectors' various motions, prosecuted claims objections, negotiated settlement of one adversary proceeding and obtained orders dismissing the remaining seven adversary proceedings.

6. Claims Objections

The bar date in this case was set for October 27, 2009. However, the contested trustee election forced the Trustee to examine proofs of claims filed in the Case well before the occurrence of the bar date and immediately after his appointment. The difficulty of evaluating the claims in such a short time was compounded by the fact that the Debtor's books and records had been seized by the federal government in connection with a criminal investigation. Information about the claims had to be reconstructed by the Trustee from a number of sources.

In addition, the proofs of claims were not straightforward account stated claims. A number of claims were filed incorrectly and with documentation clearly evidencing an underlying dispute. For example, on or about September 1, 2009, LandL filed Claim No. 34-1, as a secured and priority claim, in the amount of $128,475.19 for unpaid rent, attorneys fees and interest. In support of the claim, LandL attached an adversary proceeding complaint (adv. proc. no. 09-03293) filed by LandL in the Debtor's bankruptcy case, together with certain documents from a Pennsylvania state court litigation, all of which evidenced the disputed nature of the claim.

In response to the Trustee's preliminary objection, and in order to "legitimize" the claim for voting purposes, on or about September 18, 2009, LandL filed an amended claim, Claim No. 34-2, as an unsecured, non-priority claim, in the amount of $128,475.19. This time, attached to the claim were only those documents evidencing what appeared to be an undisputed claim involving a "judgment" entered by the Pennsylvania state court against the Debtor and two of its subsidiaries. After investigation of that litigation, the Trustee learned that the judgment was not a judgment on the merits. Rather, it was a default judgment or confession of judgment under Pennsylvania Civil Procedure entered after apparently defective service. Moreover, none of the documents filed by LandL in support of its complaint supported the allegations that the Debtor was liable on a lease with its affiliate.

Rather than address the merits of the Trustee's claims objections, the Objectors amended each of their claims in response to the claims objections. As a result, the Objectors filed a total of 18 proofs of claim and amended claims. Thus, the process of reviewing the proofs of claim, adjudicating or investigating the underlying litigation or dispute was extended because in addition to preparing an objection, SNR Denton professionals had to also review amended claims and prepare supplemental objections each time an amendment was made.

In addition to the objections to the claims filed by the Objectors, the Trustee reviewed, investigated and, where appropriate, filed objections to other claims of dubious validity. By virtue of his objections to various claims, the Trustee eliminated or reduced claims against the estate by $7,321,414.52 as set forth below:

Claim No.	Creditor Name	Claim Amount	Allowed Amount
11	Singer Pistiner, P.C.	$2,946.50	$0
30	Ajax Baron LLC	$600,000.00	$0
34	L and L Holdings, LLC	$128,475.19	$0
35	Learned Associates	$275,000.00	$100,000
36	Michael Cordova	$75,000.00	$50,000
37	Seven Hills Management, LLC	$275,000.00	$100,000
38	L and L Holdings, LLC	$224,908.02	$0
50	Lepercq Corporate Income Fund	$3,800,000.00	$0
59	L and L Holdings, LLC	$365,270.59	$0
102	REFI	$375,000.00	$0
103	Woodson Smith Group	$375,000.00	$0
104	Woodson Smith Group	$250,000.00	$0
105	REFI	$250,000.00	$0
106	ETCG	$265,422.16	$0
203	El Paso County Treasurer	$4,642.69	$0
204	Stroud Auto Supply, Inc.	$4,749.37	$0

As of the bar date, the claims register showed 198 timely filed proofs of claim. The Trustee continues to review the proofs of claim.

7. Lepercq Corporate Income Fund, LP Claim and Settlement

On September 2, 2009, Lepercq Corporate Income Fund, LP ("Lepercq") filed commenced an adversary proceeding against the Debtor by filing a Complaint for Declaratory Judgment and Other Relief

(the "Complaint") with the Court as adversary case number 09-03303. The Complaint alleges that despite receiving various distributions from the Trust totaling approximately $45,724,000, the Debtor failed to remit the portion of said distributions to Lepercq. Based on these allegations, the Complaint requested declaratory relief under federal and state law, the execution of an assignment in paper form, the liquidation of Lepercq's claim, and attorneys' fees. The Complaint also brought causes of action for breach of contract, breach of the implied covenant of good faith and fair dealing, and violation of the Texas Theft Liability Act. On November 2, 2009, the Trustee filed the Trustee's Rule 7012(b)(6) Motion to Dismiss Plaintiff's Complaint [Adv. Docket No. 12] (the "Motion to Dismiss"). On March 22, 2010, the Court entered an order [Adv. Docket No. 26] granting in part and denying in part the Motion to Dismiss. Specifically, only the claims under the Texas Theft Liability Act were dismissed. On April 5, 2010, the Trustee filed its answer to the Complaint [Adv. Docket No. 29]. On April 21, 2010 the Court entered an order [Adv. Docket No. 31] consolidating the Complaint with the Proof of Claim Objection (as defined below).

On September 9, 2009, Lepercq filed a proof of claim [Claim No. 50] (the "Proof of Claim") against the Debtor. The Proof of Claim asserts that, to the extent the Debtor has converted Lepercq's property related to distributions from the Trust, Lepercq may have a claim against the Debtor's estate. On September 17, 2009, the Trustee filed an Initial Objection to Claim Filed by Lepercq Corporate Income Fund L.P. [Claim No. 50] [Docket No. 156] (the "Proof of Claim Objection").

In an effort to resolve the disputes surrounding the Complaint and Proof of Claim, the Parties engaged in arm's-length and good-faith negotiations resulting in a settlement agreement which resolved the issues between the Parties. The salient terms of the settlement (the "Lepercq Settlement") are as follows:

- Past Trust Distributions. Lepercq shall be entitled to payment of 7.6% of all distributions from the Trust on account of the FPFI Intercompany Claim that occurred after the Petition Date and which are valued at $190,000.00 and are being held in escrow by counsel for the Debtor and which funds shall be paid by the Debtor to Lepercq upon the Effective Date (as defined in the Agreement).

- Future Trust Distributions. Lepercq shall be entitled to receive an undivided 7.6% of all future distributions from the Trust on account of the FPFI Intercompany Claim.

- Dismissal of the Complaint. Upon entry of an order approving this Motion, the Complaint will be deemed dismissed, with prejudice.

- Withdrawal of Proof of Claim. Upon entry of an order approving this Motion, the Proof of Claim will be deemed withdrawn, with prejudice.

- Mutual Releases. Other than with respect to the rights and obligations granted under the Agreement and the Lepercq Proof of Claim as modified by the Agreement, the Parties agree to provide mutual releases from all rights and causes of action.

- Execution of Documents. The Parties shall execute all documents necessary to carry out the provisions of the Agreement, including, without limitation, the execution by the Trustee on behalf of the Debtor of a written assignment in paper form of the right of Lepercq to receive an undivided 7.6% of all future distributions from the Trust on account of the FPFI Intercompany Claim.

On October 6, 2010, the Court approved the Lepercq Settlement [Docket Entry No. 435].

