

TO CREDITORS AND PARTIES IN INTEREST OF FIRSTPLUS FINANCIAL, INC.:

Re: *FIRSTPLUS Financial, Inc.*, Case No. 99-31869-HCA-11; Third Amended Plan of Reorganization

This letter and the enclosed materials are being sent to you in your capacity as a creditor of FirstPlus Financial, Inc. (Debtor) to assist you in deciding how to vote on the Debtor's Third Amended Plan of Reorganization (Plan) filed on February 4, 2000, in the Debtor's Chapter 11 case pending in the United States Bankruptcy Court for the Northern District of Texas, Dallas Division (Bankruptcy Court). The Plan is the means by which the Debtor proposes to pay its creditors and reorganize its financial affairs. A copy of the Plan is enclosed with this letter. Also enclosed is a Disclosure Statement and ballot for your use in voting on the Plan. The Disclosure Statement provides detailed information about the Plan and the Debtor's financial affairs. The procedure for voting on the Plan and instructions for completing the enclosed ballot are described at the end of this letter.

Counsel for the Debtor and counsel for the Official Unsecured Creditors Committee (Committee)^{1/} are writing you this letter at the suggestion of the Honorable Harold C. Abramson, who is the Bankruptcy Judge presiding over the Debtor's bankruptcy case. Judge Abramson has approved the Disclosure Statement as containing adequate information to help you vote on the Plan. In addition, Judge Abramson directed the undersigned counsel to prepare this letter to summarize the Disclosure Statement to aid your understanding of the Plan.

This letter does not substitute for reading the Plan and the Disclosure Statement. We urge you to read the Disclosure Statement which has been approved by the Bankruptcy Court. You should also consider consulting with your own attorney and financial advisors concerning the Plan and Disclosure Statement.

This letter provides:

- a recommendation by the Debtor and Committee, at page 2;
- a brief explanation of the Debtor's assets available to pay claims, at page 3;
- the amount of claims projected to be paid, at page 4;
- a description of the settlement the Debtor reached with certain affiliated companies, at page 5;
- the cash available under the settlement to pay creditor claims, at page 6;

^{1/} The Committee is comprised of seven unsecured creditors and its purpose is to: (1) investigate the financial affairs of the Debtor; (ii) act in the best interest of all unsecured creditors in monitoring the Debtor's bankruptcy case; and (iii) negotiate a plan of reorganization favorable to unsecured creditors.

- how such cash is to be distributed to creditors, at page 10; and
- the risks to creditors, at page 14.

A. RECOMMENDATION OF DEBTOR AND COMMITTEE.

The Debtor and the Committee support the Plan and urge all unsecured creditors to vote in favor of the Plan because the Debtor and the Committee expect unsecured creditors to be paid a significantly higher proportion of their unsecured claims under the Plan than they would receive through a liquidation of the Debtor's assets.

The Plan preserves the Debtor's interest in its assets for payment to creditors and also allows unsecured creditors, who elect to give broad releases to certain parties, insiders of the Debtor, and professionals affiliated with the Debtor, to receive more cash sooner by way of a settlement that was negotiated by the Debtor and the Committee with these affiliated parties, their insiders, and professionals.

Under the Debtor's projections, unsecured creditors who choose to participate in the settlement with affiliates are expected to receive more cash in a shorter period of time than unsecured creditors who rely solely upon the Debtor's assets for payment. The settlement is funded through a sale of the assets of certain affiliates of the Debtor. Proceeds of the sale of such assets are being offered in exchange for broad releases in favor of these affiliates (and certain of their insiders and professionals) from unsecured creditors who choose to participate in the settlement. The sale of assets contemplated in the settlement is expected to be completed within one year following approval of the Plan by the Bankruptcy Court. Most of the Debtor's assets, on the other hand, are not projected to begin paying unsecured creditors until the year 2006.

The Debtor estimates that unsecured creditors who elect to participate in the settlement (referred to as **Electing Creditors under the Plan and Disclosure Statement) may receive payment of up to sixty percent (60%) of their claims.** Thirty percent (30%) of the claims of Electing Creditors might be paid within approximately two years after the Plan is approved by the Bankruptcy Court. The other thirty percent (30%) of the claims of Electing Creditors might be paid in the years 2006 through 2008. Electing Creditors are not expected to be paid in full. See section G of this letter at page 14 for a discussion concerning the risks to creditors receiving these projected amounts.

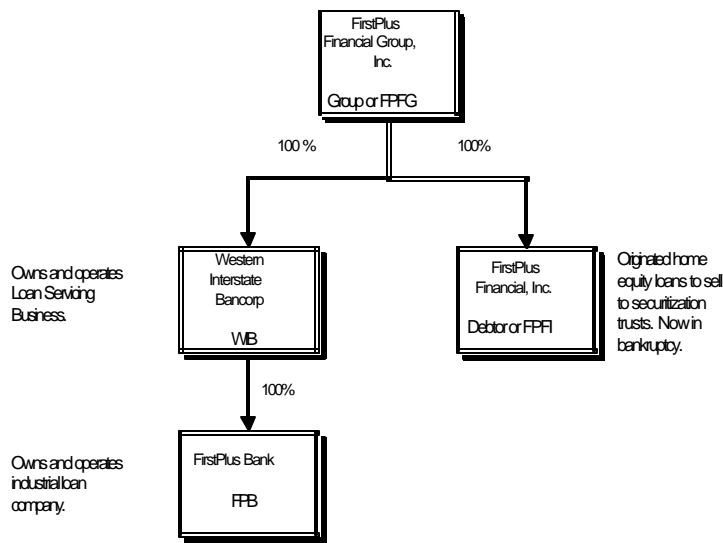
The Debtor's present projections estimate that unsecured creditors who **do not wish to participate in the settlement** (referred to as **Non-Electing Creditors under the Plan and Disclosure Statement**) may be paid in full with interest over an extended period of time after the Plan is approved by the Bankruptcy Court. Specifically, the Debtor anticipates that Non-Electing Creditors may be paid approximately fifteen percent (15%) of their claims in cash within approximately two years after the Bankruptcy Court approves the Plan. The Debtor's present projections show that the remaining eighty-five percent (85%) of Non-Electing Creditors' claims may be paid in full (with interest) over time beginning in the year 2006 and continuing through the year 2009.

