

Case 99-31869-8

The FPI Creditor Trust and Subsidiaries Consolidated Statements of Net Assets in  
Liquidation (Dollars in Thousands) (Unaudited)

	<u>May 10, 2000</u>	<u>As of</u> <u>June 30, 2000</u>
<i>Assets at estimated fair value</i>		
Cash and cash equivalents	\$ 14,120	\$ 14,526
Trust assets, net	<u>150,798</u>	<u>145,223</u>
Total Assets	<u>\$ 164,918</u>	<u>\$ 159,749</u>
 <i>Liabilities at face or estimated amount</i>		
Payables and accrued liabilities	<u>\$ 44,859</u>	<u>\$ 43,261</u>
Total liabilities	44,859	43,261
 <i>Beneficial interests in Net Trust Assets</i>		
Net Trust asset value	<u>120,058</u>	<u>116,487</u>
Total net Trust asset value	120,058	116,487
Total liabilities and beneficial interests	<u>\$ 164,918</u>	<u>\$ 159,749</u>

**See accompanying notes to financial statements**

**FPFI Creditor Trust and Subsidiaries Consolidated Statements of Income and Changes in Net Trust Asset Value in Liquidation (Dollars in Thousands) (Unaudited)**

Period of May 10, 2000  
through June 30, 2000

Change in fair value of trust assets	\$ (3,057)
Interest income on short-term investments	146
Administrative expenses	305
Net income	(2,606)
Net Trust asset value, beginning of period	120,058
Distribution to beneficial interest holders	(965)
Net Trust assets value, end of period	<u>\$ 116,487</u>

**See accompanying notes to financial statements**

**FPFI Creditor Trust and Subsidiaries Consolidated Statements of Cash Flows (Dollars in Thousands) (Unaudited)**

Period of May 10, 2000  
through June 30, 2000

Cash flows from operating activities:	
Net income	\$ (2,606)
Adjustments to reconcile net income to net cash provided	
Changes in fair value of net trust assets	5,575
Decrease in payables and accrued liabilities	<u>(1,598)</u>
Net cash provided by operating activities	1,371
Cash flows from financing activities:	
Distributions to Beneficial Interests	(965)
Net cash used in financing activities	(965)
Net increase in cash and cash equivalents	406
Cash and cash equivalents, beginning of period	14,120
Cash and cash equivalents, end of period	<u>\$ 14,526</u>

**See accompanying notes to financial statements**

## **Trustee Report to Court**

**August 10, 2000**

This initial report will provide the court with an overview of the various activities and challenges that the Trustee and Staff are addressing.

**The initial objectives of the Trustee have been:**

- I. Sale of the servicing business**
- II. Sale of FirstPlus Bank**
- III. Winding Down of Western Interstate Bancorp until all creditors are paid**
- IV. Reconciliation of claim files and file objections to claims**
- V. Pursuit of Preference claims**
- VI. Perform the duties of director and officer for FirstPlus Financial Inc. and FirstPlus Special Funding**

### **I. Sale of Servicing Business**

The Trustee had anticipated that the sale of the Servicing Business to Countrywide would be finalized before the Trust was to be established, this did not occur. It was discovered in late April that a lessor had been permitted a lien against the Servicing Business and the pay off of that lease agreement had to be negotiated before the sale could be completed. These negotiations were completed in early June, but during that time a Class Action Lawsuit was filed in Kansas that named Western Interstate Bancorp (WIB) as a defendant. Countrywide has refused to finalize the sale of the servicing business until it is satisfied that all additional risks are identified and properly addressed. To this end the Trustee has negotiated a \$3.75 million reduction in purchase price for the transfer of the additional risk to Countrywide as a result of any pending or future litigation losses related to the servicing portfolio.

## **II. Sale of FirstPlus Bank**

The sale of FirstPlus Bank has been progressing on schedule. In early March, Carpenter & Company was selected to market the bank. During April and May, Carpenter prepared an Offering Memorandum and distributed the Memorandum to 60 prospects. By the end of May five Letters of Intent were received. These initial offers were in excess of the book value of the bank. The top 4 bidders were chosen to perform due diligence and submit a definitive offer. The due diligence period began July 24 and will end by August 26. The Trustee expects to receive several offers and negotiate an acceptable final offer. Once a final purchase agreement is signed, it will be presented to the state and federal regulators for approval. The Trustee has been advised that regulator's approval could take up to six months. The Trustee believes that the Bank sale should be completed by the end of April 2001.

Once the sale of the Servicing Business is completed the net proceeds will be used to pay the Beal Bank loan, Bankers Leasing and make a partial payment on the WIB note.

Upon receipt of the partial payment in the WIB note, the Trust will make the negotiated settlement payments to the NIMs bondholders, Paine Webber and Residential Funding Corp.

When the Sale of the Bank is finalized, the proceeds will be used to payoff the remaining WIB note, to make other payments in accordance with the plan, including payments on the Settlement Note. The Trust, upon receipt of the final WIB note payment, will pay any remaining settlement payments due to NIMs bondholders, Paine Webber and Residential Funding Corp.

## **III. Wind Down of Western Interstate Bancorp (WIB)**

On May 10, 2000 WIB had 31 employees who were focused on performing the following tasks:

- A. Move and consolidate all operations into a new facility by June 30, 2000
- B. Liquidate all unnecessary equipment at the highest possible price
- C. Perform the necessary Human Resources functions to shut down WIB
- D. Reconcile and consolidate all banking accounts to enable an orderly Transfer of cash to the Trust upon the shut down of WIB

- E. Perform the necessary loan servicing clean-up functions to prevent claims from being asserted against WIB.
- F. Address significant issues related to accounting, tax and claims resolution items.