C. Litigation

Chapter 5 of the Bankruptcy Code creates certain causes of action that a trustee may pursue, including preferences, fraudulent transfers, and other avoidance actions (collectively, the "Chapter 5 Actions"). Additionally, as set forth in the Debtor's Schedules and Statements of Financial Affairs, there are a number of causes of action belonging to the estate that may also be pursued. The Trustee is evaluating the merits of these actions to determine whether they will be beneficial to the bankruptcy estates to incur expenses attempting to obtain monetary recoveries.

D. Group's Assets

Group's primary asset is and has been the Intercompany Claim that it holds entitling it to distributions from the FPFI Creditors Trust. The timing and amount of future distributions is unknown; however, the Trustee has requested additional information from the FPFI Creditors Trust trustee regarding reserves and pay out estimates.

Additionally, as disclosed in the Debtor's Schedules, Schedule B, Group has potential claims against various persons and entities, including former directors and officers and professionals and advisors. The Trustee is evaluating the merits of these actions to determine whether they will be beneficial to the bankruptcy estates to incur expenses attempting to obtain monetary recoveries.

III.

SUMMARY OF THE DEBTOR'S PLAN

The principal provisions of the Plan are summarized below. This summary is a broad outline of the Plan and is qualified in its entirely by reference to the Plan, which is attached to this Disclosure Statement. As noted above, all capitalized terms used herein and not otherwise defined have the meanings assigned to them in the Plan.

The Plan designates certain classes of claims as outlined below. All claims are only allowed to (i) the extent the Bankruptcy Court has approved them or (ii) there is no pending claim objection or adversary proceeding on file with regard to that claim.

A. Description of Chapter 11

Once a petition in bankruptcy is filed, actions to collect pre-petition indebtedness are stayed, and other contractual obligations may not be enforced against a debtor. These protections give debtors the opportunity to restructure under court supervision and guarantee that all creditors and interest holders will receive fair and equitable treatment. After the petition date, a debtor is given the opportunity to restructure its operations and may obtain credit, sell assets, and reject executory contracts and lease obligations, subject to court approval. A Debtor may then propose a chapter 11 plan to restructure its obligations. Substantially all liabilities of a debtor as of a petition date are subject to settlement under a chapter 11 plan and are to be voted upon by all impaired classes of creditors and interest holders and approved by a bankruptcy court. The approval of a chapter 11 plan allows a debtor to emerge from bankruptcy.

B. Classification of Claims

All Claims and Interests, except Administrative Claims and Priority Tax Claims, are placed in Classes. The classification of Claims is made for purposes of voting on the Plan, making distributions under the Plan, and for ease of administration. The manner for satisfying each Claim or Interest will depend on how the Claim or Interest is classified.

1. Unclassified Claims

Administrative Claims include certain types of Claims that arose after the Petition Date. Section 503 of the Bankruptcy Code establishes the following categories of claims that are treated as Administrative Claims:

- actual and necessary costs and expenses of preserving the Debtor's estates, including wages, salaries, and commissions for services rendered after the Petition Date;
- certain taxes incurred by the Debtor's estates; and
- compensation and reimbursement for Professionals under section 330(a) of the Bankruptcy Code.

Priority Tax Claims are Claims for taxes that are given priority under section 507(a)(8) of the Bankruptcy Code, including income taxes, property taxes, withholding taxes, employment taxes, excise taxes, and custom duties.

2. Classified Claims

As required by the Bankruptcy Code, the Debtor has divided Claims and Interests into the following Classes:

Class 1 — Priority Non-Tax Claims.

Class 1 consists of Unsecured Claims against the Debtor that are entitled to priority under sections 507(a)(4-7) or (7-9) of the Bankruptcy Code but does not include Priority Tax Claims. This Class includes Claims for wages, salaries, or commissions earned by employees of the Debtor during the one hundred eight (180) days preceding the Petition Date, but only to the extent of the statutory cap set forth in the Bankruptcy Code for each individual.

Class 2 — Secured Claims.

Class 2 consists of all Secured Claims against the Debtor.

Class 3 — Unsecured Claims.

Class 3 consists of unsecured claims of all claimants other than claims classified elsewhere in the plan.

Class 4 — Subordinated Claims.

Class 4 consists of all Subordinated Claims.

Class 5 — Equity Interests.

Class 5 consists of all Equity Interests in the Debtor.

C. Treatment Of Claims

1. Unclassified Claims

Administrative Claims.

Administrative Claims are not impaired under the Plan. Each holder of an Allowed Administrative Claim that has not been previously paid will be paid on the Effective Date or as soon thereafter as is practicable after such Administrative Claim becomes an Allowed Administrative Claim the full amount of such Allowed Administrative Claim in cash or on such terms as agreed to by the holder of the Administrative Claim, provided, however, that any Administrative Claim that is an Ordinary Course Administrative Claim may be paid in accordance with the ordinary business terms, in accordance with the agreement giving rise to the Claim or, in the case of a Claim asserted by a governmental unit, in accordance with applicable law.

Priority Tax Claims.

Priority Tax Claims are not impaired under the Plan. Each Allowed Priority Tax Claim, if any, will be paid in full, in cash, on the Effective Date or as soon thereafter as is practicable after any such Claim is Allowed.

2. Classified Claims

Class 1 — Priority Non-Tax Claims.

Priority Non-Tax Claims are not impaired under the Plan.

All Allowed Priority Non-Tax Claims not previously paid in full pursuant to Final Order of the Bankruptcy Court prior to Confirmation Date will be paid in full, in cash (except to the extent that the holder of such Claim agrees to a different treatment) on the Effective Date or as soon thereafter as is practicable after such Claim becomes an Allowed Priority Non-Tax Claim. The legal, equitable and contractual rights of the holders of Allowed Priority Non-Tax Claims are unaltered by the Plan.

Class 2 — Secured Claims.

Secured Claims are not impaired under the Plan.

Each holder of a Allowed Secured Claim shall receive such treatment as will render the Claim unimpaired within the meaning of Section 1124 of the Bankruptcy Code on the Effective Date except to the extent that the holder of such Claim agreed to different treatment.

Class 3 — Unsecured Claims.

Unsecured Claims are impaired under the Plan.

Except to the extent that the holder agrees to less favorable treatment, each holder of an Allowed Unsecured Claim shall receive in full satisfaction, settlement, and release of and in exchange for, such

Allowed Claim, such holder's Pro Rata Share of cash distributed by the Creditors Trust in the time and manner as set forth in this Plan and the Creditors Trust Agreement.

Class 4 — Subordinated Claims.

Subordinated Claims are impaired under the Plan.

The holders of Subordinated Claims shall not receive or retain any Property.

Class 5 — Equity Interests.

Equity Interests are impaired under the Plan.

Each Class 5 Interest will be deemed canceled on the Effective Date.

D. Means of Plan Implementation

1. Distributions Under the Plan.

Distribution Record Date. As of the close of business on the Distribution Record Date, the various transfer registers or other applicable books and records for each of the Classes of Claims or Equity Interests as maintained by the Debtor or the Chapter 11 Trustee or their agents shall be deemed closed, and there shall be no further changes in the record holders of any of the Claims or Equity Interests. The Chapter 11 Trustee and Creditor Trust, as the case may be, shall have no obligation to recognize any transfer of any Claim or Equity Interest occurring on or after the Distribution Record Date. The Chapter 11 Trustee, as the case may be, shall be entitled to recognize and deal for all purposes hereunder only with those record holders stated on the transfer ledgers or other applicable books and records of the Debtor or the Chapter 11 Trustee as of the close of business on the Distribution Record Date, to the extent applicable

First Distribution Date. On the Effective Date, the Initial Distribution Date or as soon thereafter as is reasonably practicable, the Chapter 11 Trustee, to the extent practicable, shall make, or shall make adequate reserves for, the distributions required to be made under the Plan to holders of Allowed Secured Claims, Allowed Administrative Claims, Allowed Priority Tax Claims, and Allowed Non-Tax Priority Claims, which shall be held in the Administrative Claim Reserve.

