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UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
SANTA ANA DIVISION

In re
FREMONT GENERAL CORPORATION, a
Nevada corporation,
Debtor.

Case No. 8:08-bk-13421-ES

Chapter 11 Case

**NEW WORLD ACQUISITION, LLC'S
CHAPTER 11 PLAN OF
REORGANIZATION FOR FREMONT
GENERAL CORPORATION**

Taxpayer ID No. 95-2815260



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1 New World Acquisition, LLC (“New World”) hereby proposes this Chapter 11 Plan of
2 Reorganization for Fremont General Corporation under § 11 U.S.C. 1121(c) for the resolution of
3 Claims and Equity Interests.

4 All creditors, holders of Equity Interests and other parties in interest should refer to the
5 Disclosure Statement for a discussion of the Debtor’s history, business, properties and the results of
6 operations , events leading up to the contemplated restructuring, financial projections for future
7 operations, and for a summary and analysis of the Plan and certain related matters.

8
9 **I. DEFINITIONS**

10 The following Defined Terms (which appear in this Plan as capitalized terms), when used in
11 this Plan, have the meanings set forth below:

12 **“Administrative Claim”** means a claim for administrative costs or expenses that are
13 allowable under Bankruptcy Code section 503(b) or 28 U.S.C. § 1930. These costs or expenses may
14 include: (a) Non-Ordinary Course Administrative Claims; (b) Ordinary Course Administrative
15 Claims; (c) Professional Fee Claims; (d) Administrative Tax Claims; and (e) U.S. Trustee Fees.

16 **“Allowed Administrative Claim”** means an Administrative Claim that is allowed by a Final
17 Order.

18 **“Allowed Claim”** or **“Allowed Equity Interest”** means a Claim or Equity Interest, other
19 than an Administrative Claim, to the extent that:

- 20
21 1. Either: (1) a proof of claim or proof of interest was timely filed prior to the Claims Bar
22 Date; or (2) a proof of claim or proof of interest is deemed timely filed either under
23 Bankruptcy Rule 3003(b)(1)-(2) or by a Final Order; and
24
25 2. Either: (1) the Claim or Equity Interest is not a Disputed Claim or a Disputed Equity
26 Interest; or (2) the Claim or Equity Interest is allowed either by a Final Order or under the
27 Plan.

28 Any portion of a Claim that is satisfied or released during the Case is not an Allowed Claim.

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“Allowed Class ‘__’ Claim” means an Allowed Claim classified in the specified Class.

“Allowed Amount” means the amount at which Claim is allowed.

“Assets” means all assets of the Debtor’s Estate including “property of the estate” as described in section 541 of the Bankruptcy Code.

“Avoidance Action” means an adversary proceeding, lawsuit or other proceeding with respect to Causes of Action arising under, relating to, or similar to Bankruptcy Code sections 502(d), 506, 510, 542, 543, 544, 545, 547, 548, 549, 550, 551, 552 or 553, or any fraudulent conveyance, fraudulent transfer or preference laws, or any Cause of Action arising under, or relating to, any similar state law or federal law that constitutes property of the Estate under Bankruptcy Code section 541, whether or not an action is initiated on or before the Effective Date.

“Ballot” means the ballot to vote to accept or reject the Plan.

“Bankruptcy Code” or **“Code”** means title 11 of the United States Code, 11 U.S.C. §§ 101-1532, as now in effect or hereafter amended.

“Bankruptcy Court” or **“Court”** means the United States Bankruptcy Court for the Central District of California, Santa Ana Division, or any other court that exercises competent jurisdiction over the Case.

“Bankruptcy Rules” means, collectively, (a) the Federal Rules of Bankruptcy Procedure promulgated under 28 U.S.C. § 2075, as amended from time to time; and (b) the Local Bankruptcy Rules applicable to cases pending before the Bankruptcy Court, as now in effect or hereafter amended.

“Board of Directors” means the board of directors of the Reorganized Debtor, the composition of which is described in Section V.3 hereof.

“Business Day” means any day other than a Saturday, Sunday or a legal holiday (as defined in Bankruptcy Rule 9006(a)).

1 **“Case”** means the case under chapter 11 of the Bankruptcy Code commenced by the Debtor
2 and bearing Case Number 8:08-bk-13421-ES.

3 **“Cash”** means cash or cash equivalents including, but not limited to, bank deposits, checks or
4 other similar items.

5 **“Causes of Action”** means any and all claims, demands, rights, actions, Rights of Action,
6 causes of action and suits of the Debtor or the Estate, of any kind or character whatsoever, known or
7 unknown, suspected or unsuspected, whether arising prior to, on or after the Petition Date, in contract
8 or in tort, at law or in equity or under any other theory of law, that the Debtor or the Debtor’s Estate
9 has or asserts or may have or assert against third parties, whether or not brought as of the Effective
10 Date, and which have not been settled or otherwise resolved by Final Order as of the Effective Date,
11 including but not limited to (1) rights of setoff, counterclaim or recoupment, and claims on contracts
12 or for breaches of duties imposed by law, (2) the right to object to claims or interests, (3) such claims
13 and defenses as fraud, mistake, duress and usury, (4) Avoidance Actions, (5) claims for tax refunds
14 (6) claims to recover outstanding accounts receivable, (7) such claims and defenses as alter ego and
15 substantive consolidation, and (8) any other claims which may be asserted against third parties.
16

17 **“Claim”** means a claim—as the term “claim” is defined in Bankruptcy Code section 101(5)—
18 against the Debtor.
19

20 **“Claims Bar Date”** means (a) with respect to Claims other than those held by governmental
21 units, November 10, 2008, which was the last date for filing Claims against the Estate pursuant to the
22 Court’s Order entered on September 4, 2008; and (b) with respect to Claims held by governmental
23 units, December 15, 2008.
24

25 **“Claims Objection Deadline”** means the deadline for the Reorganized Debtor and parties in
26 interest to file objections to Claims as set forth in the Confirmation Order.

27 **“Class”** means a group of Claims or Equity Interests as classified in Section II.
28

1 **“Collateral”** means property, or an interest in property, of the Estate that is encumbered by a
2 Lien to secure payment or performance of a Claim.

3 **“Confirmation”** means the entry of the Order by the Bankruptcy Court confirming the Plan
4 pursuant to section 1129 of the Bankruptcy Code.

5 **“Confirmation Date”** means the date on which the Bankruptcy Court enters the
6 Confirmation Order on its docket.

7 **“Confirmation Hearing”** means the hearing before the Court to consider the confirmation of
8 the Plan pursuant to Bankruptcy Code section 1128(a), as such hearing may be continued from time
9 to time.

10 **“Confirmation Hearing Date”** means the first date on which the Bankruptcy Court holds the
11 Confirmation Hearing.

12 **“Confirmation Order”** means the order of the Bankruptcy Court confirming this Plan under
13 Bankruptcy Code section 1129.

14 **“Creditor”** means the Holder of a Claim against the Debtor.

15 **“Creditors Committee”** means the Official Committee of Unsecured Creditors appointed in
16 the Case by the Office of the U.S. Trustee for the Central District of California.

17 **“Debtor”** means Fremont General Corporation, a Nevada corporation.

18 **“Disbursing Agent”** means the Reorganized Debtor or its designee retained to make
19 Distributions pursuant to Section of the Plan.

20 **“Disclosure Statement”** means the disclosure statement relating to the Plan, including,
21 without limitation, all exhibits and schedules thereto, as approved by the Bankruptcy Court pursuant
22 to Bankruptcy Code section 1125.

23 **“Disclosure Statement Order”** means the Order entered by the Bankruptcy Court approving
24 the Disclosure Statement.

1 **“Disputed Amount”** means the lesser of (a) the liquidated amount set forth in the proof of
2 claim filed with the Bankruptcy Court relating to a Disputed Claim, (b) if the Bankruptcy Court has
3 estimated such Disputed Claim pursuant to section 502(c) of the Bankruptcy Code, the amount of a
4 Disputed Claim as estimated by the Bankruptcy Court, and (c) the amount of such Disputed Claim
5 allowed by the Bankruptcy Court pursuant to section 502 of the Bankruptcy Code, or zero, if such
6 Disputed Claim is disallowed by the Bankruptcy Court pursuant to such section, in either case,
7 regardless of whether the order or judgment allowing or disallowing such Claim has become a Final
8 Order.
9

10 **“Disputed Claim”** means any Claim: (a) as to which a proof of claim has been filed and the
11 dollar amount of such Claim, respectively, is not specified in a fixed amount; (b) prior to the deadline
12 to object to such Claim, as to which a proof of claim has been filed and the dollar amount of such
13 Claim is specified in a fixed liquidated amount, the extent to which the stated amount of such Claim
14 exceeds the amount of such Claim listed in the Schedules; (c) prior to the deadline to object to such
15 Claim, as to which a proof of claim has been filed and such Claim is not included in the Schedules;
16 (d) with respect to a proof of claim that is filed or is deemed filed under Bankruptcy Rule 3003(b)(1)
17 and is listed as contingent, disputed or unliquidated; (e) as to which an objection has been filed or is
18 deemed to have been filed pursuant to any order approving procedures for objecting to Claims and
19 such objection has neither been overruled nor been denied by a Final Order and has not been
20 withdrawn; or (f) with respect to an Administrative Claim, as to which an objection: (1) has been
21 timely filed (or the deadline for objection to such Administrative Claim has not expired) and (2) has
22 neither been overruled nor been denied by a Final Order and has not been withdrawn; provided,
23 however, that in each case, a Claim or Administrative Claim shall not be deemed to be a Disputed
24 Claim to the extent that the Reorganized Debtor otherwise agrees with any such Claim or
25 Administrative Claim, and such Claim or Administrative Claim is Allowed under the Bankruptcy
26 Code or by Final Order, as applicable.
27
28

1 **“Disputed Equity Interest”** means any Equity Interest, as to which (a) an objection has been
2 timely filed, which has neither been overruled nor been denied by a Final Order and has not been
3 withdrawn or (b) is the subject of a filed Cause of Action that is related to such Equity Interest which
4 has not been settled or otherwise resolved by Final Order.