#### **A. Move of Location**

The Corporate Services department was successful in consolidating and moving the operations in several locations into one facility by June 30. Because of this successful move, WIB avoided a \$17 million liability to the lessor of the 1600 Viceroy facility.

#### **B. Sale and Return of Equipment**

Again the Corporate Services department was successful in identifying several purchasers for equipment. This department also worked with several lessors to either return equipment or sell the equipment and negotiate settlements.

#### **C. Human Resources**

This department is focused on performing the functions related to administering all payroll and benefits liabilities. In addition to the normal payroll processing, they respond to unemployment claims, verification of employment calls, resolution of unemployment tax reporting, correction of earnings reported for 1998 and 1999, 401(K) anti-discrimination testing and validating employee claims against the debtor estate. This department also provides the processing for all COBRA claims, all 401(K) plan administration, health claims processing and the preparing for and assisting in the 401(K) plan audit for 1998 and 1999.

#### **D. Cash Management Department**

The primary function of this department is the reconciliation and closing of the bank accounts that WIB used in its operations. In addition to this, the department is

responsible for compiling the monthly servicing portfolio information on each securitization.

### **E. Customer Service**

This department handles the correction of errors regarding the release of liens for paid off loans before March 31, 2000. They also are responsible for the correction of loan documentation in portfolios that have been sold or pledged.

### **F. Accounting Department**

This department is handling several areas important to the Trust, primarily characterized as issue resolution and compliance. The following items are under the category of issue resolution;

1. Determination and preservation of NOLs and tax bases for the benefit of creditors.
2. Assistance in the review, research and resolution of claims and preference items.

These items are being coordinated with outside professionals for quick resolution.

The following items fall under the category of compliance issues;

1. Establishing the beginning balance sheet for the Creditors Trust.
2. Preparation of federal and state tax returns.
3. Recordation of monthly accounting activity and production of monthly financial statements.
4. Administrating the accounts payable function for both WIB and Inc.

We expect that these issues will require significant time and effort over the next several months due to the magnitude, complexity and importance of the issues involved.

WIB work force has been reduced to 15 full time employees, one part-time employee and one contract employee. The trustee expects the workforce to remain at this size until early 2001.

#### **IV. Claims Processing**

At the time of the Trustee's appointment, the claim register maintained by the Bankruptcy Clerk and the Debtor's Counsel contained numerous inconsistencies, erroneous entries, duplications and omissions. At the request of the Trustee, Lain Faulkner was to verify each entry on the register against the open proofs of claim in order to correct the register to properly reflect names, addresses, amounts and priorities of creditor claims as well as additional notice names. A revised official names and address matrix and claim register has been filed as a result of this work.

A total of nearly 11,000 claims were originally scheduled or filed in this case, approximately 6,800 claims existed as of the confirmation date. Since that time, approximately 2000 entries have been made to the claim register to record allowed claim amounts based on orders entered. Such orders were the result of objections brought by both the Debtor and the Trustee. Lain, Faulkner, working in conjunction with remaining FirstPlus employees, is currently in the process of analyzing claims and formulating additional objections with the goal of fairly determining claims accordance with the Bankruptcy Code.

Informational packages were mailed to all claimants with pending claims. As a result, a large number of form W-9's containing tax identification numbers and change of address forms have been received from the creditors. Lain, Faulkner is in the process of recording the additional information into the database.

#### **V. Preference Claims**

As part of global settlement negotiations with certain administrative claimants, Lain, Faulkner has performed reviews on an expedited basis for Inter-Tel Communications, Inc., NewCourt Communications Finance Corp., and Delage Landen Financial Services, Inc., f/k/a Tokai Financial Services, Inc. They are currently performing an expedited review of MCI.

Lain, Faulkner has been identifying the Debtor's documents and records which they will use to research claims and preference items and the Trustee has filed for court approval to employ NextCorp to develop custom software for preference analysis and graphic presentation purposes. Within the next two weeks, they hope to:

1. Identify all wire transfers made to vendors during the preference period and year prior,
2. Input the wire transfers into the preference database,
3. Obtain and test the custom software created by NextCorp,
4. Commence a full-scale review.

## **VI. FirstPlus Financial, Inc. & FirstPlus Special Funding Corp.**

FirstPlus Financial, Inc. - The Trustee is the sole director and the CEO of Inc. The primary function of the Trustee in this role is the preservation of the residuals, filing of the proper tax returns and the payment of the Cash Flow Note to the Trust.

To this end the Trustee as the sole officer of Inc. has retained the accounting firm of Clay Daniels to perform the tax work for Inc. The Trustee has taken bids for the performance of calculation of the residual amounts from each securitization by updating the securitization models. The Trustee contacted Boston Portfolio Advisers and Asset Backed Solutions for bids to perform this work. The Trustee chose Asset Backed Solutions and is in the process of finalizing a contract with them.

FirstPlus Special Funding Corp. - Outside directors were appointed at the closing of the Bankruptcy plan. The first year's operating expenses were analyzed and estimated to be approximately, \$32,000. A request was made on the \$1 million demand note from FirstPlus Financial Group for the \$32,000, which was paid to FirstPlus Special Funding. The first board meeting is scheduled for September 2000.