2. Payments and Transfers by the Chapter 11 Trustee and the Creditors Trust on and After the Effective Date.

On the Effective Date, the Creditors Trust Assets, expressly including the Adversary Proceedings and all other Causes of Action, shall be deemed to have been transferred by the Debtor or the Chapter 11 Trustee to the Creditors Trust, free and clear of all liens, Claims, and encumbrances but subject to any obligations imposed by the Plan. In satisfaction of the requirements of Bankruptcy Code § 1129(a)(16), all transfers of property under this Plan shall be made in accordance with any applicable provisions of nonbankruptcy law that governs the transfer of property by a corporation or trust that is not a moneyed, business, or commercial corporation or trust.

On or after the Effective Date, in the time and manner set forth herein, the Creditors Trust, on behalf of the Debtor and the Debtor's Estate, shall remit to the respective holders of all remaining and unpaid Allowed Administrative Expense Claims, Allowed Priority Tax Claims, and Allowed Priority Non-Tax Claims, an amount in Cash equal to 100% of the amount of such Allowed Claim. Subject to the foregoing, on and

after the Effective Date, the Creditors Trust shall satisfy all Allowed Class 3 Claims in the time and manner, and to the extent, as set forth in Article IV hereof from the applicable Creditor Trust Assets.

After the Effective Date, all remaining Allowed Administrative Claims (including all claims for Professional Fees relating to services rendered or reimbursement of expenses incurred through and including the Confirmation Date), and all post- Confirmation Date fees and expenses of Chapter 11 Trustee's professionals, and any and all Allowed Priority Tax Claims and Allowed Priority Non-Tax Claims against the Debtor that were not paid in full on the Effective Date (if any) shall be paid by the Creditors Trust.

3. Creditors Trust.

Execution of the Creditors Trust Agreement. On or prior to the Effective Date, the Creditor Trust Agreement shall be executed, and all other necessary steps shall be taken to establish the Creditors Trust without any requirement of further action by the Chapter 11 Trustee or any governing body of the Debtor. This Plan Section 6.3 sets forth certain of the rights, duties, and obligations of the Creditors Trust and the Trustee. In the event of any conflict between the terms of this Plan Section 6.2 and the terms of the respective Creditors Trust Agreement, the terms of the Plan shall govern.

Purpose of the Creditors Trust. The Creditors Trust shall be established for the sole purpose of liquidating and distributing it assets, in accordance with Treasury Regulation section 301.7701-4(d), with no objective to continue or engage in the conduct of a trade or business.

The Creditors Trust Assets.

1. The Creditors Trust's res shall consist of the Creditors Trust Assets. Any Cash or other property received following the Effective Date by the Creditors Trust or the Estate from third parties from the prosecution, settlement, or compromise of any Adversary Proceedings or the other Causes of Action (including any proceeds from any insurance policies, if any), or otherwise shall constitute Creditors Trust Assets for purposes of distributions under the Creditors Trust. Any funds that had been retained by the Chapter 11 Trustee on the Effective Date and that are left over from reserves following the payment of all Allowed Administrative Claims, Allowed Professional Fees, Allowed Priority Non-Tax Claims, and Allowed Priority Tax Claims (determined by the Chapter 11 Trustee or the Creditors Trustee, as applicable) hereof, shall be transferred to the Creditors Trust as soon as is practicable following the payment of all such Claims, and shall thereafter constitute Creditors Trust Assets.

2. On the Effective Date or as soon thereafter as is practicable (1) the Chapter 11 Trustee in the manner set forth in Section 6.1 hereof) shall transfer all of the Creditors Trust Assets to the Creditors Trust free and clear of all liens, Claims, and encumbrances, except to any extent otherwise provided in the Plan, and (2) the Creditors Trust shall automatically be deemed the successor in interest for all purposes to the Debtor or the Chapter 11 Trustee in any then pending Adversary Proceeding or Cause of Action to the same extent as if the Creditors Trust were the Debtor or the Chapter 11 Trustee, without the need for any other or further order of the Bankruptcy Court or other court of competent jurisdiction.

3. Upon the transfer of the Creditors Trust Assets to the Creditors Trust, the Creditors Trustee shall be a representative of the consolidated Estate pursuant to Bankruptcy Code §§ l123(a)(5), 1123(a)(7), and 1123(b)(3)(B) with respect to the Creditors Trust Assets and **ALL OTHER CAUSES OF ACTION (INCLUDING, WITHOUT LIMITATION, ALL AVOIDANCE ACTIONS) SHALL SURVIVE CONFIRMATION AND CONSUMMATION OF THE PLAN AND THE COMMENCEMENT OR PROSECUTION OF ANY SUCH CLAIMS SHALL NOT BE BARRED BY ANY ESTOPPEL, WHETHER JUDICIAL, EQUITABLE, OR OTHERWISE.**

The Creditors Trustee. Matthew D. Orwig, not individually, but solely as a fiduciary for the Creditors Trust, shall be the Initial Trustee. The designation of the Chapter 11 Trustee as the Initial Trustee of the Creditors Trust shall be effective on the Effective Date without the need for (i) any further order of the Bankruptcy Court or (ii) any further action by any other governing body of the Debtors.

Role of the Trustee of the Creditors Trust.

1. In furtherance of and consistent with the purpose of the Creditors Trust and the Plan after payment in full of Allowed Class 1 and 2 Claims and Allowed Administrative Claims, the Trustee shall among other things (as may be set forth in the respective Creditors Trust Agreement), (1) have the power and authority to manage, invest, and distribute the Creditors Trust Assets to the holders of Allowed Class 3 Claims to the extent set forth in the Plan, (2) hold the respective Creditors Trust Assets for the benefit of the holders of Allowed Class 3 Claims to the extent set forth in the Plan, (3) have the power and authority to hold, manage, sell, and distribute Cash or other Creditors Trust Assets obtained through the exercise of its power and authority, (4) have the power and authority to prosecute, settle, and otherwise resolve, in the names and on behalf of the Debtor, its Estate, or the name of the Creditors Trust, the Adversary Proceedings and all other Causes of Action, including the power and authority to commence an Adversary Proceeding or other Cause of Action, (5) have the power and authority to prosecute and resolve objections to any (or any portion thereof) in the name and on behalf of the Debtor, or its Estate, or the name of the Creditors Trust, and any Disputed Administrative Expense Claims, Disputed Priority Tax Claims, or Disputed Priority Non-Tax Claims, (6) have the power and authority to perform such other functions as are provided in the Plan and the Creditors Trust Agreements, (7) have the power and authority to retain and compensate professionals to assist it in performing the functions as provided in the Plan and the Creditors Trust Agreement, (8) have the power and authority to perform or delegate such other functions and services and duties as it deems reasonably necessary or appropriate, (9) have the power and authority to administer the closure of the Chapter 11 Case, and (10) have the power and authority to ensure that Debtor or the Estate completes any and all of the acts required by the Plan following the Effective Date, if any, and to otherwise take any and all reasonably necessary or appropriate steps to effectuate the dissolution of any of the Debtor pursuant to the terms of the Plan and applicable law. The Trustee of the Creditors Trust shall be responsible for all decisions and duties with respect to the Creditors Trust and the Creditors Trust Assets, subject to (a) the approval of the Bankruptcy Court after notice and a hearing (as appropriate), (b) the terms and conditions of the Creditors Trust Agreement. In all circumstances, the Creditors Trustee shall act in the best interests of the beneficiaries of the Creditors Trust and in furtherance of the purpose of the Creditors Trust.