5 **“Distribution(s)”** means any transfer under the Plan of Cash or other property or instruments
6 to a Holder of an Administrative Claim, a Holder of an Allowed Claim, or to the Holder of an Equity
7 Interest.
8

9 **“Distribution Record Date”** means the record date for determining entitlement to receive
10 distributions under the Plan on account of Allowed Claims, which date shall be for all Holders of
11 Claims, including the claims in Class 3(B) –Senior Notes, the third Business Day following the
12 Confirmation Date at 5 p.m. prevailing Pacific time.

13 **“Distribution Recorded Date”** means the Effective Date.

14 **“Effective Date”** shall mean the first Business Day occurring ten (10) days after the
15 conditions to effectiveness have been met. However if the effectiveness of the Confirmation Order is
16 stayed other than by operation of Bankruptcy Rule 3020(e), then the Effective Date shall mean the
17 first Business Day occurring ten (10) days after the lifting of any such stay of the Confirmation
18 Order.
19

20 **“Equity Committee”** means the Official Committee of Equity Security Holders appointed in
21 the Case by the Office of the U.S. Trustee for the Central District of California.

22 **“Equity Interest”** means the interest—as the term “interest” is defined in Bankruptcy Code
23 section 101(17)—of any entity who holds an equity security in the Debtor no matter how held,
24 including issued and outstanding shares of common stock, preferred stock, stock options, warrants,
25 membership interests, or other evidence of interests in securities of the Debtor; provided, however,
26 that in no event shall the TOPrS Claims be considered “Equity Interests.”
27

28 **“Equity Interest Holder(s)”** means the record Holder of an Equity Interest.

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“**Estate**” means the estate created in the Case under Bankruptcy Code section 541.

“**Exit Facility**” means the agreements and related documents and instruments evidencing new financing to be obtained by the Reorganized Debtor as of the Effective date, for, among other purposes, to fund reserves, and working capital and general corporate needs after the Effective Date.

“**FGCC**” means Fremont Credit Corporation, a California Corporation.

“**FGFI Trust**” means Fremont General Financing I, a statutory business trust, formed under Delaware law pursuant to that certain “Amended and Restated Declaration of Trust” dated as of March 6, 1996, for the sole purpose of issuing securities representing undivided beneficial interests in the FGFI Trust’s assets.

“**Final Order**” means an order or judgment of the Court or other applicable court, as entered on the applicable docket, that has not been reversed, stayed, modified or amended, and as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for reargument or rehearing shall then be pending or as to which any right to appeal, petition for certiorari, reargue, or rehear shall have been waived in writing in form and substance satisfactory to the Debtor prior to the Effective Date or to the Reorganized Debtor after the Effective Date, as applicable, or, in the event that an appeal, writ of certiorari, or reargument or rehearing thereof has been sought, such order or judgment of the Court or other applicable court shall have been affirmed by the highest court to which such order or judgment was appealed, or certiorari has been denied, or from which reargument or rehearing was sought, and the time to take any further appeal, petition for certiorari or move for reargument or rehearing shall have expired.

“**FRC**” means Fremont Reorganizing Corporation f/k/a Fremont Investment & Loan, a corporation organized under the laws of the state of California.

“**FRC Board of Directors**” means the board of directors of FRC.

1 **“Fremont NOLs”** means the federal consolidated net operating loss carryovers of the
2 affiliated tax group of which the Debtor is the common parent.

3 **“General Unsecured Claim”** or **“Unsecured Claim”** means any Claim that is not an
4 Administrative Claim, a Priority Tax Claim, a Priority Non-Tax Claim, a TOPrS Claim, or a Section
5 510(b) Claim.

6 **“Holder”** means the Holder of a Claim or Equity Interest against the Debtor.

7 **“Impaired”** means, when used with reference to a Claim or Equity Interest, a Claim or
8 Equity Interest that is impaired within the meaning of section 1124 of the Bankruptcy Code and the
9 case law interpreting the statute.

10 **“Indenture Trustee”** means the Indenture Trustee for the Senior Notes or the Indenture
11 Trustee for the Junior Notes or the Guaranty.

12 **“Indenture Trustee Fees”** means the reasonable compensation, fees and expenses,
13 disbursements and indemnity claims, including without limitation, attorneys’ fees and agents’ fees,
14 expenses and disbursements, incurred by the Indenture Trustee, whether prior to or after the Petition
15 Date and whether prior to or after consummation of the Plan.

16 **“Intercompany Claim”** means any Claim (i) of FGCC against FRC or the Debtor, (ii) of
17 FRC against FGCC or the Debtor, and (iii) of the Debtor against FRC or FGCC.

18 **“Junior Notes”** means the 9% Junior Subordinated Debentures due March 31, 2026.

19 **“Late Filed Claim”** means any Unsecured Claim filed after the Claims Bar Date.

20 **“Lien”** means a lien, as defined in 11 U.S.C. § 101(37), except a lien that has been avoided
21 under chapter 5 of the Bankruptcy Code or that is otherwise avoidable or invalid under the
22 Bankruptcy Code or applicable law.

23 **“Loans”** means the residential mortgage loans owned by FRC.

24 **“Local Bankruptcy Rules”** means the Local Bankruptcy Rules for the United States
25 Bankruptcy Court for the Central District of California, as now in effect or hereafter amended.
26
27
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1 **“Non-Ordinary Course Administrative Claim”** means any Administrative Claim other than
2 an Ordinary Course Administrative Claim, Administrative Tax Claim, Professional Fee Claim,
3 Indenture Trustee Fees or U.S. Trustee Fees.

4 **“Noteholders”** means the Holders of Senior Notes.

5 **“Ordinary Course Administrative Claim”** means a claim for administrative costs or
6 expenses that are allowable under Bankruptcy Code section 503(b) that are incurred in the ordinary
7 course of the Debtor’s operations for goods and services and that are unpaid on the Effective Date.
8 Ordinary Course Administrative Claims do not include Professional Fee Claims, U.S. Trustee Fees,
9 Administrative Tax Claims or Non-Ordinary Course Administrative Claims.
10

11 **“Person”** means any natural person or entity.

12 **“Petition Date”** means June 18, 2008, the date on which the Debtor filed its voluntary
13 petition commencing the Case.

14 **“Plan”** means this plan of reorganization under chapter 11 of the Bankruptcy Code,
15 including, without limitation, all exhibits, supplements, appendices, and schedules hereto, either in its
16 present form or as it may be altered, amended, or modified from time to time.
17

18 **“Post Petition Interest”** means, as to any Holder of an Allowed Claim, the rate of interest to
19 be accrued or paid on such Holder’s allowed Claim for the period (a) from the Petition Date to and
20 through the effective Date, interest at the federal judgment rate set forth in 28 U.S.C. §1961(a) in
21 effect on the Petition Date, which was 2.51% (compounded annually) and (b) from the effective Date
22 to and through the date upon which the Holders of Allowed Class 3(a) and (b) are paid.
23

24 **“Post-Effective Date Merger Claims”** means any and all unpaid claims, liabilities for
25 obligations which immediately, prior to the occurrence of the Effective Date, were claims, liabilities
26 or obligations of FGCC and/or FRC.

27 **“Preferred Securities Guarantee”** means that certain “Preferred Securities Guarantee
28 Agreement” related to the TOPrS dated March 6, 1996, executed by the Debtor.

1 **“Priority Non-Tax Claims”** means Claims, other than Administrative Claims or Priority Tax
2 Claims, entitled to priority in right of payment under section 507(a) of the Bankruptcy Code.

3 **“Priority Tax Claim”** means a Claim that a governmental unit asserts against the Debtor for
4 taxes or related interest or penalties, which Claim is entitled to priority and allowable under
5 Bankruptcy Code section 507(a)(8).

6 **“Professionals”** means those Persons (i) retained pursuant to an order of the Bankruptcy
7 Court in accordance with sections 327, 1103 and/or 1106 of the Bankruptcy Code and to be
8 compensated for services rendered prior to the Effective Date pursuant to sections 327, 328, 329, 330
9 and/or 331 of the Bankruptcy Code; or (ii) for which compensation and reimbursement has been
10 allowed by the Bankruptcy Court pursuant to sections 330 and 503(b)(2) of the Bankruptcy Code.

