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13 **UNITED STATES BANKRUPTCY COURT**
14 **CENTRAL DISTRICT OF CALIFORNIA**
15 **LOS ANGELES DIVISION**

16 In re PEOPLE'S CHOICE HOME LOAN,
17 INC.,¹

18 Debtors.

19 Case No. 2:12-bk-15811-RK (Transferred from
20 8:07-bk-10765-RK)

21 Chapter 11

22 (Jointly Administered With Case Nos.
23 8:07-10767-RK and 8:07-10772-RK)

24 **CREDITOR NEIL KORNSWIET'S**
25 **WITHDRAWAL OF PCHLI PROOF OF**
26 **CLAIM NOS. 437, 20003, PCFI PROOF OF**
27 **CLAIM NO. 109, AND PCFC PROOF OF**
28 **CLAIM NO. 116**

¹ The Debtors in these proceedings are People's Choice Home Loan, Inc., People's Choice Funding, Inc., and People's Choice Financial Corporation.



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TO THE HONORABLE ROBERT KWAN, THE OFFICE OF THE UNITED STATES TRUSTEE, AND PARTIES IN INTEREST:

PLEASE TAKE NOTICE that creditor Neil Kornswiet hereby withdraws his People's Choice Home Loan, Inc. Proof of Claim Nos. 437 and 20003, People's Choice Funding, Inc. Proof of Claim No. 109, and People's Choice Financial Corporation Proof of Claim No. 116 in connection with the above-captioned matter. Copies of the Proofs of Claim being withdrawn are attached hereto as Exhibits A, B, C and D.

DATED: September 4, 2012

Respectfully submitted,
KIRKLAND & ELLIS LLP

By: /s/David Horowitz
Mark Holscher
David I. Horowitz
Jay L. Bhimani

Counsel for Neil Kornswiet

EXHIBIT A

Form B10 (Official Form 10) (04/05)

United States Bankruptcy Court Central District of California		PROOF OF CLAIM
Name of Debtor PEOPLE'S CHOICE HOME LOAN, INC.		Case Number SA-07-10765
<p>NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A "request" for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.</p>		
Name of Creditor (The person or other entity to whom the debtor owes money or property): NEIL B. KORNSWIET		<div style="border: 2px solid black; padding: 10px; width: fit-content; margin: auto;"> <p style="text-align: center; font-weight: bold; font-size: 1.2em;">FILED</p> <p style="text-align: center; font-size: 1.5em; margin: 0;">AUG 31 2007</p> <p style="text-align: center; font-size: 0.8em;">BY <i>MA</i></p> </div> <p style="text-align: center; font-weight: bold; margin-top: 10px;">This space is for Court use only.</p>
Name and address where notices should be sent: HOWARD J. WEG, ESQ. PEITZMAN, WEG & KEMPINSKY LLP 10100 SANTA MONICA BLVD., SUITE 1450 LOS ANGELES CA 90067 Telephone number: (310) 552-3100		
Account or other number by which creditor identifies debtor:		
<p><input type="checkbox"/> Check box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.</p> <p><input type="checkbox"/> Check box if you have never received any notices from the bankruptcy court in this case.</p> <p><input checked="" type="checkbox"/> Check box if the address differs from the address on the envelope sent to you by the court.</p>		
<p>1. Basis for Claim</p> <p><input type="checkbox"/> Goods sold <input checked="" type="checkbox"/> Services performed <input type="checkbox"/> Money loaned <input type="checkbox"/> Personal injury/wrongful death <input type="checkbox"/> Taxes <input type="checkbox"/> Other _____</p>		<p><input type="checkbox"/> Retiree benefits as defined in 11 U.S.C. § 1114(a) <input checked="" type="checkbox"/> Wages, salaries, and compensation (Fill out below)</p> <p>Last four digits of Social Security number: <u>7771</u></p> <p>Unpaid compensation for services performed from <u>See attachment</u> to <u>See attachment</u> <small>(date) (date)</small></p>
2. Date debt was incurred: See attachment		3. If court judgment, date obtained:
<p>4. Total Amount of Claim at Time Case Filed: \$ <u>11,401,935.75</u> \$ <u>0</u> \$ <u>10,000.00</u> \$ <u>11,411,935.75</u> <small>(unsecured) (secured) (priority) (Total)</small></p> <p>If all or part of your claim is secured or entitled to priority, also complete Item 5 or 7 below.</p> <p><input type="checkbox"/> Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of all interest or additional charges.</p>		
<p>5. Secured Claim.</p> <p><input type="checkbox"/> Check this box if your claim is secured by collateral (including a right of setoff).</p> <p>Brief Description of Collateral: <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other _____</p> <p>Value of Collateral: \$ _____</p> <p>Amount of arrearage and other charges at time case filed included in secured claim, if any \$ _____</p>		<p>7. Unsecured Priority Claim.</p> <p><input checked="" type="checkbox"/> Check this box if you have an unsecured priority claim Amount entitled to priority \$ <u>10,000.00</u> Specify the priority of the claim: <input checked="" type="checkbox"/> Wages, salaries or commissions (up to \$10,000)* earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507(a)(3). <input type="checkbox"/> Contributions to an employee benefit plan - 11 U.S.C. § 507(a)(4). <input type="checkbox"/> Up to \$2,225* of deposits toward purchase, lease or rental of property or services for personal, family, or household use - 11 U.S.C. § 507(a)(6). <input type="checkbox"/> Alimony, maintenance, or support owed to a spouse, former spouse or child - 11 U.S.C. § 507(a)(7). <input type="checkbox"/> Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8). <input type="checkbox"/> Other - Specify applicable paragraph of 11 U.S.C. § 507(a)(____). <small>*Amounts are subject to adjustment on 4/1/07 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment. \$10,000 and 180-day limits apply to cases filed on or after 4/20/05. Pub. L. 109-8</small></p>
<p>6. Unsecured Nonpriority Claim. \$ <u>11,401,935.75</u></p> <p><input checked="" type="checkbox"/> Check this box if (a) there is no collateral or lien securing your claim, or (b) your claim exceeds the value of the property securing it or (c) none or only part of your claim is entitled to priority.</p>		
<p>8. Credits: The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim.</p> <p>9. Supporting Documents: Attach copies of supporting documents, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages, security agreements, and evidence of perfection of lien. DO NOT SEND ORIGINAL DOCUMENTS. If the documents are not available, explain. If the documents are voluminous, attach a summary.</p> <p>10. Date-Stamped Copy: To receive an acknowledgment of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim.</p>		<p>This space is for Court use only.</p>
Date August 30, 2007	Sign and print the name and title, if any, of the creditor or other person authorized to file this claim (attach copy of power of attorney, if any): NEIL B. KORNSWIET <i>Neil B. Kornswiet</i>	
Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571		



ATTACHMENT TO PROOF OF CLAIM

Pursuant to an Employment Agreement dated as of December 21, 2004 (including all amendments, the "Agreement"), Claimant was employed as the Debtor's President and Chief Executive Officer. A true and correct copy of the Agreement (including all amendments) is attached hereto as Exhibit A.

On July 17, 2007, Claimant terminated the Agreement for "Good Reason." A true and correct copy of a letter from the Debtor confirming the termination of the Agreement by Claimant for Good Reason is attached hereto as Exhibit B.

Claimant's claims against the Debtor include, but are not limited to, the following:

Unpaid prepetition salary	\$13,961.54 ¹
Unpaid prepetition accrued vacation	\$116,346.15 ²
Continuation of directors and officers insurance during the term of the Agreement and for a period of 36 months after completion of the term of the Agreement (Agreement, ¶ 6(d)(iv))	\$2,074,000.00 ³
Vanishing premium whole life insurance policy and related taxes (Agreement, ¶ 6(d)(vii))	\$2,152,795.47 ⁴

¹ Attached as Exhibit C is an email from Alvarez & Marsal liquidating the claim amount.

² Attached as Exhibit C is an email from Alvarez & Marsal liquidating the claim amount.

³ Claimant is informed that the Debtor does not intend to purchase the D&O insurance required by Paragraph 6(d)(iv) and, therefore, Claimant may not have D&O insurance provided by the Debtor after expiration of the current policy on or about October 3, 2007, for claims made after the expiration date. Therefore, Claimant asserts an unliquidated and contingent claim against the Debtor for all costs and expenses incurred by Claimant to defend against and/or resolve all claims asserted against Claimant that would have been covered by the D&O policy. Presently, Claimant asserts a claim of \$2,074,000, which is the cost to Claimant to continue the present insurance coverage for the required three year period. Attached as Exhibit D is a quote from an insurance broker for such insurance.

⁴ The Debtor was obligated to purchase the policy for the benefit of Claimant in 2004 (with no tax consequence for Claimant), but failed to do so. Attached as Exhibit E is a quote from a life insurance company for the costs of the required policy. The quoted premium is \$1,140,981.60, so the claim amount grossed up for taxes is \$2,152,795.47.