2. After the certificates of cancellation, or dissolution for the Debtor have been filed, the Creditors Trustee shall be authorized to exercise all powers regarding the Debtor's tax matters, including filing tax returns, to the same extent as if the Creditors Trust was the Debtor. The Creditors Trust shall (A) complete and file to the extent not previously filed, the Debtor post-petition federal, state, and local tax returns, (B) request an expedited determination of any unpaid tax liability of such Debtor under Bankruptcy Code § 505(b) for all tax periods of such Debtor starting after the Petition Date through the liquidation of such Debtor as determined under applicable tax laws, to the extent not previously requested, and (C) represent the interests and account of such Debtor(s) before any taxing authority in all matters, including, but not limited to, any action, suit, proceeding, or audit.

Nontransferability of the Creditors Trust Interests. Any and all beneficial interests in the Creditors Trust shall not be certificated and are not transferable by the holders thereof (except as may otherwise be provided in the respective Creditors Trust Agreement).

Cash. The Creditors Trust may invest cash (including any earnings thereon or proceeds therefrom) as permitted by Bankruptcy Code § 345, provided, however, that such investments are investments permitted to be made by a litigation or similar trust within the meaning of Treasury Regulation section 301.7701-4(d), as reflected therein, or under applicable Internal Revenue Service guidelines, rulings, or other controlling authorities.

Costs and Expenses of the Creditors Trust. The costs and expenses of the Creditors Trust, including the fees and expenses of the Trustee and the professionals retained in accordance with Section 6.3(x) (including the costs and expenses incurred in connection with the pursuit of the respective Causes of Action), shall be paid out of the Creditors Trust Assets. All such costs and expenses shall be paid in the manner set forth in Plan and in the Creditors Trust Agreement.

Compensation of the Creditors Trustee. The Trustee of the Creditors Trust shall be entitled to reasonable compensation and reimbursement of expenses upon Bankruptcy Court approval after notice and a hearing. On the Effective Date, or as soon thereafter as is practicable, the applicable Creditors Trust shall, subject to Bankruptcy Court approval after notice and a hearing.

Retention of Professionals by the Creditors Trusts. The Creditors Trust and the Trustee of the Creditors Trust may retain counsel and other professionals to provide professional services thereto, including in connection with the Plan or the respective Creditors Trust Agreement, without the need for any further Bankruptcy Court approval, including in connection with the prosecution or settlement of the Adversary Proceedings, all other Causes of Action, or objections to Disputed Claims against any of the Debtor. Without limiting the generality of the foregoing, Creditors Trust and the Trustee may retain any professional who previously represented any party-in-interest in this Chapter 11 Case on or prior to the Effective Date. The Creditors Trust shall compensate all such professionals in the manner set forth.in Plan and in the Creditors Trust Agreement, in each instance subject to Bankruptcy Court approval upon the filing of an appropriate application with respect thereto by such professional.

Distribution of the Creditors Trust Assets. The Creditors Trust shall, at the discretion of the Trustee and if practicable, distribute at least semi-annually and in accordance with the Creditors Trust Agreement, commencing as soon as practicable on or after the Effective Date, the Creditors Trust Assets on hand, and treating as cash for purposes of this Section 6.2(1)(i) any permitted investments under Section 6.2(h) hereof), except such amounts (a) as would be distributable to a holder of a Disputed Claim if such Disputed Claim had been Allowed prior to the time of such distribution (but only until such Claim is resolved), if any, (b) as are reasonably necessary to meet contingent liabilities (including with respect to any indemnification obligations owed to the Creditors Trustee, pursuant to the terms and conditions of the Plan and the Creditors Trust Agreement) and to maintain the value of the Creditors Trust Assets during liquidation, (c) necessary to pay anticipated future reasonable expenses (including, but not limited to, any taxes imposed on the Creditors Trust or in respect of the Creditors Trust Assets) as determined by the Creditors Trustee, and (d) to satisfy other anticipated liabilities (including a reasonable reserve for unanticipated future liabilities, fees, and expenses) to be incurred by the Creditors Trust in accordance with this Plan or the Creditors Trust Agreement.

Federal Income Tax Treatment of the Creditors Trusts. The Creditors Trust Assets shall be treated as owned by holders of Allowed Class 3 Claims. For all federal income tax purposes, all parties shall each treat the transfer of the Creditors Trust Assets to the Creditors Trust for the benefit of the holders of Allowed Class 3 Claims, whether Allowed on or after the Effective Date, as (A) a transfer of the respective Creditors Trust Assets directly to the holders of Allowed Class 3 Claims in satisfaction of such Claims (other than to any extent allocable to Disputed Class 2 Claims followed by (B) the transfer by such holders to the Creditors Trust of the Creditors Trust Assets in exchange for beneficial interests in the Creditors Trust. Accordingly, the holders of such Allowed Claims shall be treated for federal income tax purposes as the grantors and owners of their respective shares of the Creditors Trust Assets.

Tax Reporting.

1. As shall be set forth in the respective Creditors Trust Agreement, the Creditors Trust shall file returns as a grantor trust pursuant to Treasury Regulation section 1.671-4(a) and in accordance with this Section 6.2(m)(ii). The Creditors Trust shall also annually send to each record holder of an Allowed Class 3 Claim a separate statement setting forth the holder's share of items of income, gain, loss, deduction, or credit and will instruct all such holders to report such items on their federal income tax returns or to forward the appropriate information to the applicable beneficial holders of

such Allowed Claim with instructions to report such items on their federal income tax returns. The Creditors Trust's taxable income, gain, loss, deduction, or credit will be allocated (subject to Section 6.2(m)(ii)(c) hereof) to the holders of Allowed Class 3 Claims to the extent provided for in the Plan, in accordance with their relative beneficial interests in the Creditors Trust.

2. As soon as possible after the Effective Date, but in no event later than ninety (90) days after the Effective Date, the Creditors Trust shall make a good faith estimate of the value of the respective Creditors Trust Assets. Such estimate of value shall be made available from time to time, to the extent relevant, and used consistently by all parties (including the Debtor, the Creditors Trust, and the holders of Allowed Class 3 Claims) for all federal income tax purposes. The Creditors Trust shall also file (or cause to be filed) any other statements, returns, or disclosures relating to the respective Creditors Trust that are required by any governmental unit.

Creditors Trust Claims Reserves.