AS DISCUSSED IN SECTION G BELOW AND IN ARTICLE XII.B OF THE DISCLOSURE STATEMENT, THERE ARE RISKS TO NON-ELECTING CREDITORS ACTUALLY RECEIVING FULL PAYMENT OVER TIME BECAUSE THE ASSETS PRESENTLY PROJECTED TO GENERATE CASH TO PAY NON-ELECTING CREDITORS MAY NOT PERFORM AS PRESENTLY PROJECTED.

Because of these risks to Non-Electing Creditors, the Debtor recommends that unsecured creditors choose to be Electing Creditors and elect to receive the most cash in the shortest period of time by participating in the settlement with certain affiliated parties, insiders, and professionals of the Debtor.

B. DEBTOR’S RELATIONSHIP WITH AFFILIATES.

The Debtor is a member of a group of affiliated companies. The Debtor is owned 100% by its parent company FirstPlus Financial Group, Inc. (Group or sometimes referred to in the Plan and Disclosure Statement as FPPFG). The Debtor has a sister company named Western Interstate Bancorp (WIB) which is also owned 100% by Group. WIB in turn owns 100% of FirstPlus Bank, a California industrial loan company. These relationships are depicted in the chart below:



C. DEBTOR’S ASSETS & LIABILITIES.

Prior to bankruptcy, the Debtor originated, marketed, and serviced home equity loans. As part of its business, the Debtor sold the home equity loans it generated into securitized trusts in exchange for cash it used to repay warehouse lines of credit used to fund subsequent originations of home equity loans. In these securitized trusts, the Debtor retained residual interests that provide cash payments over an extended time (approximately 15 years) back to the Debtor. These residual interests are called “Residuals” in the Plan and Disclosure Statement. A detailed explanation of the securitization process and the creation of these Residuals begins on page 7 of the Disclosure Statement. The Residuals are important assets of

the Debtor and will be used to help pay creditor claims under the Plan even though the Residuals pay cash to the Debtor over an extended period of time.

Historically, the Debtor also managed the home equity loans it sold into these securitized trusts, a process called “servicing.” In servicing these loans, the Debtor earned servicing fees on the loans and corresponded with the individuals obligated on the loans to make sure payments were made timely. In February 1999, the Debtor sold its servicing business (referred to as the Servicing Business in the Plan and Disclosure Statement) to its affiliate WIB for \$67 million. Part of the \$67 million was paid by WIB to the Debtor in cash and the other part was paid by WIB executing a promissory note payable to the Debtor. This promissory note is called the WIB Note under the Plan. The Debtor entered into a settlement (which has been approved by the Bankruptcy Court) with WIB concerning the appropriate amount and the time for payment of the WIB Note. **WIB currently owes the Debtor \$18,510,000 under the WIB Note.** The WIB Note is an asset belonging to the Debtor and payments received on the WIB Note will also be used to help pay creditor claims under the Plan.

The Debtor’s other main asset is cash. **This cash is referred to in the Plan and Disclosure Statement as Existing Estate Cash. The Debtor believes the amount of Existing Estate Cash available for distribution to creditors will be approximately \$13,000,000, subject to the payment to be made to secured creditors, the NIMS Trust and priority unsecured creditors.**

The liabilities of the Debtor can be separated into two major components: secured claims and unsecured claims.

The Debtor has many different secured creditors. For the most part, these secured creditors loaned money to the Debtor which was secured by the Debtor’s Residuals and home equity loans the Debtor had not sold into securitized trusts. **All of the loans from secured creditors are in default which could entitle the secured creditor to foreclose on the Residuals, thereby eliminating any excess value in the Residuals for unsecured creditors.** During its bankruptcy case, the Debtor reached various settlement agreements with its secured creditors that generally provide for payment of some up-front cash by the Debtor to the secured creditor in exchange for the secured creditor agreeing to be paid over time from the cash flow generated by the Residuals. The Debtor estimates the total amount of up-front cash that will be paid to these secured creditors could be up to \$12 million.

The Debtor believes there is substantial value in its Residuals in excess of what is owed to secured creditors. Both the Debtor and the Committee have been advised that the most prudent way to realize the excess value in the Residuals is to hold them over the long term and not sell them. Therefore, by avoiding foreclosure by the secured creditors, the Debtor has, through these agreements with secured creditors, preserved this excess value for unsecured creditors. These agreements with secured creditors are outlined in detail beginning at page 18 of the Disclosure Statement.