Severance payment (Agreement, ¶ 8(d)(ii))	\$6,988,528.59 ⁵
Continuation of medical and dental insurance for 36 months after termination of Agreement (Agreement, ¶ 8(d)(iii))	\$56,304.00 ⁶
Attorneys' fees (Agreement, ¶ 15(d))	\$10,000.00 (est.)
TOTAL CLAIM	\$11,411,935.75

In addition, Claimant may have claims against the Debtor for indemnification based upon the Agreement, the Debtor's by-laws, California Labor Code § 2802, or other applicable law. Those claims are presently contingent and unliquidated.

Claimant reserves the right to amend or supplement this proof of claim at any time and in any respect for any reason, including asserting that some or all of the claims are entitled to administrative expense status.

⁵ Because Claimant terminated the Agreement for Good Reason, Claimant is entitled to the following amounts as severance: "an aggregate amount equal to three (3) times the Executive's annualized rate of Base Salary and one (1) times the average Incentive Bonus paid to Executive for the three calendar years preceding the Date of Termination, such aggregate amount to be paid in a series of substantially equal installments (not less frequently than monthly) over a period of three (3) years following the Date of Termination." Claimant's Base Salary was \$605,000, which multiplied by 3 equals \$1,815,000. The Incentive Bonuses paid to Claimant in the previous three calendar years were \$13,132,897.96, \$2,387,687.80, and 0, which divided by 3 equals \$5,173,528.59. Therefore, the severance claim is \$1,815,000 plus \$5,173,528.59 for a total of \$6,988,528.59.

⁶ Claimant is informed that the Debtor does not intend to pay the costs for the continuance of medical and dental insurance required by Paragraph 8(d)(iii) and, therefore, Claimant does not have medical and dental insurance provided by the Debtor. Claimant asserts a claim of \$56,304.00, which is the estimated cost to Claimant of acquiring equivalent insurance. Attached as Exhibit F is a quote showing the costs of equivalent insurance.

EMPLOYMENT AGREEMENT

AGREEMENT made this 21st day of December, 2004, between People's Choice Financial Corporation, a Maryland corporation (the "Company"), and Neil B. Kornswiet (the "Executive").

The Executive is presently employed as the Chairman of the Board, President and Chief Executive Officer of the Company. The Board of Directors of the Company (the "Board") recognizes that the Executive's contribution to the growth and success of the Company has been substantial. The Board desires to provide for the continued employment of the Executive and to make certain changes in the Executive's employment arrangements with the Company which the Board has determined will reinforce and encourage the continued attention and dedication to the Company of the Executive as a member of the Company's management, in the best interest of the Company and its shareholders. The Executive is willing to commit himself to continue to serve the Company, on the terms and conditions herein provided. The Executive's continued employment with the Company is contingent on his execution of this Employment Agreement.

In order to effect the foregoing, the Company and the Executive wish to enter into an employment agreement on the terms and conditions set forth below. Accordingly, in consideration of the premises and the respective covenants and agreements of the parties herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Employment. The Company hereby agrees to continue to employ the Executive, and the Executive hereby agrees to continue to serve the Company, on the terms and conditions set forth herein.
2. Term. The employment of the Executive by the Company as provided in Section 1 will commence on the date of the completion of the Company's private placement of shares of its common stock pursuant to Rule 144A of the Securities and Exchange Commission and end on December 31, 2007, unless further extended or sooner terminated as hereinafter provided. Commencing on January 1, 2006, and on each January 1 thereafter (each, an "Anniversary Date"), the term of the Executive's employment shall automatically be extended for one (1) additional year, unless the Company or the Executive provides 90 days' written notice prior to any such Anniversary Date that it or he does not wish the Term of this Agreement to continue to be automatically extended as described above. In the event either party gives such notice, no additional automatic extensions shall take effect. For purposes of this Agreement, "Term" shall mean the actual duration of Executive's employment hereunder, taking into account any extensions or notices not to extend pursuant to this Section 2 or termination of employment pursuant to Section 7.
3. Position and Duties. The Executive shall serve as the Chairman of the Board, President and Chief Executive Officer of the Company and shall have such responsibilities, duties and authority as he may have as of the date hereof and as may from time to time be assigned to the Executive by the Board that are consistent with such responsibilities, duties and authority. The Executive shall devote substantially all his working time and efforts to the business and affairs of

the Company; provided, that nothing in this Agreement shall preclude Executive from serving as a director or trustee in any other firm or from pursuing personal real estate investments and other personal investments, as long as such activities do not interfere with Executive's performance of his duties hereunder or violate Section 9 or 10 of this Agreement.

4. Service as Chairman of the Board. During the Term, the Executive agrees to continue to serve, and the Company agrees to nominate the Executive annually for reelection to serve, without additional compensation, as a director of the Company and as Chairman of the Board. The Executive also agrees to serve as the director of any subsidiary of the Company upon the request of the Board. The Executive shall be indemnified for serving in such capacities on a basis no less favorable than is currently provided by the Company to any other director of the Company or subsidiary of the Company.

5. Place of Performance. In connection with the Executive's employment by the Company, the Executive shall be based at the principal executive offices of the Company in Irvine, California, except for required travel on the Company's business to an extent substantially consistent with present business travel obligations.

6. Compensation and Related Matters.

(a) Base Salary. The Company shall pay the Executive a base salary annually (the "Base Salary"), which shall be payable in periodic installments according to the Company's normal payroll practices. The initial Base Salary shall be \$500,000. During the Term, the Board or the Compensation Committee of the Board (the "Compensation Committee") shall review the Base Salary at least once a year to determine whether the Base Salary should be increased effective the following January 1; *provided, however*, that on January 1, 2006 and on each January 1 thereafter, the Base Salary shall be increased by at least 10 percent. The Base Salary, including any increases, shall not be decreased during the Term. For purposes of this Agreement, the term "Base Salary" shall mean the amount established and adjusted from time to time pursuant to this Section 6(a).

(b) Annual Cash Incentive Awards. The Executive shall be eligible to participate in the Company's annual cash incentive bonus plan adopted by the Compensation Committee for each fiscal year during the Term of this Agreement ("Bonus Plan"), subject to the terms and conditions of the Bonus Plan. If the Executive or the Company, as the case may be, satisfies the performance criteria contained in such Bonus Plan for a fiscal year, he shall receive an annual cash incentive bonus (the "Incentive Bonus") in an amount determined by the Compensation Committee, with a target Incentive Bonus of two hundred percent (200%) of Executive's Base Salary for such fiscal year and subject to ratification by the Board, if required. If the Executive or the Company, as the case may be, fails to satisfy the performance criteria contained in such Bonus Plan for a fiscal year, the Compensation Committee may determine whether any Incentive Bonus shall be payable to Executive for that year, subject to ratification by the Board, if required. Beginning January 1, 2005, the Bonus Plan shall contain both individual and group goals established by the Compensation Committee. The annual Incentive Bonus shall be paid to the Executive no later than thirty (30) days after the date the Compensation Committee determines whether the criteria in the Bonus Plan for such fiscal year were satisfied. For

purposes of ~~this Agreement~~, the term "Incentive Bonus" shall mean the amount established pursuant to this Section 6(b).

(c) Stock Based Awards. The Company has established the 2004 Equity Incentive Plan ("Equity Incentive Plan"). Subject to the terms and conditions of the Equity Incentive Plan, the Executive shall be eligible to participate in the Equity Incentive Plan, and shall be eligible to receive annual stock option and/or restricted stock awards under the Equity Incentive Plan. The Compensation Committee shall make and approve any such awards to the Executive pursuant to the Equity Incentive Plan.

(i) 2004 Equity Incentive Plan Option Grants. Option awards under the Equity Incentive Plan will have an exercise price per share equal to the closing price of the Company's common stock on the trading day immediately preceding the date of grant, will have a term of ten (10) years and will vest and become exercisable with respect to 1/3 of the underlying shares of Company common stock on the first, second and third anniversaries, respectively, of the date of grant; *provided, however*, that the Executive will be 100% vested in all outstanding option awards, including the unvested portion of such awards, upon (i) a Change in Control (as defined herein), (ii) a termination by the Company without Cause (as defined herein), or (iii) a termination by the Executive for Good Reason (as defined herein), and that the Executive will forfeit all unvested options if he is terminated for Cause, Disability (as defined below) or death, or if he terminates his employment hereunder for other than Good Reason.

(ii) 2004 Equity Incentive Plan Restricted Stock Awards. The Equity Incentive Plan provides for the issuance of shares of Company common stock as restricted common stock ("Restricted Stock Grants") to the extent that such shares of common stock are available thereunder. Restricted Stock Grants awarded to the Executive shall be subject to forfeiture restrictions that will terminate with respect to 1/3 of the awarded shares on the first, second and third anniversaries of the date of the issuance; *provided, further*, that the Executive will be 100% vested and all restrictions on each outstanding Restricted Stock Grant will lapse upon (i) a Change in Control (as defined herein), (ii) a termination by the Company without Cause (as defined herein), or (iii) a termination by the Executive for Good Reason (as defined herein), and that the Executive will forfeit all shares with respect to which the forfeiture restrictions have not terminated if he is terminated for Cause, Disability (as defined below) or death, or if he terminates his employment hereunder for other than Good Reason. The common stock issued as Restricted Stock Grants will have voting and dividend rights.