1. Subject to definitive guidance from the Internal Revenue Service or a court of competent jurisdiction to the contrary (including the receipt by the Creditors Trust of a private letter ruling if the Creditors Trust so requests one, or the receipt of an adverse determination by the Internal Revenue Service upon audit if not contested by the Creditors Trust), the Creditors Trust shall (i) treat any Creditors Trust Asset allocable to, or retained on account of, Disputed Class 3 Claims (in an amount and manner as set forth in Plan Section 7.2(a)), if any, as held by one or more discrete trusts for federal income tax purposes (the "Creditors Trust Claims Reserve"), consisting of separate and independent shares to be established in respect of each Disputed Class 3 Claim, in accordance with the trust provisions of the Tax Code, (ii) treat as taxable income or loss of the Creditors Trust Claims Reserve, with respect to any given taxable year, the portion of the taxable income or loss of the Creditors Trust that would have been allocated to the holders of Disputed Class 3 Claims, if any, had such Claims been Allowed on the Effective Date (but only for the portion of the taxable year with respect to which such Claims are unresolved), (iii) treat as a distribution from the Creditors Trust Claims Reserve any increased amounts distributed by the Creditors Trust as a result of any Disputed Class 3 Claims resolved earlier in the taxable year, to the extent such distributions relate to taxable income or loss of the Creditors Trust Claims Reserve determined in accordance with the provisions hereof, and (iv) to the extent permitted by applicable law, report consistent with the foregoing for state and local income tax purposes. All holders of Allowed Class 3 Claims shall report, for tax purposes, consistently with the foregoing.

2. The Creditors Trust shall be responsible for payments, out of the applicable Creditors Trust Assets, of any taxes imposed on the Creditors Trust or the Creditors Trust Assets, including the Creditors Trust Claims Reserves. In the event, and to the extent, any cash (if any) retained on account of Disputed Class 3 Claims Creditors Trust Claims Reserve is insufficient to pay the portion of any such taxes attributable to the taxable income arising from the assets allocable to, or retained on account of, Disputed Class 3 Claims, such taxes shall be (i) reimbursed from any subsequent cash amounts (if any) retained on account of Disputed Class 3 Claims or (ii) to the extent such Disputed Class 3 Claims have subsequently been resolved, deducted from any amounts distributable by the Creditors Trust as a result of the resolutions of such Disputed Class 3 Claims .

3. Prior to making a final distribution, dissolving the Creditors Trusts and closing the Debtor's Case, the Creditors Trustee may apply (i) to the Bankruptcy Court for an order authorizing final distribution, closing the Chapter 11 Case, and releasing the Creditors Trustee and the Creditors Trust from any and all claims, debts, or liabilities, including any and all claims, debts, or liabilities for taxes to any and all taxing authorities, and /or (ii) to the Bankruptcy Court, under section 505 of the Bankruptcy Code, the Internal Revenue Service and/or any other taxing authority for a determination of any tax liability payable by the Debtor or the Creditors Trust. The Trustee shall not be required to make a final distribution unless the Trustee determines that the Creditors Trust, the Debtor and the Trustee have no remaining liabilities for taxes of any kind.

Dissolution. The Trustee and the Creditors Trust shall be discharged or dissolved, as the case may be, at such time as (i) all Disputed Class 3 Claims have been resolved, (ii) all of the applicable Creditors Trust Assets have been liquidated, and (iii) all distributions required to be made by the Creditors Trust under the Plan have been made, but in no event shall the respective Creditors Trusts be dissolved later than five (5) years from the Effective Date unless the Bankruptcy Court, upon motion within the six (6) month period prior to the fifth (5th) anniversary (and, in the case of any extension, within six (6) months prior to the end of such extension), determines that a fixed period extension (not to exceed three (3) years, together with any prior extensions, without a favorable letter ruling from the Internal Revenue Service that any further extension would not adversely affect the status of the applicable Creditors Trust as a liquidating trust for federal income tax purposes) is necessary to facilitate or complete the recovery and liquidation of the Creditors Trust Assets or the dissolution of the Debtor.

Indemnification of the Trustee. The Trustee and the Creditors Trusts' agents and professionals, shall not be liable for actions taken or omitted in its or their capacity as, or on behalf of, the Creditors Trust, except upon a finding by the Bankruptcy Court that it or they acted or failed to act as the result of misfeasance, bad faith, gross negligence, or in reckless disregard of its or their duties and each shall be entitled to indemnification and reimbursement for fees and expenses in defending any and all of its or their actions or inactions in its or their capacity as, or on behalf of, the Creditors Trust, except for any actions or inactions involving misfeasance, bad faith, gross negligence, or in reckless disregard of its or their duties. Any indemnification claim of the Trustee shall be satisfied from the Creditors Trust Assets, subject to the approval of the Bankruptcy Court after notice and a hearing. The Trustee shall be entitled to rely, in good faith, on the advice of retained professionals.

Closing of the Case.

1. When all Disputed Claims have become Allowed Claims, have been disallowed by a Final Order, or have been otherwise fully resolved, and all of the Creditors Trust Assets have been distributed in accordance with this Plan (including pursuant to Plan Section 6.2(1)(i)), the Trustee shall seek authority from the Bankruptcy Court to close the Chapter 11 Case in accordance with the Bankruptcy Code and the Bankruptcy Rules; provided, however, that nothing in this Plan or the Creditors Trust Agreement shall prevent the Creditors Trustee from seeking authority from the Bankruptcy Court to close the Chapter 11 Case at any time prior thereto, in accordance with the Bankruptcy Code and the Bankruptcy Rules.

2. If at any time the Trustee determines that the expense of administering the Creditors Trust so as to make a final distribution to its beneficiaries is likely to exceed the value of the assets remaining in the Creditors Trust, the Trustee shall apply to the Bankruptcy Court for authority to (i) reserve any amounts necessary to close the Chapter 11 Case, (ii) donate any balance to a charitable organization exempt from federal income tax under section 501(c)(3) of the Tax Code that is unrelated to any of the Debtor, the Creditors Trustee, and any insider of the Trustee, and (iii) close the Chapter 11 Case in accordance with the Bankruptcy Code and Bankruptcy Rules. Notice of such application shall be given electronically, to the extent practicable, to those parties who have filed requests for notices in the Chapter 11 Case and whose electronic addresses then remain current and operating.

Books and Records. Upon the Effective Date, or as soon thereafter as is reasonably practicable, the Chapter 11 Trustee shall transfer and assign to the Creditors Trust full title to, and the Creditors Trusts shall be authorized to take possession of, all of the books and records of the Debtor or the Chapter 11 Trustee. The Creditors Trust shall have the responsibility of storing and maintaining the books and records transferred hereunder until the later of (i) one year after the Debtor is dissolved in accordance with Section 6.5 hereof or (ii) the resolution of each of the Adversary Proceedings or any other Cause of Action that is commenced prior to or after the Effective Date, after which time such books and records may, subject to the Effective Date, be abandoned or destroyed without further order of the Bankruptcy Court. For purposes of this Section 6.6, books and records include computer generated or computer maintained books and records and computer data, as well as electronically generated or maintained

books and records or data. The Chapter 11 Trustee shall also transfer and assign to the Creditors Trusts all of his claims and rights in and to their books and records that are maintained by, or in possession of, third parties (including any governmental entities), wherever located.

4. Setoffs.

The Chapter 11 Trustee or the Creditors Trust may, but shall not be required to, set off against any Claim (for purposes of determining t he Allowed amount of such Claim on which distribution shall be made), any claims of any nature whatsoever that the Debtor may have against the holder of such Claim, but neither the failure to d o so nor the allowance of any Claim hereunder or under any order of the Bankruptcy Court shall constitute a waiver or release by the Debtor's, the Chapter 11 Trustee or the Creditor Trust of any such claim the Debtor may have against the holder of such Claim.