11 **“Professional Fee Claim”** means:

12 (a) A claim under Bankruptcy Code sections 327, 328, 330, 331, 503(b), 1103 or 1106 for
13 compensation for professional services rendered or expenses incurred prior to the
14 Effective Date on the Estate’s behalf; or
15

16 (b) A claim either under Bankruptcy Code section 503(b)(4) for compensation for
17 professional services rendered or under Bankruptcy Code section 503(b)(3)(D) for
18 expenses incurred prior to the Effective Date in making a substantial contribution to the
19 Estate.
20

21 **“Reinstated or Reinstatement”** means (a) leaving unaltered the legal, equitable and
22 contractual rights to which a Claim entitles the Holder of such Claim, or (b) notwithstanding any
23 contractual provision or applicable law that entitles the Holder of such Claim to demand or receive
24 accelerated payment of such Claim after the occurrence of a default, (i) curing any such default that
25 occurred before or after the Petition Date, other than a default of a kind specified in section 365(b)(2)
26 of the Bankruptcy Code; (ii) reinstating the maturity of such Claim as such maturity existed before
27 such default; (iii) compensating the Holder of such Claim for any damages incurred as a result of any
28

1 reasonable reliance by such Holder on such contractual provision or such applicable law; (iv) if such
2 Claim arises from any failure to perform a non-monetary obligation other than a default arising from
3 failure to operate a nonresidential real property lease subject to section 365(b)(1)(A) of the
4 Bankruptcy Code, compensating the Holder of such Claim (other than the debtor or an insider) for any
5 pecuniary loss incurred by such Holder as a result of such failure; and (v) not otherwise altering the
6 legal, equitable or contractual rights to which such Claim entitles the Holder of such Claim.

7 **“Reorganized Debtor”** means the Debtor, from and after the Effective Date.

8 **“Rights Of Action”** means any and all actions, causes of action, suits, accounts,
9 controversies, agreements, promises, rights to legal remedies, rights to equitable remedies, rights to
10 payment and claims, whether known, unknown, reduced to judgment, not reduced to judgment,
11 liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or
12 unsecured and whether asserted or assertable directly or derivatively, in law, equity or otherwise, and
13 whether commenced or arising before or after the Effective Date.

14 **“Secured Claim”** means a Claim that was secured by a Lien on Collateral as of the Petition
15 Date. A Claim is a Secured Claim only to the extent of the value of the claimholder’s interest in the
16 Collateral or to the extent of the amount subject to setoff, whichever is applicable, and as determined
17 under 11 U.S.C. § 506(a).

18 **“Schedules”** means the schedules of Assets and Liabilities filed by the Debtor on July 3,
19 2008, as amended, and as may be further amended.

20 **“Schedule of Assumed Agreements”** means the schedule of executory contracts and
21 unexpired leases that the Reorganized debtor will assume on the effective Date and the amounts, if
22 any, necessary to cure any defaults under such executory contracts and unexpired leases.

23 **“Section 510(b) Claim”** means any Claim for rescission of or damages arising from the
24 purchase or sale of a debt or equity security, including, without limitation, any Claims arising from
25 equity forward agreements and other understandings to purchase Equity Interests, which Claim is
26

1 subject to subordination in accordance with section 510(b) of the Bankruptcy Code. For the
2 avoidance of doubt, “Section 510(b) Claim” shall include any claim against the Estate for
3 reimbursement or contribution on account of a Section 510(b) Claim.

4 “**Senior Notes**” means the 7.875% Senior Notes due 2009, which were issued pursuant to that
5 certain indenture dated March 1, 1999, by and between The Bank of New York, as Trustee and the
6 Fremont General Corporation.

7 “**Subordinated Debenture**” means that certain 9% Junior Subordinated Debenture due
8 March 31, 2026, which was issued pursuant to that certain indenture dated March 6, 1996, and which
9 is the sole asset of the FGFI Trust.
10

11 “**TOPrS**” means the 9% Trust Preferred Originated Preferred Securities issued to the FGFI
12 Trust pursuant to the Fremont General financing Declaration of Trust.

13 “**Unclassified Claim**” means any Claim which is not part of any Class.

14 “**Unimpaired**” means, when used with reference to a Claim or Equity Interest, a Claim or
15 Equity Interest that is not Impaired within the meaning of section 1124 of the Bankruptcy Code and
16 the case law interpreting the statute.
17

18 “**U.S. Trustee**” means the Office of the United States Trustee for the Central District of
19 California.

20 “**U.S. Trustee Fees**” means all fees and charges assessed against the Estate by the U.S.
21 Trustee and due pursuant to section 1930 of title 28 of the United States Code.

22 “**Warrants**” means the warrants to purchase shares of the Reorganized Debtor common stock
23 issued in connection with the Exit Facility.
24

25 **II. RULES OF INTERPRETATION**

- 26 1. The rules of construction in Bankruptcy Code section 102 apply to this Plan.
- 27 2. Except as otherwise provided in the Plan, Bankruptcy Rule 9006(a) applies when
28 computing any time period under the Plan.

1 3. Any term used in the Plan that is not a defined term, but that is used in the Bankruptcy
2 Code or Bankruptcy Rules has the meaning assigned to such term in the Bankruptcy Code or
3 Bankruptcy Rules, as applicable, unless the context requires otherwise.

4 4. The definition given to any term or provision in the Plan supersedes and controls any
5 different meaning that may be given to that term or provision in the Disclosure Statement.

6 5. Whenever it is appropriate from the context, each term, whether stated in the singular
7 or the plural, includes both the singular and the plural.

8 6. Any reference to a document or instrument being in a particular form or on particular
9 terms means that the document or instrument will be substantially in that form or on those terms or as
10 amended by the terms thereof.

11 7. Any reference to an existing document means the document as it has been, or may be,
12 amended or supplemented.

13 8. Unless otherwise indicated, the phrase “under the Plan” and similar words or phrases
14 refer to this Plan in its entirety rather than to only a portion of the Plan.

15 9. Unless otherwise specified, all references to Sections or Exhibits are references to this
16 Plan’s Sections or Exhibits.

17 10. Section captions and headings are used only as convenient references and do not affect
18 this Plan’s meaning.

19
20
21 **III. DESIGNATION OF CLASSES AND TREATMENT**
22 **OF CLAIMS AND EQUITY INTERESTS**

23 **A. Summary and Classification of Claims and Equity Interests**

24 This section classifies Claims against and Equity Interests in the Debtor, except for
25 Administrative Claims and Priority Tax Claims, which are not classified for all purposes including,
26 without limitation, voting, confirmation and distributions under this Plan. A Claim or Equity Interest
27 is classified in a particular Class only to the extent that the Claim or Equity Interest falls within the
28

1 Class description. The following chart summarizes unclassified Claims and the Classes of Claims
 2 and Equity Interests under the Plan.

3 **B. Unclassified Claims**

Description	Voting
Ordinary Course Administrative Claims – liabilities incurred in the ordinary course of business for goods or services	Unimpaired, not entitled to vote – deemed to have accepted the Plan
Clerk’s Office Fees	Unimpaired, not entitled to vote – deemed to have accepted the Plan
Office of the U.S. Trustee	Unimpaired, not entitled to vote – deemed to have accepted to accept the Plan
Allowed Non-Ordinary Course Administrative Claims, Professional Fee Claims and Indenture Trustee Fees	Unimpaired, not entitled to vote – deemed to have accepted the Plan
Priority Tax Claims Arising Under 11 U.S.C. § 507(a)(8)	Unimpaired, not entitled to vote – deemed to have accepted the Plan

14 **C. Classified Claims**

Class	Description	Impaired	Voting
1	Allowed Secured Claims	No	Unimpaired, not entitled to vote – deemed to have accepted the Plan
2	Priority Non-Tax Claims	No	Unimpaired, not entitled to vote – deemed to have accepted the Plan
3A	General Unsecured Claims	No	Unimpaired, not entitled to vote – deemed to have accepted the Plan
3B	Claims of the Holders of the 7.875% Senior Notes	No	Unimpaired, not entitled to vote – deemed to have accepted the Plan
3C	Claims of the holders of TOPrS and Junior Notes	No	Unimpaired, not entitled to vote-deemed to have accepted the Plan
4	Equity Interests	Yes	Impaired and entitled to vote
5	Section 510(b) Claims	No	Unimpaired, not entitled to vote-deemed to have accepted the Plan

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1 **D. Treatment of Claims and Equity Interests**

2 NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS PLAN, NO
3 DISTRIBUTIONS WILL BE MADE AND NO RIGHTS WILL BE RETAINED ON ACCOUNT
4 OF ANY CLAIM OR INTEREST THAT IS NOT ALLOWED.
5

6 The treatment in this Plan is in full and complete satisfaction of the legal, contractual and
7 equitable rights that each Person holding an Allowed Claim or Allowed Equity Interest may have in
8 or against the Debtor, its estate, the Reorganized Debtor or its properties. This treatment supersedes
9 and replaces any agreements of rights those persons may have in or against the Debtor, the Estate, the
10 Reorganized Debtor or fair respective properties.