For purposes of this Agreement:

"Acquiring Person" means that a Person, considered alone or as part of a "group" within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, is or becomes directly or indirectly the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of securities representing more than thirty-three and one-third percent (33 1/3%) of the Company's then outstanding securities entitled to vote generally in the election of the Board.

“Continuing Director” means any member of the Board, while a member of the Board and (i) who was a member of the Board on the closing date of the Company’s initial public offering of the Common Stock or (ii) whose nomination for or election to the Board was recommended or approved by a majority of the Continuing Directors.

“Control Change Date” means the date on which a Change in Control occurs. If a Change in Control occurs on account of a series of transactions, the “Control Change Date” is the date of the last of such transactions.

“Change in Control” means (i) a Person is or becomes an Acquiring Person; (ii) holders of the securities of the Company entitled to vote thereon approve any agreement with a Person (or, if such approval is not required by applicable law and is not solicited by the Company, the closing of such an agreement) that involves the transfer of all or substantially all of the Company’s total assets on a consolidated basis, as reported in the Company’s consolidated financial statements filed with the Securities and Exchange Commission; (iii) holders of the securities of the Company entitled to vote thereon approve a transaction (or, if such approval is not required by applicable law and is not solicited by the Company, the closing of such a transaction) pursuant to which the Company will undergo a merger, consolidation, or statutory share exchange with a Person, regardless of whether the Company is intended to be the surviving or resulting entity after the merger, consolidation, or statutory share exchange, *other than* a transaction that results in the voting securities of the Company carrying the right to vote in elections of persons to the Board outstanding immediately prior to the closing of the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 50% (fifty percent) of the Company’s voting securities carrying the right to vote in elections of persons to the Company’s Board, or such securities of such surviving entity, outstanding immediately after the closing of such transaction; (iv) the Continuing Directors cease for any reason to constitute a majority of the Board; (v) holders of the securities of the Company entitled to vote thereon approve a plan of complete liquidation of the Company or an agreement for the sale or liquidation by the Company of all or substantially all of the Company’s assets (or, if such approval is not required by applicable law and is not solicited by the Company, the commencement of actions constituting such a plan or the closing of such an agreement); or (vi) the Board adopts a resolution to the effect that, in its judgment, as a consequence of any one or more transactions or events or series of transactions or events, a Change in Control of the Company has effectively occurred. The Board shall be entitled to exercise its sole and absolute discretion in exercising its judgment and in the adoption of such resolution, whether or not any such transaction(s) or event(s) might be deemed, individually or collectively, to satisfy any of the criteria set forth in subparagraphs (i) through (v) above.

“Person” means any human being, firm, corporation, partnership, or other entity. “Person” also includes any human being, firm, corporation, partnership, or other entity as defined in sections 13(d)(3) and 14(d)(2) of the Exchange Act. The term “Person” does not include the Company or any Related Entity, and the term Person does not include any employee-benefit plan maintained by the Company or any Related Entity, or any person or entity organized, appointed, or established by the Company or any Related Entity for or pursuant to the terms of any such employee-benefit plan, unless the Board determines that such an employee-benefit plan or such person or entity is a “Person”.

“Related Entity” means any entity ~~that~~ is part of a controlled group of corporations or is under common control with the Company within the meaning of Sections 1563(a), 414(b) or 414(c) of the Code.

(d) Benefits.

(i) Vacation. The Executive shall be entitled to five (5) weeks of paid vacation per full calendar year. The Executive shall not be entitled to cash in lieu of any unused vacation time. The Executive shall be entitled to carry over any unused vacation time from year to year pursuant to the Company’s then current vacation policy.

(ii) Sick and Personal Days. The Executive shall be entitled to sick and personal days in accordance with the policies of the Company.

(iii) Employee Benefits.

(A) Participation in Employee Benefit Plans. Subject to the terms of any applicable plans, policies or programs, the Executive and his spouse and eligible dependents, if any, and their respective designated beneficiaries where applicable, will be eligible for and entitled to participate in any Company sponsored employee benefit plans, including but not limited to benefits such as group health, dental, accident, disability insurance, group life insurance, and a 401(k) plan, as such benefits may be offered from time to time, on a basis no less favorable than that applicable to other executives of the Company.

(B) Disability Insurance. The Company will maintain, at its cost, a renewable long-term Disability plan that, subject to the terms of such plan and any applicable plans, policies or programs, provides for payment of not less than 60% of the Executive’s Base Salary for so long as any long-term Disability of the Executive continues. In addition, the Company shall reimburse the Executive the amount of premiums payable by the Executive with respect to a personal supplemental long-term disability insurance policy providing for benefits equal to at least 40% of the Executive’s Base Salary for so long as any long-term Disability of the Executive continues.

(iv) Directors and Officers Insurance. During the Term and for a period of thirty-six (36) months thereafter, the Executive shall be entitled to director and officer insurance coverage for his acts and omissions while an officer and director of the Company on a basis no less favorable to him than the coverage provided to current officers and directors.

(v) Expenses, Office and Secretarial Support. The Executive shall be entitled to reimbursement of all reasonable expenses, in accordance with the Company’s policy as in effect from time to time and on a basis no less favorable than that applicable to other executives of the Company, including, without limitation, telephone, reasonable travel and reasonable entertainment expenses incurred by the Executive in connection with the business of the Company, promptly upon the presentation by the Executive of appropriate documentation. The Company shall also provide Executive with an automobile allowance of \$1,500 per month. The Executive shall also be entitled to appropriate office space, administrative support, and such

~~other facilities~~ and services as are suitable to the Executive's positions and adequate for the performance of the Executive's duties.

(vi) Reimbursement of Certain Professional Fees. The Company shall reimburse, at the request of the Executive, fees for financial, tax and accounting advisory services, and professional organizations reasonably related to the mortgage banking and REIT industries.

(vii) Life Insurance. The Company may purchase on the life of the Executive up to \$15 million of key man life insurance with the Company as the beneficiary of the death benefit. The Company shall also purchase on the life of the Executive a 30 year vanishing premium, whole life insurance policy with a death benefit of at least four times the Executive's Base Salary and target Incentive Bonus with the Executive as the owner of the policy and the beneficiaries of the death benefit to be designated by the Executive, and the Company will pay the Executive such additional amount as necessary to have no tax effect on the Executive. The life insurance shall be issued by an AA or better rated (by AM Best) insurer. The Company will obtain bids for this program and review the final program with the Executive and the Chairman of the Compensation Committee for approval. The program will be structured to comply with all requirements of the Sarbanes-Oxley Act or similar requirements.

7. Termination. The Executive's employment hereunder may be terminated without any breach of this Agreement only under the following circumstances:

(a) Death. The Executive's employment hereunder shall terminate upon his death.

(b) Disability. If, in the written opinion of a qualified physician reasonably agreed to by the Company and the Executive, the Executive shall become unable to perform his duties hereunder due to Disability, the Company may terminate the Executive's employment hereunder. As used in this Agreement, the term "Disability" shall mean inability of the Executive, due to physical or mental condition, to perform the essential functions of the Executive's job, after consideration of the availability of reasonable accommodations, for more than 180 total calendar days during any period of 12 consecutive months.

(c) For Cause. The Company may terminate the Executive's employment hereunder immediately for Cause. For purposes of this Agreement, the Company shall have "Cause" to terminate the Executive's employment hereunder upon a determination by at least a majority of the members of the Board (other than Executive) at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive of such meeting, the purpose thereof and the particulars of the basis for such meeting and the Executive is given an opportunity, together with counsel, to be heard before the Board) that Executive (i) has committed fraud or misappropriated, stolen or embezzled funds or property from the Company or an affiliate of the Company or secured or attempted to secure personally any profit in connection with any transaction entered into on behalf of the Company or any affiliate of the Company, (ii) has been convicted of, or entered a plea of guilty or "*nolo contendere*" to, a felony, whether or not involving the Company, which constitutes a crime of moral turpitude or which is punishable by imprisonment or which is likely to cause material harm to the Company's (or any affiliate of the Company) business, customer or ~~supplier~~ relations, financial condition or

prospects, (iii) has, notwithstanding not less than 30 days' prior ~~written~~ notice from the Board, willfully failed to perform (other than by reason of illness or temporary disability) his material duties hereunder on an exclusive and full-time basis, or willfully violated any reasonable directive or decision of the Board (iv) has knowingly violated or breached any material law or regulation to the material detriment of the Company or any affiliates of the Company or its business, or (v) has breached any non-competition, non-disclosure or non-solicitation agreement between Executive and the Company which causes or is reasonably likely to cause material harm to the Company. For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that his action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. Any notice of termination delivered by the Company to Executive that purports to notify Executive of a termination for Cause, but where the Company has not otherwise followed the procedures set forth in the definition of "Cause" above, shall be deemed to constitute a notice of termination without Cause pursuant to Section 7(d) hereof. Neither a notice from the Company to Executive that a meeting of the Board has been scheduled to determine whether grounds for a termination for "Cause" exist, nor the holding of such a meeting, shall itself be construed as a notice of termination for such purpose.