5. Establishment and Maintenance of Disputed Claims Reserves.

Administrative Claims Reserve. On the Confirmation Date, the Chapter 11 Trustee shall provide a good faith estimate of the aggregate amount of unpaid Administrative Claims and shall establish an Administrative Claims Reserve in order to make the payments to holders of Administrative Claims such Administrative Claims become Allowed and/or are scheduled to be paid pursuant to the Plan.

Property in Trust. Property placed in the Administrative Claims Reserve shall be held in trust for the benefit of the holders of Claims ultimately determined to be Allowed. The Administrative Claims Reserve shall be closed and extinguished by the Creditor Trustee when all Distributions and other dispositions of cash or other property required to be made hereunder will have been made in accordance with the terms of the Plan. Upon closure of the Administrative Claims Reserve, all cash (including any investment yield on the cash) or other property held in that Disputed Reserve shall become the Property of the Creditors Trust.

General Distribution Provisions; . Subject to Bankruptcy Rule 9010 and except as otherwise provided herein, distributions to the holders of Allowed Claims shall be made by the Trustee of the Creditors Trust at (a) the address of each holder as set forth in the Schedules, unless superseded by the address set forth on proofs of Claim filed by such holder or (b) the last known address of such holder if no proof of Claim is filed or if the Debtor, or the Creditor Trust have been notified in writing of a change of address.

Undeliverable Distributions. In the event that any distribution to any holder of a Claim is returned as undeliverable, no further distributions shall be made to such holder unless and until the Chapter 11 Trustee or the Creditors Trust, as the case may be, are notified of such holder's then-current address. Any Holder of an Allowed Claim that does not assert a claim pursuant to this Plan for an undeliverable or unclaimed distribution by 5:00 p.m. Central Time on the date that is one (1) year after the Effective Date shall be deemed to have forfeited its claim for such undeliverable or unclaimed distribution and shall be forever barred and enjoined from asserting any such Claim against the Debtor, the Estate, the Property, the Creditors Trust or its Trustee or its Property, the Chapter 11 Trustee,, or the property or assets of any of the foregoing. In such cases, any cash or other property otherwise reserved for undeliverable or unclaimed distributions shall become the property of the Creditors Trust on behalf of the Estate free of any restrictions thereon and notwithstanding any federal or state escheat laws to the contrary, and shall be distributed in accordance with the terms of the Creditors Trust Agreement to the other holders of Allowed Class 3 Claims on a Pro Rata basis (subject to the terms and conditions of this Plan and the Creditor Trust Agreement with respect to minimum distributions or otherwise). Nothing contained in this Plan or the Creditors Trust Agreement shall require any of the Chapter 11 Trustee, the Creditor Trust or its Trustee to attempt to locate any holder of an Allowed Claim.

Unclaimed Property. Except with respect to Property not distributed because it is being held in a Reserve, distributions that are not claimed by the expiration of six (6) months from the date the distribution is made, will be deemed to be unclaimed property under section 347(b) of the Bankruptcy Code and shall vest in the Creditor Trust, and the Claims with respect to which those distributions are made shall be automatically cancelled. After the expiration of that six (6) month period, the claim of any Person to those distributions shall be discharged and forever barred.

6. Minimum Distributions.

Notwithstanding anything herein to the contrary, if a distribution to be made to a holder of an Allowed General Unsecured Claim on the Initial Distribution Date or any subsequent date for such Distributions would be $15 or less, no such Distribution is required to be made to that holder unless the holder makes a request in writing for payment from the Reorganized Debtor.

7. Cancellation of Existing Securities.

On the Effective Date, any document, agreement or instrument evidencing a Claim against the Debtor or Equity Interest shall be deemed cancelled without any further act or action under the any applicable agreement, law, regulation, order or rule and the obligations of the Debtor under such documents, instruments or agreements evidencing such Claims or Equity Interests shall be discharged, except obligations under the Plan.

8. Timing.

Wherever the Plan provides that a payment or distribution shall occur "on" any date, it shall mean "on, or as soon as practicable after" such date.

E. Treatment of Disputed Claims

1. Objections to Claims.

Objections to Claims shall be filed on or before the Claims Objection Bar Date by the Trustee or the Creditors Trust or other entity entitled to do so. All Claims shall be subject to section 502(d) of the Bankruptcy Code notwithstanding the expiration of the Claims Objection Bar Date. The failure by the Chapter 11 Trustee to object to, or to examine for purposes of voting, any Claim as of the Confirmation Date shall not be deemed to be a waiver of its right or the right of the Trustee or the Creditors Trust to object to, or to re-examine, such Claim in whole or in part after the Confirmation Date.

2. Payments and Distributions on Disputed Claims.

Notwithstanding any other provision in the Plan, no distributions will be made with respect to a Disputed Claim until the resolution of such dispute by settlement or Final Order. As soon as practicable after a Disputed Claim becomes an Allowed Claim, the holder of such Allowed Claim will receive all distributions to which such holder is then entitled under the Plan. Except as provided in Bankruptcy Code section 502(d), any Person who holds both an Allowed Claim and a Disputed Claim will receive the appropriate distribution on the Allowed Claim, although no distribution will be made on the Disputed Claim until such dispute is resolved by settlement or Final Order.

3. Disallowance of Claims without Further Order of the Court.

As of the Confirmation Date, any Claim designated as disputed, contingent or unliquidated in the Statement of Financial Affairs and Schedules filed by the Debtor, as amended, and for which a proof of claim has not been filed by the Creditor, shall be deemed expunged, without further act or Order of the Bankruptcy Court.

F. Releases and Injunction

1. Releases.

This Plan and the distributions made under the Plan will be in full and final satisfaction, settlement and release as against the Debtor of any debt that arose before the Effective Date and any debt of a kind specified in Bankruptcy Code sections 502(g), 502(h) or 5 02(i), and all Claims and Interests of any nature, including any interest accrued thereon, before, on and after the Petition Date, whether or not a (i) proof of Claim or Interest based on such debt, obligation or Interest was filed or deemed filed under sections 501 or 1111(a) of the Bankruptcy Code; (ii) such Claim or Interest is allowed under section 502 of the Bankruptcy Code; or (iii) the holder of such Claim or Interest has accepted the Plan.

2. Injunction.

As of the Confirmation Date, except as provided in the Plan or the Confirmation Order, all Persons that have held, currently hold or may hold a Claim or other debt or liability that is addressed in the Plan are permanently enjoined from taking any of the following actions on account of any such Claim, debts or liabilities, other than actions brought to enforce any rights or obligations under the Plan: (i) commencing or continuing in any manner any action or other proceeding against the Debtor, the Chapter 11 Trustee or Property of the Estate; (ii) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order against the Debtor or its Properties or the Chapter 11 Trustee; (iii) creating, perfecting or enforcing any lien or encumbrance against the Debtor or its Properties; (iv) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to the Debtor or its Properties; and (v) commencing or continuing, in any manner or any place, any action that does not comply with or is inconsistent with the provisions of the Plan or the Confirmation Order.