As to unsecured claims, the Debtor estimates the following unsecured claims will exist after confirmation of the Plan:

Unsecured Claim	Amount
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Administrative Expenses Claims	\$1,500,000.00
Priority Unsecured Non-Tax Claims	\$200,000.00
Priority Tax Claims	\$3,800,000.00
General Unsecured Claims (Class 4 Under Plan)	\$100,000,000.00

The estimate of \$100 million for unsecured claims (not including Group's claim) is composed of approximately \$42 million in general unsecured claims and \$58 million in unsecured claims arising from the rejection of equipment leases, the rejection of nonresidential real property leases, and potential liability arising from the consumer and employee litigation. The Committee believes the Debtor's estimate of allowed unsecured claims is on the low end of a reasonable range. This estimate of \$100 million does not include the minimum \$50 million claim of Group under the FPFPG Intercompany Claim which is discussed below. A Proof of Claim filed in the Debtor's case asserts liability of \$54 million in the consumer litigation. The Debtor has been advised by counsel representing the employees in the employee litigation that they assert claims of up to \$10 million. The Debtor believes it will be subject to no material liability in the consumer litigation. A tentative settlement in the employee litigation gives a \$1.4 million class 4 unsecured claim and a \$1 million class 5 subordinated claim to the employees. If the actual liability from the consumer and employee litigation exceeds the Debtor's estimate, allowed unsecured claims will be in excess of \$100 million and recoveries to unsecured creditors could be diminished. A detailed discussion of the consumer and employee litigation can be found beginning at page 66 of the Disclosure Statement.

The estimate of \$100 million for General Unsecured Claims does not include claims of affiliates asserted against the Debtor and a \$30 million contingent claim asserted by the NIMS Trust. As long as the Plan is confirmed, the \$30 million claim of the NIMS Trust has been settled and eliminated pursuant to a cash payment of \$7 million to the NIMS Trust. This settlement with the NIMS Trust was approved by the Bankruptcy Court and is described in detail beginning at page 31 of the Disclosure Statement.

The claims of the Debtor's affiliates total \$174 million based on the schedules filed by the Debtor. The largest component of the affiliate claims is an intercompany claim by Group, the Debtor's parent, for approximately \$135 million. As restated and reduced in the settlement with the Debtor, this claim is referred to as the FPFPG Intercompany Claim in the Plan and Disclosure Statement. Group asserts the FPFPG Intercompany Claim is based on money loaned from Group to the Debtor. The Debtor and the Committee dispute this claim and a resolution was reached between Group and the Debtor in which Group agreed to reduce its claim to \$50 million (subject to upward adjustment depending on the amount of Electing Creditors described below) and agreed to subordinate its reduced claim amount to claims of unsecured creditors on distributions of Existing Estate Cash and cash from the WIB Note. The details concerning the treatment of Group's FPFPG Intercompany Claim are described below in the context of the global settlement.

D. SETTLEMENT BETWEEN DEBTOR AND AFFILIATES.

In formulating the Plan, the Debtor was confronted with several issues to solve in the Plan. First, the Debtor did not have substantial cash available to make meaningful distributions to unsecured creditors shortly after confirmation. Second, the Debtor needed to preserve, for the benefit of unsecured creditors, the value of its Residuals after payment of secured claims asserted against the Residuals. Third, the Debtor's Residuals would not provide significant cash flow to unsecured creditors for many years until secured creditors were paid. Fourth, the Debtor needed to ensure that WIB paid the WIB Note in full within a short period of time in order to generate cash for creditors. Fifth, the Debtor needed to reach a settlement and reduce Group's FPFG Intercompany Claim to avoid substantial dilution of unsecured creditor recoveries. Finally, the Debtor needed to quickly turn litigation claims it had against its affiliates into cash.

Accordingly, during the summer of 1999, the Debtor and Committee engaged in continual negotiations with Group and WIB concerning a global settlement that would allow the Debtor to address the foregoing issues to provide for a meaningful distribution to unsecured creditors as soon as possible after confirmation of the Plan. Prior to and during these negotiations, the Committee conducted extensive discovery by taking depositions of 12 witnesses and examining thousands of documents in order to make sure the negotiated settlement as finally reflected in the Plan was in the best interest of creditors.

1. Assets to Fund Settlement.

The crux of the settlement between the Debtor, Group, and WIB is to obtain the cash value from WIB's assets to fund the settlement and provide short term liquidity to pay creditor claims. WIB's assets consist primarily of the Servicing Business that it purchased from the Debtor and FirstPlus Bank which is owned 100% by WIB. The Servicing Business and WIB's interest in the stock of FirstPlus Bank is encumbered by a loan made by Beal Bank S.S.B. (Beal Bank) of \$15 million. In addition a portion of the servicing fee income from the Servicing Business is owned absolutely by the NIMS Trust, subject to the interest of Beal Bank, if any. The Servicing Business is also encumbered by the WIB Note which WIB owes the Debtor. FirstPlus Bank is not encumbered by any appreciable debt.

The settlement is based on WIB's agreement to liquidate into cash its Servicing Business and FirstPlus Bank. This cash will be used to pay in full the WIB Note and to provide an additional source of cash to fund a settlement of claims creditors may have against WIB, Group, and additional individuals and professionals called the Additional Release Parties. **The Additional Release Parties are defined under the Plan and Disclosure Statement to be, Daniel T. Phillips, Eric C. Green, James Roundtree, William P. Benac, Lee N. Katz, Grisanti, Galef & Goldress, Jenkins & Gilchrist P.C., and Hughes & Luce.**

2. Settlement Cash.

Under the settlement, WIB will execute a new promissory note for \$32 million called the Settlement Note. This Settlement Note will be secured by liens against the Servicing Business and the stock of FirstPlus Bank so that when these assets are sold, the cash sale proceeds will be used in part to pay the Settlement Note. **This cash paid on the Settlement Note is called the Settlement Cash under the Plan and Disclosure Statement.** The WIB Note is also secured by these same assets of WIB. The

Debtor believes these assets can be sold within one year, which will yield cash proceeds to pay the WIB Note in full and partially pay the Settlement Note, thereby providing a source of cash to pay creditor claims.