(d) Without Cause. The Company may at any time terminate the Executive's employment hereunder without Cause.

(e) Termination by the Executive.

(i) The Executive may terminate his employment hereunder (A) for Good Reason, or (B) at any time after the date hereof by giving sixty (60) days prior notice of his intention to terminate.

(ii) For purposes of this Agreement, "Good Reason" shall mean (A) a failure by the Company to comply with any material provision of this Agreement (other than the Company's payment obligations referred to in clause (E) below) which has not been cured within thirty (30) days after notice of such noncompliance has been given by the Executive to the Company, (B) the assignment to the Executive of any material duties inconsistent with the Executive's position with the Company or a substantial adverse alteration in the nature or status of the Executive's responsibilities without the consent of the Executive, (C) without the consent of the Executive, a material reduction in employee benefits other than a reduction generally applicable to similarly situated executives of the Company, (D) without the consent of the Executive, relocation of the Company's principal place of business outside a fifty (50) mile radius of Irvine, California, (E) any failure by the Company to pay the Executive Base Salary or any Incentive Bonus to which he is entitled under the Bonus Plan or hereunder which failure has not been cured within ten (10) days after notice of such noncompliance has been given by the Executive to the Company or any failure of the Compensation Committee to approve a Bonus Plan for any fiscal year, or (F) without the consent of the Executive, a failure by the Board of Directors to nominate the Executive for reelection as a director of the Company and as Chairman.

of the Board and any failure by the stockholders of the Company to reelect Executive as a director of and as Chairman of the Board of the Company and any removal by the stockholders or the Board of Directors of the Executive from his positions as Chief Executive Officer, President, or as director of and as Chairman of the Board of the Company, other than for Cause.

(f) Any termination of the Executive's employment by the Company or by the Executive (other than termination pursuant to subsection (a) or (b) of this Section 7) shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 14. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.

(g) "Date of Termination" shall mean (i) if the Executive's employment is terminated by his death, the date of his death, (ii) if the Executive's employment is terminated pursuant to subsection (b) above, the date as of which the physician's written opinion is received by the Company, (iii) if the Executive's employment is terminated pursuant to subsection (c) above, the date specified in the Notice of Termination, and (iv) if the Executive's employment is terminated for any other reason, the date sixty (60) days following the date on which a Notice of Termination is given.

8. Compensation Upon Termination, Death or During Disability.

(a) Disability. Should Executive become disabled from performing his duties hereunder as defined above, Executive acknowledges that his employment may be terminated anytime thereafter if such disability continues; provided that during the period of the disability prior to such termination of employment, Executive shall continue to receive all compensation and benefits as if he were actively employed less any sums received directly by the Executive, if any, under any policy or policies of disability income insurance purchased by the Company. In the event of such termination, Executive shall be entitled to receive any unpaid Base Salary to the Date of Termination, the earned but unpaid Incentive Bonus for any completed fiscal year and any amounts due to Executive pursuant to Section 6(d) through the Date of Termination. Executive's rights to receive any additional salary or payments under this Agreement shall terminate but Executive shall have the right to continue to receive any and all payments made by an insurance company under any and all policies of disability insurance purchased by the Company. Executive's rights under any Company benefit plan will be those rights accorded to any terminated employee under the plan provisions and applicable law. Executive will remain entitled to receive any benefits under state disability or worker's compensation laws. In addition, all stock options, restricted stock grants awards and any other equity awards granted by the Company to the Executive shall become fully vested, unrestricted and exercisable as of the Date of Termination.

(b) Death. If the Executive's employment is terminated by his death, the Company shall within ten (10) days following the date of the Executive's death, pay to the Executive's designated beneficiary (ies) any amounts due to the Executive under Section 6(d) through the date of and as a result of his death, an amount equal to the Executive's annual Base Salary for the year in which the termination took place, and an amount equal to either the Executive's

target Incentive Bonus for the year in which the termination took place (if termination occurs during the first year of this Agreement), or an amount equal to the average Incentive Bonus earned by Executive during the term of this Agreement (if termination occurs after the first year of this Agreement) together with any other amounts to which the Executive is entitled pursuant to death benefit plans, programs and policies. In addition, all stock options, restricted stock awards and any other equity awards granted by the Company to the Executive shall become fully vested, unrestricted and exercisable as of the Date of Termination.

(c) Cause or other than Good Reason. If the Executive's employment shall be terminated by the Company for Cause or by the Executive for other than Good Reason, the Company shall pay the Executive his full Base Salary through the Date of Termination at the rate in effect at the time Notice of Termination is given and reimburse the Executive for all reasonable and customary expenses incurred by the Executive in performing services hereunder prior to the Date of Termination in accordance with Section 6(d), and the Company shall have no further obligations to the Executive under this Agreement.

(d) Termination by the Company without Cause (other than for death or Disability) or Termination by the Executive for Good Reason. If the Company shall terminate the Executive's employment other than for death, Disability, or Cause, or the Executive shall terminate his employment for Good Reason, then:

(i) the Company shall pay to the Executive within two business days following the Date of Termination any unpaid Base Salary to the Date of Termination, the earned but unpaid Incentive Bonus for any completed fiscal year, and any amounts due to Executive pursuant to Section 6 (d) through the Date of Termination;

(ii) pay to the Executive as severance pay (a) an aggregate amount equal to three (3) times the Executive's annualized rate of Base Salary and one (1) times the average Incentive Bonus paid to Executive for the three calendar years preceding the Date of Termination, such aggregate amount to be paid in a series of substantially equal installments (not less frequently than monthly) over a period of three (3) years following the Date of Termination.

(iii) In the case of a termination of the Executive's employment by the Company without Cause or for Disability, or by the Executive for Good Reason, the Company shall pay the full cost for the Executive to participate in the health insurance plan in which the Executive was enrolled immediately prior to the Date of Termination for a period of thirty-six (36) months, provided that the Executive's continued participation is possible under the general terms and provisions of such plans and programs. In the event that the Executive's participation in any such plan or program is barred, the Company shall arrange to provide the Executive with benefits substantially similar to those which the Executive would otherwise have been entitled to receive under such plan from which his continued participation is barred; and

(iv) The obligations of the Company to make any payments to Executive required under Section 8(d) hereof shall be conditioned on the execution and delivery by the Executive of a general release of claims in form and substance reasonably satisfactory to the Company.

9. Nondisclosure. The Executive shall hold in a ~~fiduciary~~ capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. The agreement made in this Section 9 shall be in addition to, and not in limitation or derogation of, any obligations otherwise imposed by law or by separate agreement upon the Executive in respect of confidential information of the Company.

10. Non-Competition and Non-Solicitation. During the Executive's employment with the Company and for a period of twelve (12) months following the Executive's Date of Termination, the Executive shall not, for himself or on behalf of or in conjunction with any other person, persons, company, firm, partnership, corporation, business, group or other entity (each, a "Person"), work in the principal line of business engaged in, or planned to be engaged in, by the Company at the Date of Termination within any state where the Company is doing business or has plans for commencing business as of the Date of Termination. The Executive's passive ownership of less than five percent (5%) of the securities of a public company shall not be treated as an action in competition with the Company.

(a) Executive hereby acknowledges and agrees that his employment with the Company places him in a position of trust and confidence with respect to the business operations, customers, prospects and personnel of the Company. He agrees that, due to his position and knowledge, his engaging in any business that competes in the principal line of business as the Company will cause the Company significant and irreparable harm.

(b) In consideration of the compensation and benefits extended to him under this Agreement, Executive agrees that, during the term of Executive's employment by the Company and for twelve (12) months following the Executive's Date of Termination, the Executive shall not, for any reason whatsoever, directly or indirectly, for himself or herself or on behalf of or in conjunction with any other Person with whom the Executive works or is affiliated:

(i) solicit and/or hire any Person who is on the Date of Termination, or has been within six (6) months prior to the Date of Termination, an employee of the Company or its affiliates;

(ii) solicit, induce or attempt to induce any Person who is, at the Date of Termination, or has been within six (6) months prior to the Date of Termination, an actual customer, client, business partner, or a prospective customer, client, business partner (i.e., a customer, client or business partner who is party to a written proposal or letter of intent with the Company, in each case written less than six (6) months prior to the Date of Termination) of the Company, for the purpose or with the intent of (A) inducing or attempting to induce such Person to cease doing business with the Company or its affiliates, (B) enticing or attempting to entice

such Person to do business with Executive or any affiliate of Executive, or (C) in any way interfering with the relationship between such Person and the Company or its affiliates; or

(iii) solicit, induce or attempt to induce any Person who is or that is, at the time of the Date of Termination, or has been within six (6) months prior to the Date of Termination, a supplier, licensee or consultant of, or provider of goods or services to the Company or its affiliates, for the purpose or with the intent of (A) inducing or attempting to induce such Person to cease doing business with the Company or its affiliates or (B) in any way interfering with the relationship between such Person and the Company or its affiliates.