11 1. Administrative Claims

12 a) Ordinary Course Administrative Claims

13 Any Person holding an Ordinary course Administrative Claim may, but need not, file a
14 motion or request for payment of its Claim. The Reorganized Debtor may file and objection to an
15 Ordinary court Administrative Claim. Unless the Reorganized Debtor objects to an Ordinary Course
16 Administrative Claim, such claim will be Allowed in accordance with the terms and conditions of the
17 particular transaction or agreement that gave rise to the Claim.
18

19 b) Non Ordinary Course Administrative Claims

20 Unless otherwise provided in the Plan or by Final Order of the Bankruptcy Court, Non-
21 Ordinary Course Administrative Claims will be Allowed only if (1) on or before thirty (30 days) after
22 the Effective Date the Person holding such Non-Ordinary Course Administrative Claim files with the
23 Court and serves upon the Reorganized Debtor a motion requesting allowance of the Non-Ordinary
24 Course Administrative Claim, and (2) the Court determines it is an Allowed Claim.
25

26 The Reorganized Debtor or any party in interest may file an objection to such motion within
27 the time provided by the Bankruptcy Rules or within any other period that the Court establishes.

28 Persons holding Non-Ordinary Course Administrative Claims that do not timely file and request

1 payment will be forever barred from asserting those Claims against the Debtor, its estate, the
2 Reorganized Debtor, or their respective property.

3 Unless a Person holding an allowed Administrative Claim (other than U.S. Trustee Fees,
4 Professional Fees and Indenture Trustee Fees) agrees to different treatment, the Reorganized debtor
5 or the Disbursing Agent will pay the Person holding such Allowed Administrative Claim in Cash in
6 the full Allowed Amount of such Allowed Administrative Claim on the latest of (a) the Effective
7 Date (or as soon thereafter as is practicable), (b) fifteen Business Days after the date on which the
8 Administrative Claim is Allowed, and (c) the date on which the Allowed Administrative claim first
9 becomes due and payable in accordance with its terms.
10

11 c) Deadline for Objections to Administrative Claims

12 All objections to allowance of Administrative Claims, excluding Professional Fee Claims and
13 Indenture Trustee Fees, must be filed by any parties in interest no later than sixty (60) days after the
14 Administrative Claims Bar Date (the “Administrative Claims Objection Deadline.”) The
15 Administrative Claims Objection Deadline may be extended for a one-time sixty (60) day period by
16 the Reorganized Debtor by filing a notice of the extended Administrative Claim Objection Deadline
17 with the Bankruptcy Court. Thereafter, it may only be extended by an order of the Bankruptcy Court.
18 If no objection to an Administrative Claim is filed on or before the Administrative Claim Objection
19 Deadline, then the Administrative Claim will be deemed Allowed as of that date.
20

21 d) Administrative Claim Reserve

22 On the Confirmation Date, the Debtor shall provide a good faith estimate of the aggregate
23 amount of unpaid Administrative Claims and shall establish an Administrative Claims Reserve as a
24 segregated interest bearing account in order to make the payments to holders of Administrative
25 Claims such Administrative Claims become Allowed and/or are scheduled to be paid pursuant to the
26 Plan.
27
28

1 e) U.S. Trustee Fees

2 Quarterly fees owed to the Office of the U.S. Trustee will be paid prior to the Effective Date
3 by the Debtor, and after the Effective Date by the Reorganized Debtor when due in accordance with
4 applicable law 28 U.S.C. § 1930. The Reorganized Debtor will continue to file reports showing the
5 calculation of such fees until the Case is closed under Bankruptcy Code section 350.

6 f) Indenture Trustee Fees

7 The Reorganized Debtor will pay or cause to be paid in full and in Cash, without reduction to
8 the recovery of applicable Holders of Allowed Claims, any and all Indenture Trustee Fees and other
9 amounts that are due to each of the Indenture Trustees and its counsel as of the Effective Date on or
10 before the later of: (i) the Effective Date; or (ii) 5 days after the date on which the Reorganized
11 Debtor receives from such Indenture Trustee a reasonably and customary detailed itemized statement
12 of such amounts so long as the Reorganized Debtor does not, within such 5 day period, give written
13 notice to such Indenture Trustee that it disputes the amount requested or any part thereof and all such
14 amounts shall be deemed Allowed without further application to or order from the Court. The
15 Reorganized Debtor's objection shall be limited to a "reasonableness standard" and whether the
16 amounts sought are actually due and payable under the particular Indenture. If the Reorganized
17 Debtor gives such Indenture Trustee timely written notice that it disputes the amount requested or any
18 part thereof, the Reorganized Debtor will promptly pay or cause to be paid any undisputed amounts
19 and any pending disputed items shall be promptly presented to and determined by the Court, the sole
20 questions being whether the amounts in dispute are due and payable under the particular Indenture
21 and satisfy the "reasonableness standard"; any unpaid amounts shall be promptly paid upon
22 determination by the Court that such amounts are due and owing under the respective Indenture
23 Trustee Fees. The Reorganized Debtor shall also promptly pay or cause to be paid in full any and all
24 fees and expenses that will be incurred in connection with the distributions to be made by the
25 Indenture Trustees under the Plan to the extent such fees and costs are provided for by the Indentures.
26
27
28

1 g) Professional Fee Claims

2 Any professional seeking allowance of a Professional Fee Claim for services rendered prior to
3 the Effective Date must (1) file their application for allowance of compensation and reimbursement
4 of expenses on or before forty five (45) days after the Effective Date or such other date as may be set
5 by the Bankruptcy Court, and (2) have the fees and expenses allowed by a Final Order. Any party in
6 interest may file an objection to such an application within the time provided by the Local
7 Bankruptcy Rules or within any other period that the Court sets. Professionals holding Professional
8 Fee Claims who do not timely file and serve their applications for payment will be forever barred
9 from asserting these Claims against the Reorganized Debtor or its property.
10

11 2. Priority Tax Claims

12 Unless the Holder of an Allowed Priority Tax Claim agrees to different treatment or there is a
13 Final Order of the Court providing for different treatment, each Holder of Allowed Priority tax Claim
14 will receive, in the sole discretion of the Reorganized Debtor, (a) Cash in the full amount of the
15 Allowed Priority Tax Claim on the latest of (i) the Effective Date, or as soon thereafter as is
16 practicable, (ii) fifteen Business Days after the date on which the Priority Tax Claim is Allowed or
17 (b) payment in equal quarterly payments over a period not exceeding five years after the date of the
18 order for relief entered against the Debtor in accordance with Bankruptcy Code section
19 1129(a)(9)(C), together with simple interest at the rate of [__]% per annum from the Effective Date.
20

21 **E. Allowance and Treatment of Classified Claims and Interests**

22 1. Secured Claims (Class 1)

23 Each holder of an Allowed Secured Claim will be placed in a separate subclass and each
24 subclass will be treated as a separate Class for distribution purposes. On or as soon as practical after
25 the Effective Date, each Holder on Allowed Secured Claim in full and final satisfaction of such
26 Claim, in the sole discretion of the Reorganized Debtor, except to the extent any holder of an
27 Allowed Secured Claim agrees to a different treatment, either:
28

- 1 (a) collateral securing such Allowed Secured Claim;
2 (b) cash in an amount equal to the value of the collateral securing such Allowed Secured
3 Claim;
4 (c) the treatment required under Section 1124(2) of the Bankruptcy Code for such Claim to be
reinstated or rendered impaired.

5 2. Priority Non-Tax Claims (Class 2)

6 All Allowed Priority Non-Tax Claims not previously paid will be paid in full, in cash (except
7 to the extent that the holder of such Claim agrees to a different treatment) on the Effective Date or as
8 soon thereafter as is practicable after such Claim becomes an Allowed Priority Non-Tax Claim.

9 3. General Unsecured Claims (Class 3)

10 Class 3 is comprised of all General Unsecured Claims, which are Claims, not entitled to
11 priority under Bankruptcy Code section 507(a).

12 a) Class 3A (General Unsecured Claims).

13 Class 3A comprises all of the General Unsecured Claims against the Debtor other than the
14 claims of Holder of Senior Notes or TOPrS or Senior Notes. In full satisfaction of the Allowed Class
15 3A Claim that has not been satisfied, compromised, settled or extinguished as of the Effective Date,
16 unless the Holder accepts different treatment, each such Holder of an Allowed Class 3A Claim shall
17 be entitled to receive in full and complete satisfaction of its Allowed Claim, Cash plus Post-Petition
18 Interest in the Allowed Amount on the Effective Date or as soon thereafter as is practicable.

19 b) Class 3B (Senior Note Claims).

20 Class 3B comprises all of the Senior Note Claims against the Debtor. The Senior Note
21 Claims shall be Allowed in the aggregate amount of \$176,402,106.56. On the Effective Date, each
22 Holder of such Claim shall be deemed to have an Allowed Class 3B Claim in an Allowed Amount
23 equal to the sum of (x) the principal amount of the Claim of such Holder as of the Petition Date plus
24 (y) any and all interest which accrued on such holder's Claim any time on or before the Petition Date,
25 plus (z) Post-Petition Interest. In full satisfaction of the Allowed Class 3B Claims that have not been
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1 satisfied, settled, compromised or extinguished as of the Effective Date, each such Holder shall be
2 entitled to receive the Allowed Amount of its Claim in Cash on the Effective Date or as soon
3 thereafter as is practicable.

4 c) Class 3C (Junior Note and TOPrS Claims)

5 Class 3C comprises all of the Junior Note and TOPrS Claims. The Junior Note Claims shall
6 be allowed in the aggregate amount of \$107,422,680.93. On the Effective Date the TOPrS and the
7 Junior Notes shall be Reinstated.