The Settlement Cash is being offered by Group and WIB to all Class 4 unsecured creditors under the Plan. Absent the settlement, creditors would not be entitled to any Settlement Cash from Group and WIB, unless they were successful in litigating and collecting on any claims from WIB and Group. Group and WIB are providing the Settlement Cash as a non-litigation alternative. In exchange, each creditor who elects to receive the Settlement Cash shall release all of its individual claims against Group, WIB, and the Additional Release Parties. Each creditor who elects to receive the Settlement Cash in exchange for giving releases is called an Electing Creditor under the Plan. The release given by Electing Creditors does not release any obligation or liability of WIB that was assumed by WIB in writing relating to the purchase by WIB of the Servicing Business or entered into by WIB after purchase of the Servicing Business.

3. Creditor Trust.

Upon confirmation of the Plan, a separate trust called the FPFIC Creditor Trust is created to hold and administer various assets for the benefit of unsecured creditors until those assets can be liquidated into cash and distributed to creditors. A trust was created to hold these assets in order to separate the assets from Group, WIB, and the Debtor to ensure that these assets are not impaired, but instead are protected and preserved for the benefit of creditors. The Residuals, however, will remain an asset of the Debtor, which will grant a lien for the benefit of the Trust in such Residuals. The Bankruptcy Court will approve the selection of the Trustee who will manage and oversee the Trust.

Under the Plan, the Settlement Note will be made payable by WIB to the Trust so that the Trust will collect and distribute to Electing Creditors the payments received on the Settlement Note. Since the Debtor already holds the WIB Note, the Debtor will transfer and assign it to the Trust so that the Trust will collect and distribute to unsecured creditors the payments received on the WIB Note.

The Debtor will also transfer to the Trust the Existing Estate Cash which will fund the Trust with cash available to pay creditor claims.

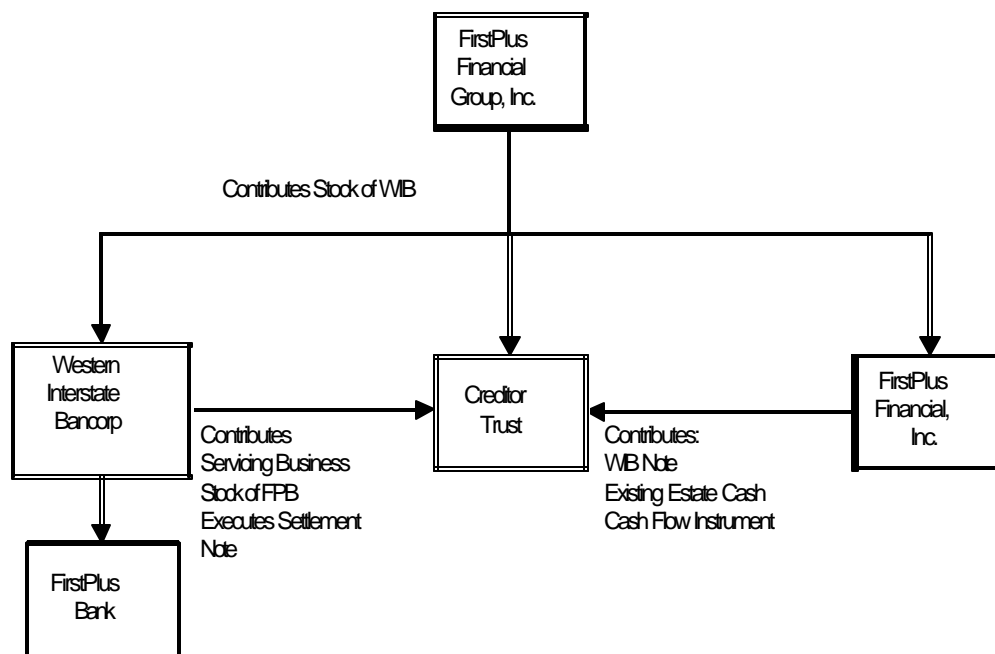
Finally, the Debtor will transfer an agreement called the Cash Flow Instrument to the Trust. The Cash Flow Instrument creates an obligation on behalf of the Debtor to transfer all cash flow generated by its Residuals (after payment of secured claims and applicable income taxes) to the Trust. The Trust will collect this cash flow and distribute it to certain creditors. To secure payments on the Cash Flow Instrument, the Trust will receive a second lien against the Debtor's Residuals subject to the first liens asserted by secured creditors against the Residuals.

The WIB Note and Settlement Note will be paid through the liquidation into cash of WIB's Servicing Business and FirstPlus Bank. Instead of leaving these valuable and essential assets in WIB and subject to Group and WIB's control, the Debtor negotiated for the absolute transfer of these assets directly into the Trust. This way, the Trust has discretion to market and sell these assets for the best price to achieve the greatest cash proceeds for distribution to creditors.