(c) Because of the difficulty of measuring economic losses to the Company as a result of a breach of the foregoing covenants, and because of the immediate and irreparable damage that could be caused to the Company for which it would have no other adequate remedy, Executive agrees that the foregoing covenants in this Section 10, in addition to and not in limitation of any other rights, remedies or damages available to the Company at law, in equity or under this Agreement, shall be enforced by the Company in the event of the breach or threatened breach by Executive, by injunctions and/or restraining orders.

(d) It is agreed by the parties that the covenants contained in this Section 10 impose a fair and reasonable restraint on Executive in light of the activities and business of the Company on the date of the execution of this Agreement and the current plans of the Company; but it is also the intent of the Company and Executive that such covenants be construed and enforced in accordance with the changing activities, business and locations of the Company and its affiliates throughout the term of these covenants. Executive also acknowledges that this restraint will not prevent him from earning a living in his chosen field of work.

(e) The covenants in this Section 10 are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, in the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth herein are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent that such court deems reasonable, and the Agreement shall thereby be reformed to reflect the same.

(f) All of the covenants in this Section 10 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Executive against the Company whether predicated on this Agreement or otherwise shall not constitute a defense to the enforcement by the Company of such covenants. It is specifically agreed that the duration of the period during which the agreements and covenants of Executive made in this Section 10 shall be effective shall be computed by excluding from such computation any time during which Executive is in violation of any provision of this Section 10.

(g) Notwithstanding any of the foregoing, if any applicable law, judicial ruling or order shall reduce the time period during which Executive shall be prohibited from engaging in any competitive activity described in Section 10 hereof, the period of time for which Executive shall be prohibited pursuant to Section 10 hereof shall be the maximum time permitted by law.

11. Successors; Binding Agreement. This Agreement shall be binding upon ~~and here to~~ the benefit of successors and permitted assigns of the parties. This Agreement may not be assigned, nor may performance of any duty hereunder be delegated, by either party without the prior written consent of the other; *provided, however*, the Company may assign this Agreement to any successor to its business, including but not limited to in connection with any subsequent merger, consolidation, sale of all or substantially all of the assets or stock of the Company or similar transaction involving the Company or a successor corporation.

12. Additional Payments by the Company.

(a) If it is determined (as hereafter provided) that any payment or distribution by the Company to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any option, share appreciation right or similar right, or the lapse or termination of any restriction on or the vesting or exercisability of any of the foregoing (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law, or any interest or penalties with respect to such excise tax (such tax or taxes, together with any such interest and penalties, are hereafter collectively referred to as the "Excise Tax"), then Executive will be entitled to receive an additional payment or payments (a "Gross-Up Payment") in an amount such that, after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) All determinations required to be made under this Section 12, including whether an Excise Tax is payable by Executive and the amount of such Excise Tax and whether a Gross-Up Payment is required and the amount of such Gross-Up Payment, will be made by the Company's then current outside auditors; provided that if that firm is unwilling or unable to provide such services, another accounting firm may be selected by the Company (such accounting firm the "Accounting Firm"). The Company will direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and Executive within 30 calendar days after the date of the change in control or the date of Executive's termination of employment, if applicable, and any other such time or times as may be requested by the Company or Executive. If the Accounting Firm determines that any Excise Tax is payable by Executive, the Company will pay the required Gross-Up Payment to Executive no later than five calendar days prior to the due date for Executive's income tax return on which the Excise Tax is included. If the Accounting Firm determines that no Excise Tax is payable by Executive, it will, at the same time as it makes such determination, furnish Executive with an opinion that he has substantial authority not to report any Excise Tax on his federal, state, local income or other tax return. Any determination by the Accounting Firm as to the amount of the Gross-Up Payment will be binding upon the Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code (or any successor provision thereto) and the possibility of similar uncertainty regarding applicable state or local tax law at the time of any determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made (an "Underpayment"), consistent with the calculations

required to be made hereunder. ~~In the event that~~ the Company exhausts or fails to pursue its remedies pursuant to Section 12(f) hereof and Executive thereafter is required to make a payment of any Excise Tax, Executive shall so notify the Company, which will direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Company and Executive as promptly as possible. Any such Underpayment will be promptly paid by the Company to, or for the benefit of, Executive within five business days after receipt of such determination and calculations.

(c) The Company and Executive will each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or Executive, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determination contemplated by Section 12(b) hereof.

(d) The federal, state and local income or other tax returns filed by Executive will be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by Executive. To the extent the Excise Tax has not been previously withheld from amounts paid to the Executive, Executive will make proper payment of the amount of any Excise Tax, and at the request of the Company, provide to the Company true and correct copies (with any amendments) of his federal income tax return as filed with the Internal Revenue Service and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by the Company, evidencing such payment. If prior to the filing of Executive's federal income tax return, or corresponding state or local tax return, if relevant, the Accounting Firm determines that the amount of the Gross-Up Payment should be reduced, Executive will within five business days pay to the Company the amount of such reduction.

(e) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by Sections 12(b) and 12(d) hereof will be borne by the Company. If such fees and expenses are initially advanced by Executive, the Company will reimburse Executive the full amount of such fees and expenses within five business days after receipt from Executive of a statement therefore and reasonable evidence of his payment thereof.

(f) Executive will notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification will be given as promptly as practicable but no later than ten (10) business days after Executive actually receives notice of such claim and Executive will further apprise the Company of the nature of such claim and the date on which such claim is requested to be paid (in each case, to the extent known by Executive). Executive will not pay such claim prior to the earlier of (x) the expiration of the 30-calendar-day period following the date on which he gives such notice to the Company and (y) the date that any payment of amount with respect to such claim is due. If the Company notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive will:

(i) provide the Company with any written records or documents in his possession relating to such claim reasonably requested by the Company;

(ii) take such action in connection with contesting such claim as the Company reasonably requests in writing from time to time, including without limitation accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company will bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and will indemnify and hold harmless Executive, on an after-tax basis, for and against any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this Section 12(f), the Company will control all proceedings taken in connection with the contest of any claim contemplated by this Section 12(f) and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided that Executive may participate therein at his own cost and expense) and may, at its option, either direct Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company will determine; provided, however, that if the Company directs Executive to pay the tax claimed and sue for a refund, the Company will advance the amount of such payment to Executive on an interest-free basis and will indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income tax, including interest or penalties with respect thereto, imposed with respect to such advance; and provided further, however, that any extension of the statute of limitations relating to payment of taxes for the taxable year of Executive with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of any such contested claim will be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Executive will be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(g) If, after the receipt by Executive of an amount advanced by the Company pursuant to Section 12(f) hereof, Executive receives any refund with respect to such claim, Executive will (subject to the Company's complying with the requirements of Section 12(f)) hereof promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by Executive of an amount advanced by the Company pursuant to Section 12(f) hereof, a determination is made that Executive will not be entitled to any refund with respect to such claim and the Company does not notify Executive in writing of its intent to contest such denial or refund prior to the expiration of 30 calendar days after such determination, then such advance will be forgiven and will not be required to be repaid and the amount of such advance will offset, to the extent

thereof, the amount of Gross-Up Payment required to be paid ~~per~~ to this Section 12. If, after the receipt by Executive of a Gross-Up Payment but before the payment by Executive of the Excise Tax, it is determined by the Accounting Firm that the Excise Tax payable by Executive is less than the amount originally computed by the Accounting Firm and consequently that the amount of the Gross-Up Payment is larger than that required by this Section 12, Executive shall promptly refund to the Company the amount by which the Gross-Up Payment initially made to Executive exceeds the Gross-Up Payment required under this Section 12.

13. Continued Performance. Provisions of this Agreement shall survive any termination of Executive's employment hereunder if so provided herein or if necessary or desirable fully to accomplish the purposes of such provisions, including, without limitation, the obligations of the Executive under the terms and conditions of Sections 9 and 10. Any obligation of the Company to make payments to or on behalf of the Executive under Section 8 is expressly conditioned upon the Executive's continued performance of the Executive's obligations under Sections 9 and 10 for the time periods stated in Sections 9 and 10. The Executive recognizes that, except to the extent, if any, provided in Section 8, the Executive will earn no compensation from the Company after the Date of Termination.

