

Case 99-31869-8

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

	As of <u>May 10, 2000</u>	As of <u>September 30, 2000</u>
<i>Assets at estimated fair value</i>		
Cash and cash equivalents	\$ 14,120	\$ 18,083
Trust assets, net	<u>168,844</u>	<u>138,786</u>
Total assets	<u>\$ 182,964</u>	<u>\$ 156,869</u>
 <i>Liabilities at face or estimated amount</i>		
Payables and accrued liabilities	<u>\$ 44,859</u>	<u>\$ 23,506</u>
Total liabilities	44,859	23,506
 <i>Beneficial interests in net trust assets</i>		
Net Trust asset value	<u>138,105</u>	<u>133,363</u>
Total net trust asset value	138,105	133,363
Total liabilities and beneficial inteterests	<u>\$ 182,964</u>	<u>\$ 156,869</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)

	For the three months ending <u>September 30, 2000</u>	Period of May 10, 2000 through <u>September 30, 2000</u>
Servicing income, net of amortization	1,957	5,979
Interest income on short-term investments	2,130	2,295
Administrative expenses	(3,943)	(8,969)
Other income/(expenses)	<u>(1,658)</u>	<u>(3,410)</u>
Net income/(loss)	<u>\$ (1,513)</u>	<u>\$ (4,105)</u>
Net trust assets value, beginning of period	134,548	138,105
Net income/(loss)	(1,513)	(4,105)
Distribution to beneficial interest holders	(22)	(987)
Change in investment valuation reserve	<u>351</u>	<u>351</u>
Net trust assets value, end of period	<u>\$ 133,363</u>	<u>\$ 133,363</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
September 30, 2000

Cash flows from operating activities:

Net income/(loss) \$ (4,105)

Adjustments to reconcile net income to net cash provided

Depreciation and amortization expense 138

Changes in fair value of net trust assets 1,770

Decrease in payables and accrued liabilities (1,667)

Net cash used in operating activities (3,864)

Cash flows from investing activities (trust assets):

Proceeds from sale of servicing asset 28,500

Net cash provided by investing activities 28,500

Cash flows from financing activities:

Payments on notes payable (15,186)

Payments on secured creditors' settlements (4,500)

Distributions to beneficial interests (987)

Net cash used in financing activities (20,674)

Net increase in cash and cash equivalents 3,962

Cash and cash equivalents, beginning of period 14,120

Cash and cash equivalents, end of period \$ 18,083

See accompanying notes to financial statements

Trustee Report to the Court
November 15, 2000

This report is to provide the Court with an update of the activities of the Trust for the period beginning July 1, 2000 through September 30, 2000.

The objectives for the Trust during the time period were to:

- I Complete the sale of the Servicing Business
- II Continue the progress on the sale of FirstPlus Bank
- III Continue operating Western Interstate Bancorp until all WIB creditors are paid
- IV Reconciliation of claim files and file objections to claims.
- V Pursuit of Preference claims.
- VI Miscellaneous Activity

I Complete the sale of the Servicing Business

Effective August 29, 2000, the servicing business was sold to Countrywide for a price of \$36.5 million plus accrued interest of \$1.1 million. . As part of the transaction, Countrywide also assumed a liability of FirstPlus Financial Inc.'s to pay certain amounts of the future servicing revenues to the NIMS bonds, which are secured by the Residual Assets. The ultimate amount of this liability is subject to the performance of the servicing rights and is estimated to be approximately \$14 million as of June 30, 2000.

Approximately \$8.5 million of the servicing sale proceeds were advanced to WIB prior to the sale in the form of servicing fee income, net of sub-servicing compensation retained by Countrywide. The proceeds from the sale were used to pay operating expenses at WIB during the sub-servicing period and certain shut-down costs, to pay certain claims against the servicing rights and to pay the WIB note. The amount disbursed to pay claims against the servicing rights was approximately \$21.5 million, with approximately \$15.4 million going to pay-off the Beal Bank loan against the servicing rights. Approximately \$7.6 million was paid to reduce the WIB note, which leaves a principal balance of approximately \$12.2 million as of September 30, 2000.