Consequently, Group will transfer the stock of WIB into the Trust (which will include all of WIB's assets including the Servicing Business) and WIB will transfer the stock of FirstPlus Bank into the Trust. The Trust will therefore have title to, and discretion to, sell and liquidate into cash the Servicing Business and FirstPlus Bank. This cash will be used in part to pay the WIB Note and Settlement Note.

To summarize, the Trust will receive (i) the WIB Note, Existing Estate Cash, and the Cash Flow Instrument from the Debtor, (ii) the WIB Stock from Group, and (iii) the Servicing Business and the stock of FirstPlus Bank from WIB.

In essence, the Trust will take over ownership of WIB, the Servicing Business, and FirstPlus Bank for purposes of selling these assets to generate cash for distribution to creditors. The contribution of these assets into the Trust is depicted in the chart below:



4. Allocation of Sale Proceeds to Pay WIB Note and Settlement Note.

When selling any business, there normally are shutdown and severance costs to be paid as part of the sale in order to convey good title to the purchaser, satisfy obligations of the seller to existing creditors and comply with applicable law. In the sale of the Servicing Business and FirstPlus Bank, there will be shutdown and severance costs associated with such sales. The shutdown and severance costs associated with these sales will be paid out of the sale proceeds.

Under the terms of the negotiated settlement, the maximum amount of shutdown and severance costs to be paid out of the sale proceeds has been capped. These limitations will ensure that the sale

proceeds going to pay the WIB Note and Settlement Note are not diminished beyond these limitations. In addition to these limitations, the Debtor has also negotiated priority levels for the prior payment of the WIB Note before the shutdown and severance costs. Specifically, the shutdown and severance costs will be paid only after the WIB Note is fully paid to make sure the WIB Note is paid as soon as possible. However, some of the shutdown and severance costs will be paid prior to payment in full of the Settlement Note since the Settlement Cash is being offered to Electing Creditors net of these costs. Only actual shutdown and severance costs will be paid up to the limitations.

The sale proceeds are generated from the sale of the two assets -- the Servicing Business and FirstPlus Bank. The sale proceeds are allocated in a different fashion depending upon whether the Servicing Business sells first or whether FirstPlus Bank sells first. This distinction occurs because if FirstPlus Bank is sold prior to the Servicing Business, then there will not be any shutdown costs associated with the Servicing Business since it will remain operating until sold at a later date. There will also not be any severance costs incurred with respect to the Servicing Business since it remains operating, but there will be severance costs paid concerning FirstPlus Bank since it is being sold.

The Plan generally allocates the sales proceeds from the sale of the Servicing Business and FirstPlus Bank as follows:

- first, to pay off the secured loan of Beal Bank;
- second, to pay off the secured WIB Note;
- third, to pay shutdown costs called Servicing Business Expenses (including the Winthrop Lump Sum Payment), contract severance payments to employees called Severance Costs and certain costs Group will incur called FPFG Costs;
- fourth, to pay the Settlement Note;
- fifth, to pay additional FPFG Costs; and
- finally, any excess is retained by the Trust.

Beginning at page 53 of the Disclosure Statement is a detailed discussion that specifically delineates the order in which the items discussed above are paid out of the sale proceeds from the Servicing Business and FirstPlus Bank.

The Servicing Business Expenses include certain obligations of WIB comprised of obligations to Bankers Leasing, other creditors of WIB, and to partially fund a settlement with Group's subordinated debt holders, up to a maximum aggregate amount of \$4 million.

Severance Costs are contract and non-contract severance obligations that will have to be paid to employees to either terminate them early or retain them through the sales process. Severance Costs are limited to a maximum amount of \$1.5 million to be paid out of the proceeds from the sale of the Servicing

Business and an additional \$1.5 million to be paid out of the proceeds of sale of FirstPlus Bank because there will be Severance Costs associated with the sale of both assets.

FPPG Costs are initially limited to \$2 million but after the Settlement Note is paid, an additional amount of \$1 million of FPPG Costs will be paid. FPPG Costs generally include expenses of Group composed of obligations to the landlord of Group's headquarters, other liabilities of Group, and reasonable expenses to restructure Group's financial affairs including attorneys' fees, salaries of employees, occupancy and operating costs, and to partially fund a settlement with Group's subordinated debt holders. As the parent company, Group has certain responsibilities for the operation and disposition of WIB and FirstPlus Bank. For example, WIB's Servicing Business is conducted out of Group's headquarters building on which Group makes the lease payments. Therefore, since Group will incur various expenditures incident to the sale and shutdown of the Servicing Business and FirstPlus Bank, provision has been made for the limited payment of FPPG Costs.

The Winthrop Lump Sum Payment represents the present value discounted at 8.5% of the remaining lease payments due under an equipment lease WIB is obligated under with Winthrop. To the extent the purchaser of the Servicing Business does not assume the Winthrop lease, the remaining balance of the Winthrop lease will need to be cashed out and paid since there will no longer be any Servicing Business operations to continue payments to Winthrop.

The Debtor negotiated for the Winthrop Lump Sum Payment to be determined on a present value basis and paid out of the sale proceeds, but only after the WIB Note is paid in full. However, to the extent the sale proceeds from the Servicing Business are insufficient to completely pay the Winthrop Lump Sum Payment after the Beal Bank loan and WIB Note have been fully paid, the Trust will make any remaining lease payments to Winthrop on behalf of WIB until FirstPlus Bank is sold.