14. Notices. For the purposes of this Agreement, notices, demands and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or (unless otherwise specified) mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:


FAX: 

If to the Company:

PEOPLE'S CHOICE FINANCIAL CORPORATION
7515 Irvine Center Drive
Irvine, California 92618
Attention: Board of Directors
FAX: _____

With a copy to:

PEOPLE'S CHOICE FINANCIAL CORPORATION
7515 Irvine Center Drive
Irvine, California 92618
Attention: General Counsel
FAX: (949) 341-2248

or to such other address as any party may have furnished to the others in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

15. Miscellaneous. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and such officer of the Company as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without regard to its conflicts of law principles.

(a) Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

(b) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be in an original but all of which together will constitute one and the same instrument.

(c) Disputes.

(i) Arbitrable Claims. All disputes between Executive (and Executive's attorneys, successors, and assigns) and the Company (and its affiliates, shareholders, directors, officers, employees, agents, successors, attorneys, and assigns) relating in any manner whatsoever to the employment or termination of Executive, including, without limitation, all disputes arising under this Agreement ("Arbitrable Claims"), shall be resolved by final and binding arbitration. All persons and entities specified in the preceding sentence (other than Company and Executive) shall be considered third-party beneficiaries of the rights and obligations created by this Section 15. Arbitrable Claims shall include, but are not limited to, contract (express or implied) and tort claims of all kinds, as well as all claims based on any federal, state, or local law, statute, or regulation, excepting only claims under applicable workers' compensation law and unemployment insurance claims. By way of example and not in limitation of the foregoing, Arbitrable Claims shall include any claims arising under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Americans with Disabilities Act, and the California Fair Employment and Housing Act, as well as any claims asserting wrongful termination, breach of contract, breach of the covenant of good faith and fair dealing, negligent or intentional infliction of emotional distress, negligent or intentional misrepresentation, negligent or intentional interference with contract or prospective economic advantage, defamation, invasion of privacy, and claims related to disability. Arbitration shall be final and binding upon the parties and shall be the exclusive remedy for all Arbitrable Claims, except that the Company may, at its option, seek interim injunctive relief and other provisional remedies in court as set forth in Section 15 (vi) of this Agreement. The parties hereby waive any rights they may have to trial by jury in regard to Arbitrable Claims.

(ii) Procedure. Arbitration of Arbitrable Claims shall be in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association, as amended ("AAA Employment Rules"), as augmented in this Agreement. Arbitration shall be initiated as provided by the AAA Employment Rules, although the written notice to the other party initiating arbitration shall also include a statement of the claim(s) asserted and all the facts upon which the claim(s) are based. Either party may bring an action in court to compel arbitration under this Agreement and to enforce an arbitration award. Otherwise, neither party shall initiate or prosecute any lawsuit or administrative action in any way related to any Arbitrable Claim. All arbitration hearings under this Agreement shall be conducted in Orange County, California. The Federal Arbitration Act shall govern the interpretation and enforcement of this Section 15.

(iii) Arbitrator Selection and Authority. All disputes involving Arbitrable Claims shall be decided by a single arbitrator. The arbitrator shall be selected by mutual agreement of the parties within thirty (30) days of the effective date of the notice initiating the arbitration. If the parties cannot agree on an arbitrator, then the complaining party shall notify the AAA and request selection of an arbitrator in accordance with the AAA Employment Rules. The arbitrator shall have only such authority to award equitable relief, damages, costs, and fees as a court would have for the particular claim(s) asserted and any action of the arbitrator in contravention of this limitation may be the subject of court appeal by the aggrieved party. No other aspect of any ruling by the arbitrator shall be appealable, and, except for being limited to relief that would be available in a court proceeding, all other aspects of the arbitrator's ruling shall be final and non-appealable. The expenses of arbitration shall be borne by the Company. The arbitrator shall have exclusive authority to resolve all Arbitrable Claims, including, but not limited to, whether any particular claim is arbitrable and whether all or any part of this Agreement is void or unenforceable.

(iv) Confidentiality. All proceedings and all documents prepared in connection with any Arbitrable Claim shall be confidential and, unless otherwise required by law, the subject matter thereof shall not be disclosed to any person other than the parties to the proceedings, their counsel, witnesses and experts, the arbitrator, and, if involved, the court and court staff. All documents filed with the arbitrator or with a court shall be filed under seal. The parties shall stipulate to all arbitration and court orders necessary to effectuate fully the provisions of this subsection concerning confidentiality.

(v) Continuing Obligations. The rights and obligations of Executive and the Company set forth in this Section 15 shall survive the termination of Executive's employment and the expiration of this Agreement.

(vi) Exceptions for Injunctive Relief. Notwithstanding the foregoing, in order to provide for interim relief pending the finalization of arbitration proceedings hereunder, nothing in this Section 15 shall prohibit the Company from pursuing a claim for interim injunctive relief, for other applicable provisional remedies, and for related attorneys' fees in a court of competent jurisdiction from Executive's breach of Executive's obligations set forth in this Agreement including, without limitation, Sections 3, 9, 10 and 15 of this Agreement.

(d) Executive's Legal Expenses. ~~in the event~~ that the Executive institutes any proceeding to enforce his rights under, or to recover damages for breach of this Agreement, the Executive, if he is the prevailing party, shall be entitled to recover from the Company any actual expenses for attorney's fees and disbursements incurred by him.

(c) Indemnification. The Company shall indemnify and hold the Executive harmless to the maximum extent permitted by the laws of the State of Maryland (and the law of any other appropriate jurisdiction after any reincorporation of the Company) against judgments, fines, amounts paid in settlement and reasonable expenses, including attorneys' fees incurred by Executive, in connection with the defense of, or as a result of any action or proceeding (or any appeal from any action or proceeding) in which Executive is made or is threatened to be made a party by reason of the fact that he is or was an officer or director of the Company, regardless of whether such action or proceeding is one brought by or in the right of the Company to procure a judgment in its favor (or other than by or in the right of the Company); *provided, however*, that this indemnification provision shall not apply to any action or proceeding relating to a dispute between the Company and the Executive based on any alleged breach or violation of this Agreement.


(d) Entire Agreement. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto; and any prior agreement of the parties hereto in respect of the subject matter contained herein.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

PEOPLE'S CHOICE FINANCIAL CORPORATION

Attest:

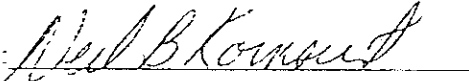
By: 

By: 
Name:
Title: CEO

NEIL B. KORNSWIET

Attest:

By: 

By: 
Name:
Title:

AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT

This Amendment No. 1 is made this 19th day of March, 2007, to that certain Employment Agreement (the "Employment Agreement") dated January 1, 2006 between People's Choice Financial Corporation, a Maryland Corporation (the "Company") and Neil Kornswiet (the "Executive").

The Company and Executive hereby agree that Employee's services would better serve the Company as an employee of the Company's wholly-owned subsidiary, People's Choice Home Loan, Inc., a Wyoming corporation ("PCHLI"), and therefore agree that the Employment Agreement is hereby amended as follows:

The first paragraph is hereby amended to replace "People's Choice Financial Corporation, a Maryland Corporation" with "People's Choice Home Loan, Inc., a Wyoming corporation"

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

PEOPLE'S CHOICE FINANCIAL CORPORATION

By: Brad Plantiko
Brad Plantiko
Executive Vice President

NEIL KORNSWIET

Neil Kornswiet

To: Eligible terminating employer

July 18, 2007

Neil Kornswiet
108 Emerald Bay
Laguna Beach, CA 92651

RE: Change of Employment Status Confirmation

Dear Neil:

This letter confirms that you terminated your employment for good cause pursuant to your employment contract with People's Choice Home Loan, Inc., effective July 17, 2007.

Please find enclosed a pamphlet from the Employment Development Department (EDD) for your reference. The pamphlet provides useful information regarding the various programs offered by the EDD for the benefits of unemployed individuals including job service, one-stop services, unemployment insurance, and disability insurance. Please contact the EDD directly with any questions regarding any programs that they offer.

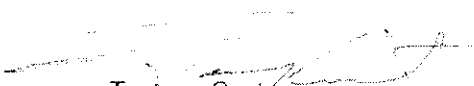
Your medical, dental and vision benefits coverage will continue through July 31, 2007. Information on continuing your benefits coverage at your own expense (COBRA) will be mailed to your home directly from our vendor, Conexis, within a few weeks.

If you were enrolled in the group life and/or voluntary life coverage's for five years or longer, you may be eligible to convert to an individual policy. Please contact Standard Insurance at 1 (800) 378-4668 ext. 6785 for information regarding converting to an individual policy within 31 days.

Should you have an address change, please notify the Human Resources Department. This will ensure the receipt of any future mailings.

Please contact me should you have any questions at (949) 265-1816.