8
9 4. Class 4 (Equity Interest)

10 The holders of Allowed Equity Interests in the Debtor shall retain their Equity Interests
11 subject to the dilution as a result of the issuance of additional shares of common stock to New World
12 on account of its purchase of \$4 million of such shares of common stock and to reserve for the
13 exercise of the Warrants.

14 5. Class of Claims Subordinated Under 11 U.S.C. § 510(b) (Class 5)

15 The treatment of Class 5 Claims is subject to a Final Order determining that (a) a Section
16 510(b) is an Allowed Claim (b) the Claim subject to subordination under Section 510(b) of the
17 Bankruptcy Code. Upon the entry of a Final Order, or as soon as practicable thereafter, the Holder of
18 such Allowed 510(b) Claim will receive shares of stock in the Reorganized debtor in full and final
19 satisfaction of its Claim. If the Court enters a Final Order finding that the Allowed Claims should not
20 be subordinated pursuant to 11 U.S.C. § 510(b), then the Holders of such Allowed Claims shall
21 receive the same treatment provided for Class 3A General Unsecured Claims.
22

23 **IV. EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

24 1. Treatment of Contracts and Leases.

25 Effective upon Confirmation of the Plan, the Debtor will reject all executory contracts and
26 unexpired leases between the Debtor and any other party that have not previously been rejected, other
27 than the Executive Employment Agreements and those executory contracts and unexpired leases
28

1 which are listed on the final schedule to be filed twenty-one (21) days before the Confirmation
2 Hearing Date with the Bankruptcy Court of executory contracts and unexpired leases to be assumed
3 under the Plan at confirmation. That schedule will list the amount of the proposed cure payment
4 required by 11 U.S.C. § 365(b)(1).

5 2. Objections and Cure

6 Any party that objects to the assumption of its executory contract or unexpired lease by the
7 Debtor or to the proposed cure payment must file with the Court and serve on interested parties a
8 written objection with supporting evidence that states the basis for the objection. This objection must
9 be filed with the Court and served no later than ten (10) days before the Confirmation Hearing. Any
10 entity that fails to timely file and serve an opposition will be deemed to have waived any and all
11 objections to the proposed assumption or the amount of the proposed cure payment. In the absence
12 of a timely objection by such a party, the Confirmation Order shall constitute a final determination of
13 the amount of the cure payment and that the Reorganized Debtor has shown adequate assurances of
14 its future performance.
15

16 In the event of a dispute regarding the cure payment, adequate assurances, or some other
17 matter related to assumption, the cure payment required by 11 U.S.C. § 365(b)(1) shall not be made
18 until after entry of a Final Order resolving the dispute and approving the assumption. Pending the
19 entry of a Final Order, the executory contract or unexpired lease at issue will be deemed assumed by
20 the Reorganized Debtor unless otherwise ordered by the Court, Upon payment of the cure amount
21 required by 11 U.S.C. § 365(b)(1), any prepetition or postpetition arrearage or other Claim asserted in
22 a Filed proof of Claim or listed in the Schedules shall be deemed satisfied in full and the Claim shall
23 be deemed disallowed, without further order of the Court or action by any party.
24

25 All Allowed Claims arising from the rejection of executory contracts or unexpired leases will
26 be treated as Class 3A General Unsecured Claims, and a proof of claim must be filed with the
27 Bankruptcy Court and served on the Reorganized Debtor within thirty days of the Effective Date of
28

1 the Plan or be forever barred and unenforceable against the Debtor, the Reorganized Debtor, or their
2 property.

3 3. Insurance Policies and Other Assumed Contracts

4 Notwithstanding any other provision of the Plan, the D&O Insurance Policies shall remain in
5 force and shall be enforceable on and after the Effective Date, and, to the extent the D&O Insurance
6 Policies constitute executory contracts under the Bankruptcy Code, they shall be assumed on the
7 Effective Date. On the Effective Date, the Reorganized Debtor shall assume all executory contracts
8 and unexpired leases of the Debtor listed on the Schedule of Assumed Agreements including, without
9 limitation, each of the Executive Employment Agreements and, for the avoidance of doubt, each of
10 the D&O Policies. With regard to the Executive Employment Agreements, each of the executive's
11 duties and responsibilities will remain the same in all respects.

12 4. Considerations of Insurance Company Claims

13 Westchester Surplus Lines Insurance Company ("WSLIC") and Pacific Employers Insurance
14 Company ("PBC") are members of the ACE Group of companies. Prepetition, WSLIC issued to the
15 Debtor a claims made directors and officers excess liability insurance policy for claims made against
16 the insured for wrongful acts committed before December 31, 2014 (the "WSLIC Policy"). PEIC
17 issued prepetition to the Debtor high-deductible workers compensation occurrence policies for the
18 calendar years 2000, 2001, 2002, and possibly additional years (the "PEIC Policies"). The WSLIC
19 Policy and the PEIC Policy are together referred to as the "ACE Policies." Unless rejected pursuant
20 to the Plan, in which case Claims will be treated solely as set forth in the Plan, nothing in the
21 Disclosure Statement, the Plan, the Confirmation Order, any exhibit to the Plan or any other Plan
22 document (together, the "Plan Documents") (including any provision that purports to be preemptory
23 or supervening), shall in any way operate to, or have the effect of, impairing in any respect the legal,
24 equitable, or contractual rights and defenses, if any, of the insured or the insurer with respect to the
25 ACE Policies or any prepetition agreement with the Debtor related to any of the ACE Policies (the
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27
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1 “ACE Policies and Related Agreements”). Unless rejected pursuant to the Plan, in which case the
2 terms of the Plan shall govern, the rights and obligations of the insured and insurer shall be
3 determined under the ACE Policies and Related Agreements and under applicable nonbankruptcy
4 law. Any assumption in the Plan Documents of the ACE Policies and Related Agreements will not
5 enlarge the prepetition rights of the insured or insurers thereunder.

6 **V. MEANS OF EFFECTUATING THE PLAN**

7 1. Merger

8 On the Effective Date of the Plan, the following two-step merger will occur: first, FGCC will
9 merge into the Reorganized Debtor or the Debtor, as the case may be, and then FRC will merge into
10 the Reorganized Debtor or the Debtor, again as the case may be. The resulting entity will be the
11 Reorganized Debtor. As provided under applicable law, the merger will be caused by the issuance of
12 a resolution by the appropriate board of directors and the appropriate board of directors will take all
13 necessary steps required of it to effectuate the merger as authorized by the Confirmation Order. The
14 Reorganized Debtor will then continue to operate its business in the ordinary course and will perform
15 its obligations under the Plan.
16

17 On the asset side, the effect of the merger will be that the assets of the Debtor, FGCC, and
18 FRC will become assets of the Reorganized Debtor. On the liability side, any existing liabilities of
19 FGCC and FRC that are outstanding as of the date of the merger will become obligations of the
20 Reorganized Debtor. The liabilities of FGCC and FRC will be assumed and satisfied by the
21 Reorganized Debtor in the ordinary course of business in accordance with applicable non-bankruptcy
22 law and are not classified or treated as Claims under the Plan. The stock of FGCC and FRC will be
23 cancelled and all intercompany claims between the Debtor, FGCC, and FRC will be eliminated.
24

25 Although the Reorganized Debtor will be assuming the liabilities of FGCC and FRC through
26 the merger, the Reorganized Debtor will create a reserve for Repurchase Claims and a reserve for
27 other known and unknown Post Effective Date Merger Claims. In the event that the Post Effective
28

1 Date Merger Claims exceed the sums being reserved, the Reorganized Debtor will be liable for such
2 claims. After the Effective Date, the Reorganized Debtor may increase the amount of the reserves as
3 deemed appropriate by the Reorganized Debtor in its sole and absolute discretion. In the event that
4 the Post-Effective Date Merger Claims do not exceed the sums being reserved after resolution and
5 payment of all claims, the remaining funds held in the reserve shall be remitted to the Reorganized
6 Debtor.

7
8 2. Postconfirmation Business Operations of the Reorganized Debtor

9 The Board of Directors will appoint an Investment Management Committee (“IMC”) of the
10 Board which will allocate the cash to be invested. The IMC shall consist of two members selected by
11 New World’s representatives on the Board of Directors and two members selected by the Equity
12 Committee’s representatives on the Board of Directors. Under the Business Plan, Reorganized
13 Debtor will structure, originate and manage a diversified portfolio of commercial and residential
14 mortgages, mortgage securities, corporate debt and asset-backed securities which may be sourced as
15 new transactions or purchased in the secondary marketplace. Such Business Plan will also include
16 the acquisition of financial services industry participants including, but not limited to, savings and
17 loan organizations, and community banks. All such investments shall be pursuant to the direction of
18 the Board of Directors and the IMC.

19
20 3. The Reorganized Debtor’s Board of Directors Management Team

21 On the Effective Date of the Plan, the existing board of directors for the Debtor will be
22 replaced by a new 9-member board of directors (the “New Board”). The New Board will be
23 comprised of the following members: (1) four members selected from or in consultation with the
24 largest shareholders excluding New World; and (2) five members selected New World. New World
25 and the Equity Committee shall have the right to appoint fewer or additional directors to the New
26 Board through the Effective Date of the Plan as it deems appropriate.
27
28

1 4. The Reorganized Debtor's Management

2 New World will seek assumption of the employment agreements of Richard Sanchez, Dan
3 Royer and Thea Stuedli. Additional senior management will be determined by New World. The new
4 chief executive officer and management team of the Reorganized Debtor will be designated at or
5 prior to the Confirmation Hearing Date.