Upon the sale of FirstPlus Bank, the remaining amount of the Winthrop Lump Sum Payment shall be paid and the Trust shall be reimbursed out of the sale proceeds for the payments it made on behalf of WIB prior to paying any remaining balance of the Servicing Business Expenses, Severance Costs, and FPPG Costs. This reimbursement is called the Trust Reimbursement Amount under the Plan and Disclosure Statement.

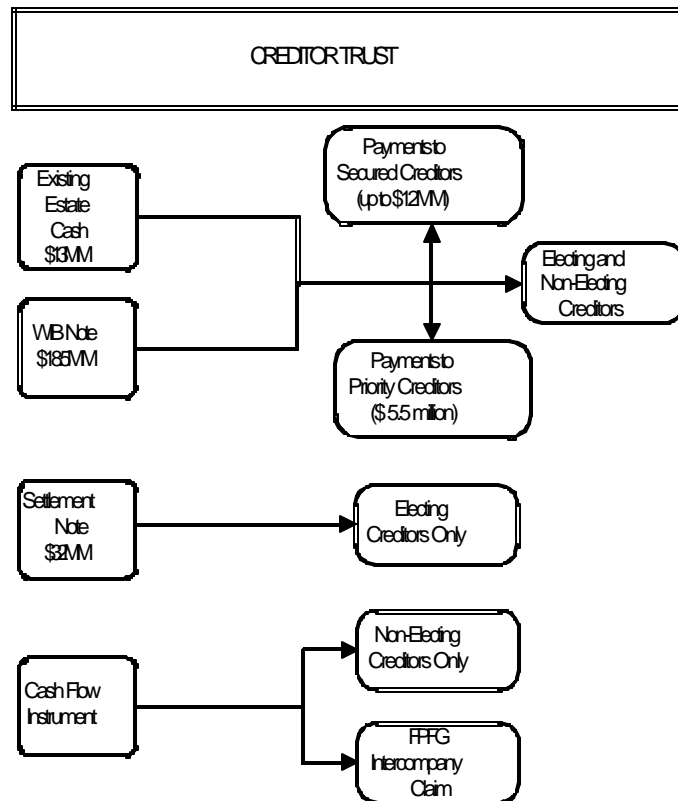
5. How the Trust Will Pay Claims.

Class 4 unsecured creditors are given the choice to become Electing Creditors by electing to release any and all claims against Group, WIB, and the Additional Release Parties in exchange for receiving their share of the Settlement Cash provided to them by WIB and Group. A class 4 general unsecured creditor makes the decision to become an Electing Creditor by checking the Electing Creditor box on the ballot for voting to accept or reject the Plan. A ballot for voting on the Plan and making such election has been enclosed with this letter. Each Electing Creditor shall be entitled to receive its pro rata share of the Settlement Cash. The FPPG Intercompany Claim is also not entitled to receive any Settlement Cash under the Plan.

Under the Plan, all Electing Creditors and Non-Electing Creditors receive their pro rata distribution of the Existing Estate Cash and cash received from payments on the WIB Note, which is called WIB Note Cash under the Plan. **The Debtor estimates that up to a total of \$12 million of the Existing Estate Cash and WIB Note Cash will have to be paid to secured creditors and to the NIMS Trust and up to \$ 5.5 million will have to be paid to priority unsecured creditors, prior to paying Electing and Non-Electing Creditors.**

All Settlement Cash received by the Trust is distributed only to Electing Creditors under the Plan since it is only Electing Creditors who have given a release to WIB, Group, and the Additional Release Parties in exchange for receiving the Settlement Cash.

The Cash Flow Instrument will provide payments from the Debtor to the Trust of all cash generated by the Debtor’s Residuals (after payment of secured creditors and applicable income taxes). This cash is called Creditor Cash under the Plan. Creditor Cash will be paid pro rata only to Non-Electing Creditors and to the FPPG Intercompany Claim. Electing Creditors do not receive any Creditor Cash since they have elected to receive the Settlement Cash instead. However, Electing Creditors do receive their share of Existing Estate Cash and WIB Note Cash as noted above. This distribution scheme is illustrated in the chart below:



The distributions on the FPPG Intercompany Claim are made in a manner to prevent dilution of recoveries to Non-Electing Creditors. Specifically, as part of the settlement, the Debtor and the Committee

have negotiated for a reduced amount and subordination of Group's FPPG Intercompany Claim so that the magnitude of such claim does not dilute recoveries to Class 4 unsecured creditors.

The Debtor and Committee have negotiated for the \$135 million FPPG Intercompany Claim to be reduced to a minimum amount of \$50 million. The actual amount of the FPPG Intercompany Claim may increase depending upon the total amount of Electing Creditors claims and the amount of payments received by Electing Creditors from Existing Estate Cash and proceeds of the WIB Note. The FPPG Intercompany Claim will be set at the greater of (i) \$50 million or (ii) the amount of allowed claims held by Electing Creditors less any distribution of Existing Estate Cash and WIB Note Cash made to Electing Creditors. For example, if total allowed claims held by Electing Creditors are \$80 million and the distribution to Electing Creditors from Existing Estate Cash and WIB Note Cash is \$20 million, then the FPPG Intercompany Claim will be \$60 million. Thus, with respect to distributions of the cash flows from the Residuals, the FPPG Intercompany Claim simply replaces and is limited to what the remaining balance of Electing Creditor claims would have been if they had not "elected." **Therefore, the Debtor estimates that based on the anticipated level of Electing Creditors, claims of Non-Electing Creditors are not diluted by the FPPG Intercompany Claim.**