Sincerely,



Tammy Carter
Regional Manager, Human Resources

7515 IRVINE CENTER DRIVE, IRVINE CA 92618
phone (949) 265-1816 fax (949) 453-1609

Neil Kornswiet

From: Johnson, Sven [sjohnson@alvarezandmarsal.com]
Sent: Tuesday, August 28, 2007 10:43 AM
To: Neil Kornswiet
Subject: Accruals

Below should give you the information you are looking for;

Prepetition wages - \$13,961.54
3/16 Vacation accrual - \$116,346.15

Sven

Alvarez & Marsal
633 West Fifth Street, Suite 2560
Los Angeles, CA 90071
P: 213.330.2382
C: 678.644.0535
F: 213.330.2133

This message is intended only for the use of the Addressee and may contain information that is privileged and confidential. If you are not the intended recipient, you are hereby notified that any dissemination of this communication is strictly prohibited. If you have received this communication in error, please erase all copies of the message and its attachments and notify us immediately. Thank you.

This message is intended only for the use of the addressee(s) and may contain information that is PRIVILEGED and CONFIDENTIAL. If you are not the intended recipient(s), you are hereby notified that any dissemination of this communication is strictly prohibited. If you have received this communication in error, please erase all copies of the message and its attachments and notify us immediately.

This email has been scanned by the MessageLabs Email Security System.

JP TECH

Insurance Services, Inc.

140 SOUTH FINE FROVONT ROAD
WILMINGTON, CALIFORNIA 90704
TEL: (909) 833-3411 FAX: (909) 833-3412
WWW.JPTECHINSURANCE.COM

August 28, 2007

Neil Kornswiet
People's Choice Financial Corporation
7515 Irvine Center Drive
Irvine, CA 92618

RE: Directors & Officers Liability - 3 Year Run-Off Proposal
Policy Periods: October 3, 2007 to October 3, 2010

Dear Neil:

The total premium for the 3 year run-off option extending your current \$90 Million in D&O limits is \$2,074,000. A complete breakdown of coverage terms and premiums of individual policies is available upon request.

Please feel free to contact us if you have any questions or concerns.

Best Regards,



Joseph Plascencia
Director

John Hancock Life Insurance Company (U.S.A.)

A LIFE INSURANCE POLICY ILLUSTRATION

A Whole Life Insurance Policy

Protection Whole Life Form: 07PROWL

Guaranteed Detailed Policy Values

Presented By: Chris Lapple

Illustration Assumptions

Neil Kornswiet

Total Initial Death Benefit \$3,630,000

Male - Preferred NonSmoker

Initial Premium: \$1,140,981.60

Age: 50

State: California

Modified Endowment Contract Under TAMRA Starting In Year 1

Policy Year	EOY Age	Guaranteed Values					
		Total Annual Premium	Net Outlay	Total Cash Surrender Value	IRR Cash Surrender Value	Total Death Benefit	IRR Death Benefit
1	51	1,140,982	1,140,982	998,032	-12.53%	3,630,000	218.15%
2	52	0	0	1,038,652	-4.59%	3,630,000	78.37%
3	53	0	0	1,080,470	-1.80%	3,630,000	47.08%
4	54	0	0	1,123,558	-0.38%	3,630,000	33.55%
5	55	0	0	1,167,735	0.46%	3,630,000	26.04%
6	56	0	0	1,212,856	1.02%	3,630,000	21.28%
7	57	0	0	1,258,920	1.42%	3,630,000	17.98%
8	58	0	0	1,306,001	1.70%	3,630,000	15.57%
9	59	0	0	1,354,426	1.92%	3,630,000	13.72%
10	60	0	0	1,404,120	2.10%	3,630,000	12.27%
Totals:		1,140,982	1,140,982				
11	61	0	0	1,454,904	2.23%	3,630,000	11.09%
12	62	0	0	1,506,595	2.34%	3,630,000	10.12%
13	63	0	0	1,558,831	2.43%	3,630,000	9.31%
14	64	0	0	1,611,539	2.50%	3,630,000	8.62%
15	65	0	0	1,664,682	2.55%	3,630,000	8.02%
16	66	0	0	1,718,333	2.59%	3,630,000	7.50%
17	67	0	0	1,772,674	2.63%	3,630,000	7.04%
18	68	0	0	1,827,850	2.65%	3,630,000	6.64%
19	69	0	0	1,883,861	2.67%	3,630,000	6.28%
20	70	0	0	1,940,925	2.69%	3,630,000	5.96%
Totals:		1,140,982	1,140,982				
21	71	0	0	1,998,642	2.71%	3,630,000	5.67%
22	72	0	0	2,056,976	2.72%	3,630,000	5.40%
23	73	0	0	2,115,020	2.72%	3,630,000	5.16%
24	74	0	0	2,172,954	2.72%	3,630,000	4.94%
25	75	0	0	2,230,853	2.72%	3,630,000	4.74%
26	76	0	0	2,288,679	2.71%	3,630,000	4.55%
27	77	0	0	2,346,468	2.71%	3,630,000	4.38%
28	78	0	0	2,403,859	2.70%	3,630,000	4.22%
29	79	0	0	2,460,341	2.69%	3,630,000	4.07%
30	80	0	0	2,515,517	2.67%	3,630,000	3.93%
Totals:		1,140,982	1,140,982				

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John Hancock Life Insurance Company (U.S.A.)

A LIFE INSURANCE POLICY ILLUSTRATION

A Whole Life Insurance Policy

Protection Whole Life Form: 07PROWL

Guaranteed Detailed Policy Values (cont'd)

Presented By: Chris Lapple

Illustration Assumptions

Neil Kornswiet

Total Initial Death Benefit \$3,630,000

Male - Preferred NonSmoker

Initial Premium: \$1,140,981.60

Age: 50

State: California

Modified Endowment Contract Under TAMRA Starting In Year 1

Policy Year	EOY Age	Guaranteed Values					
		Total Annual Premium	Net Outlay	Total Cash Surrender Value	IRR Cash Surrender Value	Total Death Benefit	IRR Death Benefit
31	81	0	0	2,569,314	2.65%	3,630,000	3.80%
32	82	0	0	2,621,259	2.63%	3,630,000	3.68%
33	83	0	0	2,671,716	2.61%	3,630,000	3.57%
34	84	0	0	2,720,649	2.59%	3,630,000	3.46%
35	85	0	0	2,767,875	2.56%	3,630,000	3.36%
36	86	0	0	2,813,069	2.54%	3,630,000	3.27%
37	87	0	0	2,855,939	2.51%	3,630,000	3.18%
38	88	0	0	2,896,159	2.48%	3,630,000	3.09%
39	89	0	0	2,933,657	2.45%	3,630,000	3.01%
40	90	0	0	2,968,360	2.42%	3,630,000	2.94%
Totals:		1,140,982	1,140,982				
41	91	0	0	3,000,231	2.39%	3,630,000	2.86%
42	92	0	0	3,030,360	2.35%	3,630,000	2.79%
43	93	0	0	3,058,820	2.32%	3,630,000	2.73%
44	94	0	0	3,085,573	2.29%	3,630,000	2.67%
45	95	0	0	3,110,474	2.25%	3,630,000	2.61%
46	96	0	0	3,133,235	2.22%	3,630,000	2.55%
47	97	0	0	3,155,160	2.19%	3,630,000	2.49%
48	98	0	0	3,176,032	2.16%	3,630,000	2.44%
49	99	0	0	3,195,671	2.12%	3,630,000	2.39%
50	100	0	0	3,213,675	2.09%	3,630,000	2.34%
Totals:		1,140,982	1,140,982				
51	101	0	0	3,229,248	2.06%	3,630,000	2.30%
52	102	0	0	3,244,530	2.03%	3,630,000	2.25%
53	103	0	0	3,259,450	2.00%	3,630,000	2.21%
54	104	0	0	3,274,079	1.97%	3,630,000	2.17%
55	105	0	0	3,288,236	1.94%	3,630,000	2.13%
56	106	0	0	3,302,102	1.92%	3,630,000	2.09%
57	107	0	0	3,315,606	1.89%	3,630,000	2.05%
58	108	0	0	3,328,746	1.86%	3,630,000	2.02%
59	109	0	0	3,341,560	1.84%	3,630,000	1.98%
60	110	0	0	3,353,975	1.81%	3,630,000	1.95%
Totals:		1,140,982	1,140,982				

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John Hancock Life Insurance Company (U.S.A.)