II Sale of FirstPlus Bank (Bank)

As previously reported, during the months of July and August a number of interested parties performed due diligence and submitted bids for the stock of the Bank in early September. The bids were not satisfactory to the Trustee. The Trustee rejected the bids and began working with the board of directors of the Bank to seek alternatives to a sale of the stock that would allow the Trustee to obtain the liquidity needed to fully implement the Plan of Reorganization. In this regard the board of the Bank elected a subcommittee to retain advisors and

develop alternative solutions for the Trustee. The subcommittee has retained legal counsel and financial advisors. Together with their advisors the subcommittee has offered an alternative to the Trustee that is acceptable. The alternative is being presented to the regulators for their approval and if acceptable, the subcommittee will begin to implement this course of action. A detailed description will be given once all parties are in agreement as to the proper course of action. The Trustee still believes that by the end of April 2001, proceeds from the Bank should be available to the Trustee.

III Operation of Western Interstate Bancorp (WIB)

WIB has reduced its staff from 17 employees as of June 30, 2000 to 14 full time and 1 part time employees. These employees are focused on performing the following wind down activities:

- A. Continue to liquidate all unnecessary furniture and equipment at the highest possible price.
- B. Move all computer functions to outside vendors so that information can be retained and accessed as needed.
- C. Perform the necessary loan servicing clean-up functions to prevent claims from being asserted against WIB.
- D. Reconcile and consolidate all banking accounts to enable the orderly transfer of cash to the Trust upon the shut down of WIB.
- E. Continue to address significant issues related to accounting, tax and claims resolution items.

A. Sale of Furniture and Equipment

The Corporate Services department continues to consolidate the various storage locations and in this process identify additional furniture and equipment that can be liquidated. We have been selling large and small lots of furniture and equipment, as it is available. Since May 10, 2000 the sales have generated over \$740,000.

B. IT Functions

A search began in September to identify a provider of "Co-Location" Information and Technology services. Recommendations were gathered from corporate contacts, and mailings received by WIB. SWST TeleTeam was contacted to begin discussions, and following due diligence was chosen as the most cost effective and experienced vendor. We have entered into a contract with SWST TeleTeam effective November 1, 2000 for the period of one year. These services include, but are not limited too, complete separation and move of the WIB/FPFI network hardware/software to the "Co-Location" site in North Dallas, 24 hr. monitoring of systems, tape backup, network connection, disaster recovery, and E-Mail & Internet access.

This new relationship enables us to control our own data, with a monthly cost reduction for IT support. The new service will provide all employees a quicker, more efficient network speed, effectively upgrading old equipment to operate at new equipment speeds. We are working toward a December 9th completion target.

C. Customer Service

This area is continuing to identify and correct a large number of mortgage loan problems that were left over from the rapid staff reductions in both WIB and FirstPlus. The problems are related to both paid off individual loans and bulk loan sales that were completed in 1998 and 1999. If these are not corrected there is a potential liability that could create future problems that would delay the distributions to the Class 4 and Class 5 creditors. While the Trustee currently has experienced staff that is able to efficiently address the problems it is in the best interest of the unsecured creditors that the Trustee correct as many problems as quickly as possible.

D. Cash Management

The functions of the area are slowly concluding. The number of bank accounts that need to be reconciled has dwindled. The main functions have been in aiding in the claims reconciliation effort and the providing of information to develop the preference claims. Certain accounts payable functions for WIB are also handled by the cash management area. This includes the review of each invoice to ensure that each bill is a true expense of WIB and not a Debtor's bill that is being handled through the claims process.

E. Accounting

The accounting department continues to prepare the monthly general ledger and quarterly financial reporting to the Trust Committee and the Court.

As a part of the reporting function, the Trustee has decided to engage an independent accounting firm to perform an audit of the yearend financial statements. The accounting department will assist in the selection of the appropriate accounting firm and plan for and assist with the audit.

The calendar 1999 consolidated federal tax return is in the process of being prepared and is expected to be completed and filed with the IRS during the fourth quarter of 2000. Initial indications suggest a net operating loss for tax purposes.

The calendar 1997 consolidated federal tax return has been selected for review by the IRS. The accounting department is responding to the IRS questions regarding the 1997 return. This process is currently underway and most of the effort is focused on providing documented support that illustrates the validity of the return as filed and that any assessment could not be paid.