In sum, there are several key benefits to unsecured creditors concerning the payment of Group's FPPG Intercompany Claim in comparison to the payment of claims of other unsecured creditors:

- No Existing Estate Cash will be used to pay the FPPG Intercompany Claim;
- No proceeds of the WIB Note will be used to pay the FPPG Intercompany Claim;
- No proceeds of the Settlement Note will be used to pay the FPPG Intercompany Claim;
- 100% of any payment on the FPPG Intercompany Claim is subordinated to fund what is referred to as the FPPG Indemnity Claim, wherein Group indemnifies the Trust against an excessive amount of Joint Creditor Claims (explained below); and
- 50% of any payment on the Group Intercompany Claim is subordinated to fund any deficiency under the Settlement Note until it is paid in full.

E. WHAT GROUP, WIB, AND THE ADDITIONAL RELEASE PARTIES RECEIVE UNDER THE PLAN.

WIB, Group, and the Additional Release Parties will receive the following benefits under the Plan:

- Broad releases from Electing Creditors;
- A release from the Debtor of any and all of its Claims.

- The FPPG Intercompany Claim shall be allowed as a general unsecured claim against the Debtor equal to the total dollar amount of claims of Electing Creditors after reduction of such claims by the payments received from the Debtor's Existing Estate Cash and the WIB Note, but in no event less than \$50 million; and
- A retained equity interest in the Debtor.

The Debtor believes that its claims against WIB, FPPG and the Additional Release Parties could amount up to \$5 to \$6 million based on, among other items, a letter of credit the Debtor collateralized for the benefit of FPPG, bonuses paid to Additional Release Parties, payment to certain financial institutions for the benefit of FPPG, and preference claims against certain Additional Release Parties.

The Debtor also anticipates substantial challenges would be raised, including the assertion of defenses, against bringing these claims. As a result, balancing the potential recovery on the Debtor's claims and defenses against the costs to litigate these claims and the attendant delay with such litigation has led the Debtor and the Committee to conclude that pursuit of this litigation is not productive and not in the best interest of creditors, particularly in light of the settlement reached with WIB and FPPG. A detailed explanation of the reasons for the Debtor to provide a release to WIB, Group and the Additional Release Parties begins at page 42 of the Disclosure Statement

As part of the settlement, Group will (1) cause the claims against the Debtor asserted by its affiliates and subsidiaries, except FirstPlus Bank (which filed a proof of claim in the approximate amount of \$ 2.3 million) , to be subordinated to all other allowed class 5 subordinated claims; (2) reduce its asserted \$135 million claim against the Debtor (as set forth above); and (3) release all other claims against the Debtor and its direct subsidiaries.

F. WHAT IS THE JOINT CREDITOR ALLOWANCE AND HOW DOES IT RELATE TO GROUP'S OBLIGATION TO THE DEBTOR'S CREDITORS UNDER THE FPPG INDEMNITY CLAIM?

The Debtor has identified certain creditors who may be creditors of both Group and the Debtor as a result of contractual obligations, such as equipment leases, which conferred a benefit upon the Debtor. These creditors are called Joint Creditors under the Plan and Disclosure Statement. In order to obtain Group's assistance in resolving these claims, the Debtor reached an agreement with Group requiring Group to participate in the negotiation or litigation of the Joint Creditors' claims. Group has every incentive to minimize the total allowed amount of such claims because Group is liable to the Debtor for any amount owed to Joint Creditors above a total allowance amount for all claims of Joint Creditors. This allowance is called the Joint Creditor Allowance under the Plan and Disclosure Statement.

Considerable disagreement between the Committee and Group existed as to what was the amount of joint claims and which entity had responsibility to pay them. As part of the settlement, an agreement was reached to: (1) define who the Joint Creditors were, as set forth on Exhibit "B" to the Second Amended Term Sheet (which is attached as Exhibit 3-A to the Disclosure Statement); and (2) set a budget for the allowance of such joint claims held by Joint Creditors. The Committee and Group agreed to a budget of

\$20,188,695.00 and this amount is defined as the "Joint Creditor Allowance." The claims of Joint Creditors reflected in the Debtor's schedules and/or pursuant to proofs of claim, aggregate \$29.6 million.

Next, it was agreed that Group would have the right, as it does under the Bankruptcy Code in any event, to object to such claims. Group would also have the right to negotiate a settlement of Joint Creditors' claims, subject to review by both the Debtor and the Committee, up to the aggregate total amount of the Joint Creditor Allowance. To facilitate these negotiations, causes of action against the Joint Creditors are retained by the Debtor. Group, at its own cost, is given authority to litigate, negotiate and settle such causes of action, subject to the Debtor's and the Committee's objection, as to Joint Creditors. The Trust retains all other legal claims whose recovery will be for the benefit of unsecured creditors. See page 71 of the Disclosure Statement for a detailed discussion concerning the retention of these claims.

To shift the risk from the Debtor's estate to Group, if the allowed claims of Joint Creditors ultimately exceed the Joint Creditor Allowance, Group is required to pay the Trust additional money to make sure that the estate and its unsecured creditors are not financially harmed if this event occurs. The Group obligations to indemnify the Trust is called the Group Indemnity Obligation. The Group Indemnity Obligation is funded by subordinating Group's right to payment on the FPFG Intercompany Claim to make up for any excess amount needed to pay the Joint Creditors above \$20,188,695.00

G. RISKS TO PAYMENT OF THE CLAIMS OF CLASS 4 UNSECURED CREDITORS.

No distribution to Class 4 unsecured creditors is guaranteed and all projections encompass uncertainties. Unsecured creditors face significantly less risk and the chance to receive a larger and earlier payment by choosing to be an Electing Creditor on the enclosed Ballot.