6 5. The Reporting Requirements

7 The Reorganized Debtor will remain a public company with Equity Interests trading on the
8 pink sheets. The Reorganized Debtor will seek a waiver from the SEC of filing and past due
9 reporting requirements and begin reporting anew commencing with its Form 10-Q for the first quarter
10 in which the Plan goes effective, which is anticipated to be the first quarter of 2010, and for each
11 quarter thereafter. In the event that the Reorganized Debtor is unable to obtain the requested waiver,
12 the Reorganized Debtor will come current in its SEC reporting requirements.

13 6. Articles of Incorporation and By-Laws

14 The certificate or articles of incorporation and by-laws of the Debtor shall be amended as
15 necessary to satisfy the provisions of this Plan and the Bankruptcy Code. After the Effective Date,
16 the Reorganized Debtor may amend and/or restate its certificate or articles of incorporation and by-
17 laws as permitted by applicable law. The new certificate or article shall (i) include, among other
18 things, pursuant to section 1123(a)(6) of the Bankruptcy Code a provision prohibiting the issuance of
19 non-voting equity securities, but only to the extent required by section 1123(a)(6) of the Bankruptcy
20 Code; and (ii) authorize the issuance of additional common stock and warrants.

21 7. Corporate Action

22 On the Effective Date, the adoption of the Certificate of Incorporation or similar
23 organizational documents, the adoption of the By-Law, the selection of directors and officers for
24 Reorganized Debtor, and all other actions contemplated by this Plan shall be deemed authorized and
25 approved in all respects (subject to the provisions of this Plan). All matters provided for in this Plan
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1 involving the corporate structure of the Debtor or the Reorganized Debtor, and any corporate action
 2 required by the Debtor or the Reorganized Debtor in connection with this Plan, shall be deemed to
 3 have timely occurred in accordance with applicable law and shall be in effect, without any
 4 requirement of further actions by the security holders or directors of the Debtor or the Reorganized
 5 Debtor. On the Effective Date, the appropriate officers of Reorganized Debtor and members of the
 6 Board of Directors of Reorganized Debtor are authorized and directed to issue, execute and deliver
 7 the agreements, and other documents as required by the Plan.
 8

9 8. New Financing

10 (a) On the Effective Date, the Exit Facility, together with new promissory notes and
 11 guarantees evidencing obligations of the Reorganized Debtor thereunder, and all other documents,
 12 instruments, mortgages, and agreements to be entered into, delivered, or confirmed thereunder on the
 13 Effective Date, shall become effective. The obligations incurred by the Reorganized Debtor pursuant
 14 to the Exit Facility and related documents shall be paid as set forth in the Exit Facility and related
 15 documents. New World shall file with the Bankruptcy Court a commitment letter with respect to the
 16 Exit Facility as soon as obtained, but not later than ten (10) days prior to the Confirmation Hearing.
 17 In connection with the execution of the documents evidencing the Exit Facility, the Reorganized
 18 Debtor will issue the New Warrants exercisable for a period of ten years as follows:
 19

<u>Warrant Amount</u>	<u>Exercise Price</u>	<u>Shares</u>
5,000,000	.40	12,500,000
5,000,000	.60	8,333,333
5,000,000	.70	7,142,857
5,000,000	.80	6,250,000
5,000,000	.90	5,555,556
<u>5,000,000</u>	<u>1.00</u>	<u>5,000,000</u>
\$30,000,000	.67	44,781,746

25 (b) New World will invest \$4 million to purchase the stock of Reorganized Fremont. The
 26 purchase price shall be not less than .30 per share nor greater than .50 per share and shall be
 27
 28

1 calculated based upon the average of the daily closing prices for the 60 trading day period
2 commencing 20 days prior to the day the hearing on confirmation of the Plan commences.

3 9. Cancellation of Senior Notes; Release of Indenture Trustee

4 (a) On the Effective Date, except as otherwise provided for herein, (a) Senior Notes shall
5 be deemed extinguished, cancelled and of no further force or effect, and (b) the obligations of the
6 Debtor (and Reorganized Debtor) under any agreements, indentures, or certificates of designations
7 governing the Senior Notes and any other note, bond, or indenture evidencing or creating any
8 indebtedness or obligation of any Debtor with respect to the Senior Notes or other indebtedness
9 excluding the TOPrS, the Junior Notes, and the Equity Interests shall be discharged in each case
10 without further act or action under any applicable agreement, law, regulation, order, or rule and
11 without any action on the part of the Bankruptcy Court or any Person; provided, however, that the
12 Senior Notes and the Indenture shall continue to effect solely for the purposes of (i) allowing the
13 holders of Senior Notes to receive the distributions provided for Holders hereunder, (ii) allowing the
14 Disbursing Agent or the Indenture Trustee, as the case may be, to make distributions on account of
15 the Senior Note Claims, and (iii) preserving the rights of the Indenture Trustee.
16

17
18 (b) Subsequent to the performance by the Indenture Trustee or its agents of any duties that
19 are required under the Plan, the Confirmation Order and/or under the terms of the Indenture, the
20 Indenture Trustee and its agents shall be relieved of, and released from, all obligations associated
21 with the Senior Notes arising under the Indenture or under other applicable agreements or law and the
22 Indenture shall be deemed to be discharged.
23

24 10. Authorization and Issuance of Common Stock

25 (a) Reorganized Debtor shall (i) authorize on the Effective Date _____ shares of
26 Common Stock for distribution to New World on account of its purchase and (ii) reserve for issuance
27 the number of shares of Common Stock necessary (excluding shares that may be issuable as a result
28

1 of the antidilution provisions thereof) to satisfy the required distributions of shares to be granted
2 under the warrants.

3 (b) The issuance of common stock pursuant to Distributions under the Plan shall be
4 authorized under Section 1145 of the Bankruptcy Code as of the Effective Date without further act or
5 action by any Person, except as may be required by the Reorganized Debtor, the By-laws, or
6 applicable law, regulation, order or rule; and all documents evidencing same shall be executed and
7 delivered as provided for in the Plan or the Plan Supplement.
8

9 **VI. RETENTION OF JURISDICTION**

10 The Bankruptcy Court will retain jurisdiction of all matters arising in or related to the Plan to
11 the fullest extent provided by law until the Plan is fully consummated, including, without limitations:

- 12 1. The adjudication of the validity, scope, classification, allowance, and disallowance of
13 any Claim;
- 14 2. The estimation of any Claim;
- 15 3. The allowance or disallowance of Professional Fee Claims, compensation, or other
16 Administrative Claims;
- 17 4. To hear and determine Claims concerning taxes pursuant to Bankruptcy Code sections
18 346, 505, 525, and 1146;
- 19 5. To hear and determine any action or proceeding brought under Bankruptcy Code
20 sections 108, 510, 543, 544, 545, 547, 548, 549, 550, 551, and 553;
- 21 6. To hear and determine all actions and proceedings relating to pre-confirmation
22 matters;
- 23 7. To hear and determine any issue relating to the assumption or rejection of executory
24 contracts and unexpired leases;
- 25 8. To hear and determine any modification to the Plan in accordance with the Bankruptcy
26 Rules and the Bankruptcy Code;
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9. To enforce and interpret terms of the Plan;

10. To correct any defects, cure any omissions, or reconcile any inconsistency in the Plan or the Confirmation Order as may be necessary to carry out the purpose and intent of the Plan;

11. To hear and determine such matters and make such orders as are consistent with the Plan as may be necessary to carry out the provisions thereof and to adjudicate any disputes arising under or related to any order entered by the Court in this Case; and

12. The entry of an order concluding and terminating this Case.

VII. CLAIMS

1. Post-Confirmation Claims Register

In connection with the discharge of its duties and obligations, the Reorganized Debtor shall be entitled to retain a third party, including, without limitation, Kurtzman Carson Consultants LLC, to maintain the official claims register for this Case (the “Post-Confirmation Claims Register”). The Post-Confirmation Claims Register shall be based, in the first instance, upon an updated claims database (the “Register Update”) that shall be filed by the Debtor at least twenty-one (21) days prior to the Confirmation Hearing. On the Effective Date, the Register Update shall be deemed to amend and supersede the Bankruptcy Court’s official register, and may thereafter be relied upon by the Reorganized Debtor and any retained third party as the official Post-Confirmation Claims Register. Following the Effective Date, copies of the current Post-Confirmation Claims Register may be obtained by any party in interest upon written request to the Reorganized Debtor.