To protect the tax benefits, an effort is underway to move the stock of the Debtor into the Trust without triggering a change of control for tax purposes. By accomplishing this objective, subsequent activity at FirstPlus Financial Group, Inc., which may result in a change of control, would no longer expose the Trust to the risk of losing these tax benefits.

The accounting department is performing research procedures to assist Lain Faulkner in the claims rejection and preferential claims review.

To properly manage and control the Cash Flow Instrument and Residual Assets, we are in the process of designing monthly performance reporting models with our outside contractor, Asset Backed Solutions. These reports will assist us in tracking actual performance of the Residual Assets as well as help us identify issues related to servicing levels and default recoveries. Additionally, these reports help to interpret prior performance and assist in the understanding of future performance projections.

IV Claims Processing

Lain, Faulkner has continued providing assistance to the Trustee and his counsel in the claims resolution process. At this time, over 4,600 claims have been allowed. Many of the secured claims were addressed in the Plan and conditioned upon certain events. The Trustee's staff is in the process of estimating the total allowed claims at this time.

Over 5,300 claims totaling over \$265 million have been disallowed or withdrawn.

The remaining claims are at various stages in the analysis and objection process. Approximately 320 claims totaling in excess of \$157 million have objections pending. 85 claims totaling approximately \$1.2 billion have been submitted to the Trustee's counsel for preparation of objections. Over 370 claims totaling \$52 million are still under analysis.

V Preference Claims

Lain Faulkner identified and recorded in their preference database 36 wire transfers totaling approximately \$2,550,000 made during the preference period for vendors subject to review. These wires were not previously recorded in the FirstPlus accounts payable system and accordingly, were not included in the original preference database. They also identified 47 checks totaling approximately \$680,000 dated before the preference period that cleared the bank during the preference period. These checks caused 16 new vendors to be added to the list for review. Overall, approximately \$3,230,000 was added to the universe of potential preference payments to review.

Lain Faulkner obtained and tested the custom software created by NextCorp and

developed standardized summary reporting forms for individual preference reviews and an overall status/control reporting form for general use.

Considerable maintenance had to be performed on the preference database in order to make it accurate and useable. Many individual vendors had multiple vendor ID numbers. These multiple ID numbers had to be merged into one ID number for each vendor. Occasionally, the same vendor ID number was used for different vendors within the three FirstPlus reporting entities. These duplicate ID numbers had to be corrected so each vendor had a discreet identifier within the FirstPlus consolidated group.

Lain Faulkner is now extracting from the FirstPlus storage facility the bank statements and paid vendor invoices needed for review. Upon completion of this task, the preparatory work will be complete. The Trustee expects to commence a full-scale review of individual preference vendors in early November.

After exclusion of vendors who are fully secured, had settlement agreements, had assumed contracts or other reasons they should not be pursued, the Trustee has remaining 178 vendors who received approximately \$31,500,000 in potential preference payments for review.

VI Miscellaneous Activity

The following is a list of items that the Trustee has addressed:

Negotiated partial deferral of payments for secured settlements – Due to the decrease in sale price of the servicing asset, there was less cash available to pay the \$14 million in settlement payments to the secured creditors. Accordingly a 10% holdback was negotiated for the settlement payment, the remaining 10% to be paid upon the liquidation of FPBank. The Trust has paid \$4.5 million on the settlements with secured creditors of the Debtor, with \$6.3 million set aside to pay other secured creditors of the Debtor.

Established Defense Fund for Securitizations – Modified the securitization agreements to allow for the accumulation of a legal defense fund to defend residuals against Class Action litigation. Modifications included obtaining approvals from securitization trustees, rating agencies and residual investors.

WIB settled with Kansas Class Action Litigants – Negotiated a settlement with the Kansas Class Action litigants removing WIB from the litigation for \$ 5,000.

Kansas and Missouri Class Action Litigation – Continue to defend the Trust's interest against the Kansas and Missouri Class Action litigation. Litigation reserve fund now in place, Dorsey & Whitney developing strategy and response.

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Close Freedom Sale – Received final pay-off of last Freedom note, sale closed in early October.

Atlas Loan Sale – Obtained a \$320,000 judgment and the Trustee is in the process of negotiating a settlement.