There are substantial risks to the full payment of Non-Electing Creditors' claims by the year 2010 from the projected cash flows on the Debtor's Residuals. The Residuals projected to fund approximately eighty-five percent (85%) of the payment to Non-Electing Creditors are based on credit consolidation or home improvement loans secured by a second lien on residential homes. In most cases, the value of the property securing the obligation is insufficient to satisfy the second mortgage loans.

Additionally, the Debtor's Residuals are already encumbered by secured debt. This means that the Debtor will only receive payments on these Residuals from what is left after senior secured creditors who have liens on the Debtor's Residuals are paid in full. Payment to the Debtor from what is left on these Residuals after senior secured creditors are paid may be adversely affected by such circumstances as prepayment of the loans and loan defaults for the loans in the securitizations that generate the Residuals.

Unsecured creditors need to recognize that the cash flows presently projected by the Debtor to be generated from the Debtor's Residuals are based on numerous assumptions, including loan prepayments, delinquencies and defaults relating to the mortgage loans, which

may not occur in the future, and therefore, unsecured creditors may not be paid as presently projected.

Given the risks associated with the Debtor's Residuals, the Debtor recommends that unsecured creditors choose to be Electing Creditors and affirmatively elect to participate in the settlement. Although the Debtor presently projects that Non-Electing Creditors will be paid the full amount of their claims over time (with interest), these projections are subject to numerous substantial risks.

As to Electing Creditors, risks also exist. The assets to be liquidated may not yield enough cash proceeds to pay the Settlement Note. In such case, any deficiency on the Settlement Note will be paid from distributions on the FPPG Intercompany Claim. These distributions are based on Residual cash flows which are paid over a long period of time and which may never materialize as noted above. In addition, if the total allowed claims of Electing Creditors exceed the Debtor's estimate, the pro rata return to Electing Creditors would be diminished.

The Committee supports the Plan, but the Committee members have not discussed and do not intend to discuss how they will, individually, mark their respective ballots as to the election to participate in the settlement. From the Committee's perspective, this decision is to be made independently by each member when returning its own ballot.

H. ENCLOSURES AND VOTING PROCEDURES.

In order to facilitate voting on the Plan, the Debtor has enclosed copies of each of the following documents:

- a. Third Amended Plan of Reorganization proposed for the Debtor;
- b. Court Approved Disclosure Statement Under 11 U.S.C. § 1125 in Support of Debtor's Second Amended Plan of Reorganization (the "Disclosure Statement");
- c. General Ballot for Accepting or Rejecting the Plan;
- d. Class 4 Ballot for Accepting or Rejecting the Plan and Making the Election Designation;
- e. Ballot Instructions explaining the General Ballot and the Class 4 Ballot for Accepting or Rejecting the Plan; and
- f. Order (I) Approving Disclosure Statement in Support of Debtor's Third Amended Plan of Reorganization; (II) Approving Joint Solicitation Letter; (III) Establishing Times for Filing Acceptances and Rejections of Debtor's Third Amended Plan of Reorganization; and (IV) Establishing Objection Deadlines.

Please study the Disclosure Statement and the Plan carefully to determine the effect of confirmation of the Plan upon any claim(s) you may have against the Debtor. **PLEASE NOTE THAT, PURSUANT TO THE ENCLOSED ORDER OF THE BANKRUPTCY COURT, YOUR BALLOT OR BALLOTS MUST BE DELIVERED TO VERNER, LIIPFERT, BERNHARD, McPHERSON AND HAND, CHARTERED, ATTN: CATHERINE BURROW, 1111 BAGBY, SUITE 4700, HOUSTON, TEXAS 77002 (FAX: 713-752-2199), AND MUST ACTUALLY BE RECEIVED, WHETHER BY MAIL, HAND DELIVERY, OR FACSIMILE, BY 4:00 P.M., CENTRAL STANDARD TIME ON MARCH 21, 2000.**

To have your vote on the Plan counted, you must submit the enclosed ballot by the deadline.

I. CONCLUSION.

The Debtor and the Committee believe that the Plan is in the best interest of creditors and other parties in interest. The Debtor and the Committee support the approval of the Plan by the Bankruptcy Court.

Consequently, the Debtor and the Committee urge you to vote in favor of the Plan.

The Debtor further urges unsecured creditors to elect to participate in the Settlement as Electing Creditors. The Debtor believes that unsecured creditors should elect to participate in the **Settlement** with certain affiliates, insiders, and professionals of the Debtor and choose to be Electing Creditors by checking the appropriate box in the Class 4 Ballot enclosed with this Solicitation Letter.

If you have any questions about the Plan, please call the Debtor at the following telephone number: 1-877-545-8980. Please note that the Debtor is not able to provide any legal advice.

Very truly yours,

FIRSTPLUS Financial, Inc.

Official Unsecured Creditors' Committee
of FIRSTPLUS Financial, Inc.

Steven S. Turoff, President

John Sloan,
Solely in His Capacity as its Chairman

Attorneys for FIRSTPLUS Financial, Inc.

VERNER, LIIPFERT, BERNHARD,
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