3. Exculpation.

The Chapter 11 Trustee and his employees, representatives, counsel, financial advisors, consultants and agents, shall not have or incur any liability to any Person for any act taken or omission occurring on or after the Petition Date in connection with or related to the Debtor, or the Chapter 11 Case, including but not limited to (i) formulating, preparing, disseminating, implementing, confirming, consummating or administrating the Plan (including soliciting acceptances or rejections thereof); (ii) the Disclosure Statement, or any contract, instrument, release or other arrangement entered into or any action taken or not taken in connection with the Plan or the Chapter 11 Case; or (iii) any distributions made pursuant to the Plan except for acts constituting willful misconduct, gross negligence or breach of fiduciary duty, and in all respects such parties shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under the Plan.

IV.

FEDERAL INCOME TAX CONSIDERATIONS OF THE PLAN

A description of certain federal income tax consequences of the transactions proposed in the Plan is provided below. This description is based upon the Internal Revenue Code of 1986, as amended (the "IRC"), final and temporary Treasury Regulations promulgated thereunder, judicial decisions and administrative determinations of the Internal Revenue Service ("IRS") in effect as of the date of this disclosure statement. Changes in these authorities, which may have retroactive effect, or new interpretations of existing authority may cause the federal income tax consequences of the Plan to differ materially from the consequences described below. No rulings have been requested from the IRS and no legal opinions have been requested from counsel with respect to any tax consequences of the Plan. No tax opinion is given by this disclosure statement.

The federal income tax consequences of the Plan are subject to significant uncertainties. The Trustee urges creditors to seek independent professional tax advice on the issues related to the Plan. This summary addresses only those federal income tax consequences relating to the implementation of the Plan and does not address the federal income tax consequences of the transactions, distributions and exchanges occurring prior to and leading up to the Petition Date. This summary does not address foreign, state or local tax consequences of the Plan or any estate or gift tax consequences of the Plan, nor does it purport to address all the significant federal income tax consequences of the Plan. This summary also does not purport to address the federal income tax consequences of the Plan to special classes of taxpayers (such as S Corporations, banks, mutual funds, insurance companies, financial institutions, business investment companies, regulated investment companies, broker-dealers, employees and tax-exempt organizations).

THE DISCUSSION SET FORTH IN THIS DISCLOSURE STATEMENT IS INCLUDED FOR GENERAL INFORMATION ONLY. CLAIMANTS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE CONSEQUENCES OF THE PLAN.

A. Federal Income Tax Consequences to Creditors

Generally. The federal income tax consequences of the Plan to a creditor will depend upon numerous factors, including but not limited to: (i) whether the Creditor's Claim (or portion thereof) constitutes a Claim for principal or interest; (ii) the type of consideration received by the Creditor in exchange for the Claim; and (iii) whether the Creditor is a resident of the United States for tax purposes (or falls into any of the special classes of taxpayers excluded from this discussion as noted above); and (iv) whether the Creditor has taken a bad debt deduction with respect to its Claim. CREDITORS ARE STRONGLY ADVISED TO CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE TAX TREATMENT UNDER THE PLAN OF THEIR PARTICULAR CLAIMS.

Creditors Holding Claims. The federal tax consequences to Creditors will depend, initially, on the Creditors' tax basis in their Claims. A loss generally is treated as sustained in the taxable year for which there has been a closed and completed transaction, and no portion of a loss with respect to which there is a reasonable prospect of reimbursement may be deducted until it can be ascertained with reasonable certainty whether or not such reimbursement will be recovered. The time as to when a debt becomes wholly worthless for federal income tax purposes is a factual determination based on all relevant facts.

The fact that a debtor has filed for bankruptcy protection may be an indication that a debt is worthless, but the IRS and Courts have held that bankruptcy does not conclusively establish worthlessness, especially where it appears that creditors will still receive some payments on the debt. The IRS has ruled, however, that where it appears a creditor will receive only a *de minimis* recovery on its

debt, such debt may be treated as wholly worthless. Even if a debt is not wholly worthless, if the debt is partially worthless and the creditor can establish with reasonable certainty the portion of the debt that is worthless and charges that portion off of its books of account, the creditor may deduct the portion becoming worthless that tax year. Creditors may already have made their own determinations as to the portion of their claims which are worthless and deducted such amounts. In such cases, the deductions would reduce the Creditors' basis in their claims.

Creditors receiving cash, notes or other assets in exchange for their Claims will generally recognize taxable gain or loss in an amount equal to the difference between the amount realized and each such Creditor's adjusted tax basis in the Claim, to the extent that such consideration is not allocable to any portion of the Claim representing accrued and unpaid interest (see "Receipt of Interest", below) or to market discount, discussed below. The character of any recognized gain or loss (i.e., ordinary income, or short-term or long-term capital gain or loss) will depend upon the status of the Creditor, the nature of the Claim in the Creditor's hands, the purpose and circumstances of its acquisition, the Creditor's holding period of the Claim, and the extent to which the Creditor previously claimed a deduction for the worthlessness of all or a portion of the Claim.

B. Federal Income Tax Consequences to the Holders of Equity Interests

The Debtor's common stock will be extinguished. Whether the Holders of such Interests will recognize a loss, a deduction or worthless securities or any other tax treatment will depend upon facts and circumstances that are specific to the nature of the Holder and its Interests.

C. Federal Income Tax Consequences of the Creditors Trust

The Liquidating Trust will be organized for the primary purpose of liquidating the Liquidating Trust Assets transferred to it with no objective to continue or engage in the conduct of a trade or business, except to the extent reasonably necessary to, and consistent with, the liquidating purpose of the Liquidating Trust. Thus, the Liquidating Trust is intended to be classified for federal income tax purposes as a "Liquidating Trust" within the meaning of Treasury Regulation Section 301.7701-4(d). Under the Plan, all parties are required to treat the Liquidating Trust as a "Liquidating Trust," subject to definitive guidance to the contrary from the IRS. In general, a liquidating trust is not a separate taxable entity but rather is treated as a grantor trust, pursuant to Sections 671 et seq. of the Internal Revenue Code, owned by the Persons who transfer assets to it.

No request for a ruling from the IRS will be sought on the classification of the Liquidating Trust. Accordingly, there can be no assurance that the IRS would not take a contrary position to the classification of the Liquidating Trust. If the IRS were to challenge successfully the classification of the Liquidating Trust as a grantor trust, the federal income tax consequences to the Liquidating Trust and the holders of Allowed Second Lien Deficiency Claims could vary from those discussed herein (including the potential for an entity-level tax).

D. Information Reporting and Backup Withholding

Under the Internal Revenue Code's backup withholding rules, a claimant may be subject to back-up withholding with respect to distributions or payments made pursuant to the Plan unless that claimant (a) comes within certain exempt categories (which generally include corporations) and, when required, demonstrates that fact or (b) provides a correct taxpayer identification number and certifies under penalty of perjury that the taxpayer identification number is correct and that the holder is not subject to backup withholding because of a failure to report all dividend and interest income. Backup withholding is not an additional tax, but merely an advance payment that may be refunded to the extent it results in an overpayment of tax. Claimants may be required to establish exemption from backup withholding or to make arrangements with respect to the payment of backup withholding.

THE FOREGOING DISCUSSION IS NOT INTENDED AS TAX ADVICE TO THE CREDITORS AND SHAREHOLDERS REGARDING THE FEDERAL INCOME TAX CONSEQUENCES TO THEM UNDER THE PLAN. EACH CLAIMANT SHOULD CONSULT WITH HIS OR HER OWN TAX ADVISOR WITH RESPECT TO THE CONSEQUENCES OF THE PLAN UNDER FEDERAL, STATE AND LOCAL TAX LAWS.