2. Claim Objections

The Reorganized Debtor or any other party in interest shall file objections to Claims or Equity Interests within 180 days of the Effective Date. The Reorganized Debtor may obtain an extension of this date by filing a motion in the Bankruptcy Court, based upon a showing of “cause.” If, at the time of any Distribution, a Claim or Equity Interest under the Plan is a Disputed Claim or Disputed Equity Interest, the Reorganized Debtor shall have the right to hold in trust any funds that would be

1 distributed to that Claim Holder or Equity Interest Holder if the Claim or Equity Interest were
2 Allowed and until the Claim or Equity Interest is Allowed, if at all (the "Reserve Account"). Any
3 unused funds in the Reserve Account, not otherwise designated for payout under the Plan, shall be
4 returned to the Reorganized Debtor for use under the Plan, if required, and then to the Reorganized
5 Debtor. Once a Claim or Equity Interest becomes an Allowed Claim or Equity Interest, it will
6 receive the treatment afforded by the Plan.

7
8 **VIII. PROVISIONS GOVERNING DISBURSEMENTS**

9 **A. Dates of Distributions**

10 The Reorganized Debtor, the Disbursing Agent, or the Indenture Trustee, in the case of the
11 distributions to the Holders of Senior Notes, shall make each required Distribution by the date stated
12 in the Plan with respect to such Distribution. Any Distribution required to be made on the Effective
13 Date shall be deemed to be made on such date if made as soon as practicable after such date. Any
14 Distribution required to be made on the date on which a Claim becomes an Allowed Claim shall be
15 deemed to be made on such date if made on the nearest Distribution Date occurring after such date.

16
17 **B. Manner of Distribution**

18 At the option of the Reorganized Debtor, monetary Distributions may be made in Cash, by
19 wire transfer, or by a check drawn on a domestic bank.

20 **C. Rounding of Payments**

21 Whenever payment of a fraction of a cent would otherwise be called for, the actual payment
22 shall reflect a rounding down of such fraction to the nearest whole cent. To the extent Cash remains
23 undistributed as a result of the rounding of such fraction to the nearest whole cent, such Cash shall be
24 treated as "Unclaimed Property" and shall be dealt with in accordance with the Plan.

25
26 **D. Compliance with Tax Requirements**

1 The Reorganized Debtor shall comply with all withholding and reporting requirements
2 imposed by federal, state, or local taxing authorities in connection with making Distributions
3 pursuant to the Plan.

4 In connection with each Distribution with respect to which the filing of an information return
5 (such as an Internal Revenue Service Form 1099 or 1042) or withholding is required, the
6 Reorganized Debtor shall file such information return with the Internal Revenue Service and provide
7 any required statements in connection therewith to the recipients of such Distribution, or effect any
8 such withholding and deposit all moneys so withheld to the extent required by law. With respect to
9 any Person from whom a tax identification number, certified tax identification number, or other tax
10 information required by law to avoid withholding has not been received by the Reorganized Debtor,
11 then the Reorganized Debtor may, at its sole option, withhold the amount required and distribute the
12 balance to such Person or decline to make such Distribution until the information is received.

13
14 **E. Distribution of Unclaimed Property**

15 If a Distribution is returned to the Reorganized Debtor as undeliverable, then such
16 Distribution amount shall be deemed to be “Unclaimed Property.” Nothing contained in the Plan
17 shall require the Reorganized Debtor, or anyone else, to attempt to locate such Person. The
18 Unclaimed Property shall be set aside and (in the case of Cash) held in a segregated interest-bearing
19 account to be maintained by the Reorganized Debtor. If such Person presents itself within one (1)
20 year following the Effective Date, the Unclaimed Property distributable to such Person, together with
21 any interest or dividends earned thereon, shall be paid or distributed to such Person. If such Person
22 does not present itself within one (1) year following the Effective Date, any such Unclaimed Property
23 and accrued interest or dividends earned thereon shall become the property of the Reorganized
24 Debtor for use under the Plan, if required, then to the Reorganized Debtor.

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27 **F. No De Minimis Distributions**

1 If any single distribution required by the Plan would be for an amount of \$25.00 or less, then
2 the Reorganized Debtor shall not be required to process the distribution and may, at its option, either
3 add the distribution to the next distribution if the collective amount would be greater than \$25.00 or
4 may treat the distribution as Unclaimed Property in accordance with Section E hereof.

5 **G. Setoff**

6 Any Claims of any nature which the Debtor or the Estate may have against the Holder of a
7 Claim may be, but are not required to be, set off against any Claim and the Distribution to be made
8 pursuant to the Plan in respect of such Claim. Neither the failure by the Reorganized Debtor or any
9 other Person to effect such a setoff nor the allowance of any Claim shall constitute a waiver or a
10 release of any claim which any or all of the foregoing may have against the Holder of a Claim.

11 **H. Preservation Of Litigation**

12 Except as otherwise provided in this Plan, all Litigation is retained and preserved pursuant to
13 section 1123(b) of the Bankruptcy Code including, without limitation, the pending or contemplated
14 Litigation identified on Exhibit ___ “ to the Disclosure Statement, a revised, amended and modified
15 version of which may be submitted with the Plan Supplement. From and after the Effective Date, all
16 Litigation will be prosecuted or settled by the Plan Administrator. To the extent any Litigation is
17 already pending on the Effective Date, the Reorganized Debtor as successor to the Debtor will
18 continue the prosecution of such Litigation. In addition, and without limiting the generality of Section
19 of this Plan, from and after the Effective Date (as a result of the Merger), the Reorganized Debtor is
20 the successor-in-interest to any and all interests of FGCC or FRC in any an all claims rights, and
21 causes of action which have been or could have been commenced by FGCC or FRC immediately
22 prior to the Effective Date.

23 **I. Application of Distribution Record Date**

24 At the close of business on the Distribution Record Date, the claims registers for all Claims
25 (excluding the TOPrS and the Junior Notes) and the transfer ledgers for the Senior Notes shall be
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1 closed, and there shall be no further changes in the record holders of such Claims or such Senior
2 Notes. Except as provided herein, the Reorganized Debtor, the Disbursing Agent, the Indenture
3 Trustee, and each of their respective agents, successors, and assigns shall have no obligation to
4 recognize any transfer of Claims or any transfer of Senior Notes occurring after the Distribution
5 Record Date and shall be entitled instead to recognize and deal for all purposes hereunder with only
6 those record holders stated on the claims registers or transfer ledgers as of the close of business on
7 the Distribution Record Date irrespective of the number of distributions to be made under the Plan to
8 such Persons or the date of such distributions.
9

10 **IX. CONDITIONS PRECEDENT TO CONFIRMATION
AND CONSUMMATION OF THE PLAN**

11 **A. Conditions to Confirmation**

12 The following are conditions precedent to the occurrence of the Confirmation Date, each of
13 which must be satisfied or waived in accordance with this Section of the Plan.

14 (a) an order finding that the Disclosure Statement contains adequate information pursuant
15 to Section 1125 of the Bankruptcy Code shall have been entered; and

16 (b) the proposed Confirmation Order shall be in form and substance reasonably
17 satisfactory to New World and wholly consistent with the New World Plan.
18

19 **B. Conditions to Effective Date**

20 The following conditions precedent must be satisfied or waived on or prior to the Effective
21 Date in accordance with this Section of the Plan:

22 (a) the Confirmation Order shall have been entered in form and substance reasonably
23 satisfactory to New world and the lender or the agent for the lenders under the Exit Facility, and
24 shall, among other things:
25

26 (i) Provide that the Debtor and the Reorganized Debtor are authorized and
27 directed to take all actions necessary or appropriate to enter into, implement, and consummate the
28

1 contracts, instruments, releases, leases, indentures, and other agreements or documents created in
2 connection with the Plan;

3 (ii) approve the Exit Facility;

4 (iii) authorize the issuance of the Common Stock and the New Warrants; and

5 (iv) provide that notwithstanding Rule 3020(e) of the Bankruptcy Rules, the

6 Confirmation Order shall be immediately effective, subject to the terms and conditions of the Plan;

7 (b) the Confirmation Order shall not then be stayed, vacated, or reversed;

8 (c) the documents evidencing the Exit Facility shall be in form and substance reasonably
9 acceptable to New World, and the lender or the agent for the lenders under the Exit Facility; and, to
10 the extent any of such documents contemplates execution by one or more persons, any such
11 document shall have been executed and delivered by the respective parties thereto, and all conditions
12 precedent to the effectiveness of each such document shall have been satisfied or waived;

13 (d) the By-laws, in form and substance reasonably acceptable to New World shall have
14 been adopted;

15 (e) all material authorizations, consents, and regulatory approvals required, if any, in
16 connection with consummation of the Plan shall have been obtained; and

17 (f) all material actions, documents, and agreements necessary to implement the Plan shall
18 have been effected or executed.

