

## THE FPGI CREDITOR TRUST

### NOTES TO FINANCIAL STATEMENTS

#### 1. Basis of Presentation

The FPGI Creditor Trust (the "Trust") is a trust formed under the laws of the state of Texas and created for the benefit of certain creditors of the Debtor pursuant to the Third Amended Plan of Reorganization (the "Plan") filed by FIRSTPLUS Financial, Inc. (the "Debtor"). The Disclosure Statement Under 11 U.S.C. § 1125 in Support of Debtor's Third amended Plan of Reorganization ("Disclosure Statement") should be read in conjunction with the accompanying financial statements and these notes and assumptions related there to shall have the meaning ascribed to such terms in the Disclosure Statement and Plan, unless otherwise defined.

The Trust was formed in accordance with the Trust Agreement for the FPGI Creditor Trust ("Trust Agreement") by and between the Debtor and the Trustee. The objective of the Trust is the liquidation of the Trust Assets (as defined) and the distribution of the cash proceeds therefrom to the creditors of the Debtor and the Beneficiaries of the Trust in accordance with the Trust Agreement.

The unaudited consolidated financial statements of FPGI Creditor Trust (the "Trust") reflect, in the opinion of management, all adjustments, consisting only of normal and recurring adjustments, necessary to present fairly the Trust's net assets in liquidation at June 30, 2000; and its changes in net asset value in liquidation and cash flows for the period from May 10, 2000 through June 30, 2000.

*Use of estimates* - Management of the Trust has made certain estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

#### 2. Trust Assets

Trust assets are comprised of the following (dollars in thousands):

	<u>June 30, 2000</u> (unaudited)
Investment in FirstPlus Bank	\$26,582
Second Lien Mortgage Servicing Rights (net)	23,367
Cash Flow instrument	92,000
Other	<u>3,274</u>
	\$145,223

The following is a brief discussion of the nature of each of the significant Trust Assets:

*Investment in FirstPlus Bank* – The Trust owns the stock of FirstPlus Bank (the “Bank”), an Industrial Thrift and Loan regulated by the California Department of Institutions and the Federal Deposit Insurance Corporation. The Bank is located in Tustin, California. The Bank is currently being marketed for sale and is carried at its book value, which approximates market. Any sale of the Bank will be subject to regulatory approval. The Bank’s balance sheet is summarized as follows:

	<u>June 30, 2000</u> (unaudited)
<u>Assets</u>	
Cash and equivalents	\$20,109
Investments	132,535
Loans (net)	66,636
Other assets	<u>7,227</u>
	\$226,507
<u>Liabilities and Capital</u>	
Deposits	\$167,429
Repurchase agreements	28,570
Other liabilities	<u>3,926</u>
	199,925
Capital	<u>26,582</u>
	226,507

*Second Lien Mortgage Servicing Rights (net)* – The Trust, through its ownership of Western Interstate Bancorp (WIB), owns certain second lien mortgage servicing rights. Such servicing rights are in the process of being sold, subject to the closing of the purchase and sale agreement with Countrywide Home Loans, Inc. The Trust expects to close this sale during the September 2000 quarter. The Second Lien Mortgage Servicing Rights are carried at their estimated net realizable value.

*Cash Flow Instrument* – The Cash Flow Instrument, as defined in the Plan, is the instrument executed by Debtor at Closing providing for certain Cash payments from the Debtor to the Trustee on behalf of the Trust in accordance with Section 6.5.9 of the Plan. The Cash Flow Instrument is carried at its net realizable value, which is an estimate of its future discounted cash flows. This type of valuation is based on many significant assumptions. The basic underlying assets of the Cash Flow Instrument are certain Residual Assets owned by the Debtor, which are subject to certain Allowed Secured Claims from outside lenders. The Cash Flow Instrument will make quarterly payments from the Debtor to the Trustee for all cash flow from the Residual Assets after prior satisfaction of all Allowed Secured Claims against the Residual Assets and payment of any federal income taxes.

As noted above, there are significant assumptions related to estimating the net realizable value of the Cash Flow Instrument. The two main estimates used to value the underlying Residual Assets are the expected prepayment speeds and the expected default rates to be experienced on the underlying second lien mortgages. These estimates are based on prior experience and market trends. Additional estimates necessary to determine the value of the Cash Flow Instrument include the availability and utilization of tax benefits, the amount of Class 4 Allowed General Unsecured Claims, and the amount of Estate Cash and WIB Note Cash to be distributed to Class 4 General Unsecured Creditors.

The amount of Class 4 Allowed General Unsecured Claims have been estimated at \$100 million, with creditors holding seventy percent (70%) of General Unsecured Claims making the Election Designation under the Plan and there by becoming Electing Creditors. Consequently, creditors holding thirty percent (30%) of General Unsecured Claims are Non-Electing Creditors under the Plan.