V.

ACCEPTANCE AND CONFIRMATION OF THE PLAN

A. Confirmation Hearing

The Court has scheduled a hearing on confirmation of the Plan to commence on _____, 2011 at _____ __, .m. That hearing will be held at 1100 Commerce Street, 12th Floor, Dallas, Texas 75242, before The Honorable Harlin D. Hale . At that hearing, the Bankruptcy Court will consider whether the Plan satisfies the various requirements of the Bankruptcy Code, including the Plan is feasible, and whether the Plan is in the best interest of the claimants. At that time, the Debtor will submit a report to the Bankruptcy Court concerning the votes for acceptance and rejection of the Plan by the parties entitled to vote.

The hearing on confirmation may be adjourned from time to time by the Bankruptcy Court without further notice, except for an announcement made at the hearing or any adjournment thereof.

Section 1128(b) provides that any party in interest may object to confirmation of the Plan. Any objections to the Plan must be made in writing and filed with the Bankruptcy Court and served on all parties required to be given notice, no later than _____ __ , 2011, at _____ __.m., Central Time.

UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

B. Requirements to Confirmation

At the hearing on Confirmation, the Bankruptcy Court will determine whether the provisions of section 1129 of the Bankruptcy Code have been satisfied. If all of the provisions of section 1129 are met, the Bankruptcy Court may enter orders confirming the Plan. The Debtor believe that the Plan satisfies all the requirements of section 1129, including that:

- the Plan complies with the applicable provisions of the Bankruptcy Code (see section I 129(a)(1)), including section 1123, which specifics the mandatory contents of a plan, and section 1122, which requires that claims and interests be placed in classes with "substantially similar" claims and interests;
- the Debtor comply with the applicable provisions of the Bankruptcy Code (section I129(a)(2));
- the Debtor, as the proponent of the Plan, has proposed the Plan in good faith and not by any means forbidden by law (section 1129(a)(3));
- the disclosure(s) required by section 1125 of the Bankruptcy Code have been made;

- the Plan has been accepted by the requisite votes of creditors and equity interest holders (except to the extent that cramdown is available under section 1129(b) of the Bankruptcy Code);
- the Plan is feasible and confirmation of the Plan will not likely be followed by the liquidation or the need for further financial reorganization of the Debtor;
- the Plan is in the "best interests" of all holders of claims or interests in an impaired class by providing to creditors or interest holders on account of such claims or interests property of a value, as of the effective date of the Plan, that is not less than the amount that such holder would receive or retain in a chapter 7 liquidation, unless each holder of a claim or interest in such class has accepted the Plan;
- all fees and expenses payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court, have been paid or the Plan provides for the payment of such fees;
- the Plan provides for the continuation of all retiree benefits, as defined in section 1114 of the Bankruptcy Code, at the level established at any time prior to confirmation pursuant to sections 1114(e)(1)(B) or 1114(g) of the Bankruptcy Code, for the duration of the period that the Debtor has obligated themselves to provide such benefits; and
- the disclosures required under section 1129(a)(5) concerning the identity and affiliations of persons who will serve as officers, directors, and voting trustees have been made.

The Trustee believes that all of these requirements have been satisfied and urge all creditors and interest holders to support the Plan.

C. Acceptance of the Plan

A plan is accepted by an impaired class of claims if holders of at least two-thirds in dollar amount and a majority in number of claims of that class vote to accept the plan. Only those holders of claims who actually vote (and are entitled to vote) to accept or to reject a plan count in this tabulation. In addition to this voting requirement, section 1129 of the Bankruptcy Code requires that a plan be accepted by each holder of a claim or interest in an impaired class or that the plan otherwise be found by the Bankruptcy Court to be in the best interests of each holder of a claim or interest in an impaired class.

The Bankruptcy Code contains provisions for confirmation of a plan even if it is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. These so-called "cramdown" provisions are set forth in section 1129(b) of the Bankruptcy Code. As indicated above, the Plan may be confirmed under the cramdown provisions if in addition to satisfying the other requirements of section 1129 of the Bankruptcy Code, it (a) is "fair and equitable" and (b) "does not discriminate unfairly" with respect to each class of claims or interests that is impaired under, and has not accepted, the Plan.

D. Alternatives to Confirmation

The Debtor believes that the Plan is the best option for maximizing the recovery of holders of Claims and Interests.

VI.

VOTING INSTRUCTIONS

A. Ballots and Voting Procedures

The Plan has been distributed to you simultaneously with the Disclosure Statement. Accompanying the Plan is a ballot and a notice of hearing on confirmation of the Plan. A hearing on acceptance and Confirmation of the Plan has been set for_____, 2011 at ____ __.m. before the Honorable Harlin D. Hale, the United States Bankruptcy Court, 1100 Commerce Street, 2th Floor, Dallas, Texas.

To vote on the Plan, indicate on the enclosed respective ballot whether you accept or reject the Plan. Return the completed ballots according to the instructions contained therein.

Ballots must be received by_____, 2011, at _____ __.m.

ALTHOUGH YOU MAY HOLD CLAIMS IN MORE THAN ONE CLASS, YOU WILL ONLY RECEIVE A BALLOT IF YOU HAVE A CLAIM OR AN INTEREST IN AN IMPAIRED CLASS. YOU SHOULD VOTE THE BALLOT YOU RECEIVE. IF THE PLAN IS CONFIRMED AND BECOMES EFFECTIVE, ANY PREPETITION CLAIMS WHICH YOU HELD AGAINST THE DEBTOR SHALL BE RELEASED FOR EQUITY HOLDERS, PREPETITION INTERESTS WILL BE RETAINED.

B. Parties Entitled to Vote

ONLY CLAIMS AND INTERESTS IN IMPAIRED CLASSES ARE ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN. ALL OTHER CLASSES ARE UNIMPAIRED UNDER THE PLAN AND, ACCORDINGLY, ARE NOT ENTITLED TO VOTE WITH RESPECT TO ACCEPTANCE OR REJECTION OF THE PLAN.

C. Vote Required for Class Acceptance of the Plan

As a condition to confirmation, the Bankruptcy Code requires that each impaired Class of Claims or Interests accept the Plan, subject to the exceptions above. At least one impaired Class of Claims or Interests must accept the Plan in order for the Plan to be confirmed.

Section 1126 of the Bankruptcy Code defines acceptance of a plan by a class of claims as acceptance by holders of two-thirds in dollar amount and a majority in number of claims of that class, in both cases counting those claims which are actually voting to accept or reject the plan.

The Code defines acceptance of a plan by a class of interests as acceptance by two-thirds in amount of the allowed interests of such class held by holders of such interests actually voting to accept or reject the plan. Holders of claims or interests which fail to vote are not counted as either accepting or rejecting a plan.

Classes of claims or interests that are not "impaired" under a plan are deemed, as a matter of law, to have accepted the plan and therefore arc not permitted to vote for such plan.

VOTES TO ACCEPT THE PLAN ARE BEING SOLICITED ONLY FROM IMPAIRED CLASSES.

Chapter 11 Trustee of Debtor,
FIRSTPLUS FINANCIAL GROUP, INC.

/s/ Matthew D. Orwig
Matthew D. Orwig, Chapter 11 Trustee