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21 **C. Waiver of Conditions**

22 Each of the conditions set forth herein, with the express exception of the conditions contained
23 in Section (a)(i), (iii), (iv) and (b), may be waived in whole or in part by New World without any
24 notice to parties-in-interest or the Bankruptcy Court and without a hearing.
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1 **X. EFFECT OF CONFIRMATION OF PLAN**

2 **A. Discharge**

3 Because the Plan does not contemplate the liquidation of substantially all of the property of
4 the estate and the Reorganized Debtor will engage in business after consummation of the Plan, the
5 rights under the Plan and the treatment of Claims and Equity Interests under the Plan will be in
6 exchange for, and in complete satisfaction, discharge, and release of all Claims and Equity Interests
7 of any nature whatsoever against the Debtor, the Reorganized Debtor, or their property. Except as
8 otherwise provided in the Plan or the Confirmation Order,
9

10 1. On the Effective Date, the Debtor, except as otherwise provided in the Plan the
11 Debtor's Estate, Reorganized Debtor, and their property will be deemed discharged and released from
12 any and all Claims including without limitation, all demands, liabilities, Claims, that arose before the
13 Confirmation Date or that are based upon or otherwise relate to acts, events, omissions, transactions
14 or other activities of any kind that occurred before the Confirmation Date, and all debts of the kind
15 specified in Bankruptcy Code §§ 502(g), 502(h), or 502(i) regardless of whether: (a) a proof of
16 Claim based on such debt or Equity Interest is filed or deemed filed; (b) a Claim based on such debt
17 is allowable under Bankruptcy Code § 502; or (c) the Person holding the Claim based on such a debt
18 or Interest has accepted the Plan;
19

20 2. Except as provided in the Plan, all Persons will be precluded from asserting against
21 the Debtor, the Estate, or the Reorganized Debtor, or their property, any other or further Claims based
22 on, arising from, or in connection with any act, event, omission, transaction, or other activity of any
23 kind that occurred before the Confirmation Date;
24

25 3. Any debt of the Debtor, whether secured or unsecured, which was in default up to the
26 Confirmation, will no longer be deemed in default. Moreover, to the extent that the Debtor and
27 Reorganized Debtor comply with the terms and conditions of the Plan, these obligations will be
28 deemed in good standing;

1 4. As set forth in sections 524 and 1141 of the Bankruptcy Code, except as otherwise
2 provided in the Plan or the Confirmation Order, the Confirmation Order constitutes a discharge or
3 any and all Claims against, and all debts and liabilities of, the Debtor. The Reorganized Debtor and
4 its property will be deemed discharged and released from any and all Claims, including, without
5 limitation, all demands, liabilities, Claims that arose before the Confirmation Date or that are based
6 on or otherwise relate to acts, events, transactions, or other activities of any kind that occurred before
7 the Confirmation Date. This discharge will void any judgment that was obtained against the Debtor
8 at any time only to the extent that the judgment relates to a discharged Claim.
9

10 5. Subject to the limitations and conditions imposed under section 1125(e) of the
11 Bankruptcy Code, Persons who, in good faith and in compliance with applicable provisions of the
12 Bankruptcy Code, either solicit Plan acceptances or rejections or participate in the offer, issuance,
13 sale, or purchase of securities under the Plan will not be liable on account of their solicitation or
14 participation for violation of any applicable law, rule, or regulation governing the solicitation of Plan
15 acceptances or rejections or the offer, issuance, sale, or purchase of such securities.
16

17 Notwithstanding the foregoing, nothing in the Plan, or in any Order confirming the Plan, shall
18 preclude any party from pursuing their claims against the Debtor solely to the extent of available
19 insurance coverage and proceeds or preclude any party from seeking discovery from the Debtor or
20 the Reorganized Debtor as may be permitted by applicable law, and to the extent of available
21 insurance (and to that extent only), such claims shall not be discharged and released. Moreover,
22 nothing in the Plan or the Confirmation Order shall affect, release, enjoin, or impact in any way the
23 prosecution of any claims asserted or to be asserted against any non-Debtor, including any non-
24 Debtor defendants.
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1 **XI. MISCELLANEOUS PROVISIONS**

2 **A. Severability of Plan Provisions**

3 If, prior to Confirmation, any term or provision of the Plan is held by the Bankruptcy Court to
4 be invalid, void, or unenforceable, the Bankruptcy Court, at the request of New World shall have the
5 power to alter and interpret such term or provision to make it valid or enforceable to the maximum
6 extent practicable, consistent with the original purpose of the term or provision held to be invalid,
7 void, or unenforceable, and such term or provision shall then be applicable as altered or interpreted.
8 Notwithstanding any such holding, alteration, or interpretation, the remainder of the terms and
9 provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired,
10 or invalidated by such holding, alteration, or interpretation. The Confirmation Order shall constitute
11 a judicial determination and shall provide that each term and provision of the Plan, as it may have
12 been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its
13 terms.
14

15 **B. Governing Law**

16 Unless a rule of law or procedure is supplied by federal law (including the Bankruptcy Code
17 and Bankruptcy Rules), the laws of (a) the State of California shall govern the construction and
18 implementation of the Plan and (except as may be provided otherwise in any such agreements,
19 documents, or instruments) any agreements, documents, and instruments executed in connection with
20 the Plan and (b) the laws of the state of incorporation of the Debtor shall govern corporate
21 governance matters; in each case without giving effect to the principles of conflicts of law thereof.
22

23 **C. Vesting of Property of the Estate**

24 On the Effective Date, all Assets that are property of the Estate as of the Effective Date,
25 including all Causes of Action, Rights of Action and Avoidance Actions, will vest in the Reorganized
26 Debtor free and clear of the Claims of any Creditors, except as otherwise provided in the Plan.
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1 **D. Exemption from Securities Laws**

2 The issuance of the Common Stock pursuant to the Plan shall be exempt from any securities
3 laws regulation requirements to the fullest extent permitted by Section 1145 of the Bankruptcy Code,
4 section 4.2 of the Securities Act and any other applicable exemptions.

5 **E. Modification of Plan**

6 New World may modify the Plan at any time before confirmation provided that the
7 modifications meet the requirements of the Bankruptcy Code. New World may also seek to modify
8 the Plan at any time after confirmation only if (1) the Plan has not been substantially consummated
9 and (2) the Court authorizes the proposed modifications after notice and a hearing.

10 **F. Post-Confirmation Status Report**

11 Within 120 days of the Confirmation Date, the Reorganized Debtor shall file a status report
12 with the Court explaining what progress has been made toward consummation of the confirmed Plan.
13 The status report shall be served on the United States Trustee and the members of the Committees.
14 Further status reports shall be filed every 180 days and served on the same entities.

15 **G. The Committees**

16 Until the Effective Date, the Equity Committee and Creditors Committee shall continue in
17 existence. As of the Effective Date, the Equity Committee and Creditors Committee shall terminate
18 and disband and the members of the Equity Committee and the Creditors Committee shall be released
19 and discharged of and from all further authority, duties, responsibilities and obligations related to and
20 arising from their service as Committee members. Except as otherwise provided in the Plan or
21 Bankruptcy Court Order, the prohibition of members of the Equity Committee from trading their
22 respective Equity Interests shall cease as of the Confirmation Date.

23 **H. Notices**

24 Any notice, request, or demand required or permitted to be or provided under the Plan shall be
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26 (a) in writing, (b) served by (i) certified mail, return receipt requested, (ii) hand delivery, (iii)
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1 overnight delivery service, (iv) first class mail, or (v) facsimile transmission, and (c) deemed to have
2 been duly given or made when actually delivered or, in the case of notice by facsimile transmission,
3 when received and telephonically confirmed, addressed as follows:

4 *Counsel for New World Acquisition, LLC*
5 Christopher E. Prince, Esq.
6 LESNICK PRINCE LLP
7 185 Pier Avenue, Suite 103
8 Santa Monica, CA 90405
9 Facsimile: (310) 396-0963

10 - and -

11 Carole Neville, Esq. (*Pro Hac Vice* Pending)
12 Peter D. Wolfson, Esq. (*Pro Hac Vice* Pending)
13 SONNENSCHN, NATH & ROSENTHAL LLP
14 1221 Avenue of the Americas
15 New York, New York 10020
16 Facsimile: (212) 768-6800

17 *Counsel for the Creditors' Committee*
18 Klee, Tuchin, Bogdanoff & Stern LLP
19 Jonathan S. Shenson, Esq.
20 1999 Avenue of the Stars, 39th Floor
21 Los Angeles, California 90067
22 Facsimile: (310) 407-9090

23 *Debtor's Co-Reorganization Counsel*
24 Stutman, Treister & Glatt
25 Theodor Stolman, Esq.
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28 Facsimile: (310) 228-5788

Counsel for the Official Committee of Equity Holders
Weiland, Golden, Smiley, Wang, Ekvall & Strok, LLP
Evan D. Smiley, Esq.
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Costa Mesa, California 92626
Facsimile (714) 966-1002

I. Payment of New World Expenses

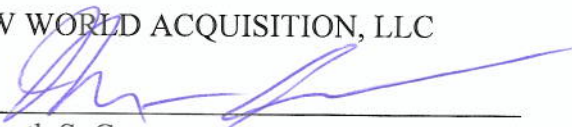
On the Effective Date, the Reorganized Debtor shall pay the expenses of New World,
including reasonable fees of its attorneys and advisors.

1 **J. Final Decree**

2 Upon substantial consummation of the Plan and the occurrence of the Effective Date, the
3 Estate shall be deemed fully administered as referred to in Bankruptcy Rule 3022, and the
4 Reorganized Debtor shall file a motion with the Court to obtain a final decree to close the
5 Reorganization Case.

6 Dated: October 13, 2009

NEW WORLD ACQUISITION, LLC

7
8 By: 
Kenneth S. Grossman
9 Director

10 LESNICK PRINCE LLP

11 By: /s/ Christopher E. Prince
12 Christopher E. Prince (State Bar No. 183553)
cprince@lesnickprince.com
13 185 Pier Avenue, Suite 103
14 Santa Monica, CA 90405
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23 Attorneys for New World Acquisition, LLC
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