A LIFE INSURANCE POLICY ILLUSTRATION

A Whole Life Insurance Policy

Protection Whole Life Form: 07PROWL

Guaranteed Detailed Policy Values (cont'd)

Presented By: Chris Lapple

Illustration Assumptions

Neil Kornswiet

Total Initial Death Benefit \$3,630,000

Male - Preferred NonSmoker

Initial Premium: \$1,140,981.60

Age: 50

State: California

Modified Endowment Contract Under TAMRA Starting In Year 1

Policy Year	EOY Age	Guaranteed Values					
		Total Annual Premium	Net Outlay	Total Cash Surrender Value	IRR Cash Surrender Value	Total Death Benefit	IRR Death Benefit
61	111	0	0	3,366,026	1.79%	3,630,000	1.92%
62	112	0	0	3,377,679	1.77%	3,630,000	1.88%
63	113	0	0	3,388,968	1.74%	3,630,000	1.85%
64	114	0	0	3,399,894	1.72%	3,630,000	1.82%
65	115	0	0	3,410,421	1.70%	3,630,000	1.80%
66	116	0	0	3,420,585	1.68%	3,630,000	1.77%
67	117	0	0	3,430,350	1.66%	3,630,000	1.74%
68	118	0	0	3,439,752	1.64%	3,630,000	1.72%
69	119	0	0	3,448,790	1.62%	3,630,000	1.69%
70	120	0	0	3,457,176	1.60%	3,630,000	1.67%
Totals:		1,140,982	1,140,982				
71	121	0	0	3,630,000	1.64%	3,630,000	1.64%
Totals:		1,140,982	1,140,982				

Applicant's signature

By signing here, you acknowledge that:

- you have received a copy of this illustration
- you understand that the risk classification, premiums and values shown in this illustration may change as a result of the underwriting of your application

Representative's signature

By signing here, the representative certifies that:

- this illustration has been presented to the applicant unaltered
- no statements have been made that are inconsistent with the illustration

Applicant's signature

Date(mm/dd/yyyy)

Representative's signature

Date(mm/dd/yyyy)

for The John Hancock Life Insurance Company (U.S.A.)

**THIS IS AN ILLUSTRATION ONLY AND IS NOT INTENDED TO PREDICT ACTUAL PERFORMANCE.
 VALUES SET FORTH IN THE ILLUSTRATION ARE NOT GUARANTEED UNLESS LABELED AS SUCH.**

This is your Basic Illustration and is valid only if all illustration pages are included.

Individual/Family Plan Proposal

Prepared For: Neil Korsmair
 Prepared By: Adrienne Emmons
 Coverage: Family (Subscriber Age 50, Spouse Age 39)
 Blue Shield PPO Aetna Aetna Blue Shield PPO

Prepared On: August 15, 2007
 Effective Date: September 01, 2007

	Spectrum \$750		MC 1500		MC 500		Spectrum \$500	
Deductible								
In Network	\$750	\$1,500	\$500	\$500	\$500	\$500	\$500	
Out Network	\$750	\$3,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	
Family Deductible								
In Network	\$1,500	\$3,000	\$1,000	\$2,000	\$1,000	\$1,000	\$1,000	
Out Network	\$1,500	\$6,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	
Copy								
In Network	\$35	\$30/\$40 Spec. 50%	\$30/\$40 Spec. 50%	\$30/\$40 Spec. 50%	\$30	\$30	\$30	
Out Network	\$35	\$30/\$40 Spec. 50%	\$30/\$40 Spec. 50%	\$30/\$40 Spec. 50%	\$30	\$30	\$30	
Subscriber Max Out of Pocket								
In Network	\$4,000(Excluding Ded)	\$6,000	\$5,000	\$5,000	\$3,500(Excluding Ded)	\$3,500(Excluding Ded)	\$3,500(Excluding Ded)	
Out Network	\$6,000(Excluding Ded)	\$12,000	\$10,000	\$10,000	\$7,000(Excluding Ded)	\$7,000(Excluding Ded)	\$7,000(Excluding Ded)	
Family Max Out of Pocket								
In Network	\$8,000(Excluding Ded)	\$12,000	\$10,000	\$20,000	\$7,000(Excluding Ded)	\$14,000(Excluding Ded)	\$14,000(Excluding Ded)	
Out Network	\$16,000(Excluding Ded)	\$24,000	\$20,000	\$20,000	\$14,000(Excluding Ded)	\$14,000(Excluding Ded)	\$14,000(Excluding Ded)	
Hospital Copy								
In Network	30%	30%	20%	25%	25%	25%	25%	
Out Network	50%	50%	50%	50%	50%	50%	50%	
Rx Generic								
In Network	\$10	\$15	\$15	\$15	\$10	\$10	\$10	
Out Network	N/A	\$15 + 50%	\$15 + 50%	\$15 + 50%	See Schedule	See Schedule	See Schedule	
Rx Brand								
In Network	\$250+\$35	\$250 + \$30	\$250 + \$30	\$250 + \$30	\$250+\$35	\$250+\$35	\$250+\$35	
Out Network	N/A	\$250 + \$30 + 50%	\$250 + \$30 + 50%	\$250 + \$30 + 50%	See Schedule	See Schedule	See Schedule	
Non-Formulary								
In Network	\$50 or 50% (Max \$150)	\$250 + \$50	\$250 + \$50	\$250 + \$50	\$50 or 50% (Max \$150)	\$50 or 50% (Max \$150)	\$50 or 50% (Max \$150)	
Out Network	N/A	\$250 + \$50 + 50%	\$250 + \$50 + 50%	\$250 + \$50 + 50%	See Schedule	See Schedule	See Schedule	
Lifetime Max								
In Network	\$6,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$6,000,000	\$6,000,000	\$6,000,000	
Out Network	\$6,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$6,000,000	\$6,000,000	\$6,000,000	
Subscriber	\$316.00	\$413.00	\$553.00	\$472.00	\$350.00	\$432.00	\$350.00	
Dependent(s)	\$640.00	\$611.00	\$850.00	\$850.00	\$650.00	\$650.00	\$650.00	
Total	\$956.00	\$1,024.00	\$1,403.00	\$1,403.00	\$1,000.00	\$1,082.00	\$1,000.00	

The above rates and benefits are for general information and discussion purposes only and not valid unless approved by the carrier. Final rates are determined by the carrier's underwriting guidelines and final enrollment. The insurance policy, not general rates and descriptions in this website or printed output, will form the contract between the insured and the carrier.

CARRIER PLAN NAME	PREM RANK	PREMIUMS		DEDUCTIBLE & COPAYMENTS [Ⓞ]							ORTHO COPAY	
		TOTAL BASIC PREM	DED	OFFICE VISIT	CLEANING	X-RAYS	SINGLE AMALGAM	SINGLE ROOT CANAL	PORCELAIN WITH METAL CROWN [Ⓞ]	WAIT FOR MAJOR	CHILD	ADULT
BLUE CROSS DENTAL												
SAVER SELECT	3	\$31	NONE	\$ 5	NONE	NONE	\$ 54	\$341	\$432	NONE	\$ 2870	\$ 3045
SELECT HMO	7	\$48	NONE	\$ 5	NONE	NONE	NONE	\$341	\$432	NONE	\$ 2870	\$ 3045
DENTAL PPO	12	\$132	\$ 50	NONE	NONE	NONE	\$ 38 [Ⓞ]	\$154 [Ⓞ]	\$264 [Ⓞ]	12 MO	NA	NA
DELTA DENTAL IND												
DELTA PPO	11	\$126	\$ 50	80% [Ⓞ]	80% [Ⓞ]	80% [Ⓞ]	60% [Ⓞ]	0% [Ⓞ]	0% [Ⓞ]	12 MO [Ⓞ]	0% [Ⓞ]	\$ N/A
DELTA PREMIER	13	\$160	\$ 50	80% [Ⓞ]	80% [Ⓞ]	80% [Ⓞ]	60% [Ⓞ]	0% [Ⓞ]	0% [Ⓞ]	12 MO [Ⓞ]	0% [Ⓞ]	\$ N/A
FIDELITY SEC.												
THE ONE DENTAL	10	\$108	\$ 50	\$ 10	100%	80%	80%	50%	50%	24 MO	NA	NA
GOLDEN WEST												
SMILECHOICE 1	1	\$13	NONE	NONE	\$ 20	NONE	\$ 33	\$215	\$380	6 MO	\$1,795	\$1,795 [Ⓞ]
SMILECHOICE 2	4	\$34	NONE	NONE	NONE	NONE	\$ 8	\$ 80	\$170	6 MO	\$1,795	\$1,795 [Ⓞ]
NATIONWIDE DENTAL												
HMO DENTAL	8	\$87	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 75	\$195	NONE	\$1,600	\$1,800
SCHED REIMBURS	8	\$89	\$ 50 [Ⓞ]	\$ 24 [Ⓞ]	\$ 40 [Ⓞ]	\$ 62 [Ⓞ]	\$ 38 [Ⓞ]	\$183 [Ⓞ]	\$220 [Ⓞ]	12 MO	NA	NA
PACIFICARE DENTAL												
PLAN 160	5	\$35	NONE	NONE	NONE	NONE	\$ 15	\$ 100	\$165	NONE	\$ 1895	\$ 1895
SMILESAVER DENTAL												
SM 600 SOUTH	2	\$14	NONE	NONE	\$ 22	\$ 5	\$ 38	\$230	\$400	NONE	\$ 2200	\$ 2400
SM 400 SOUTH	6	\$36	NONE	NONE	NONE	\$ 5	\$ 10	\$110	\$190	6 MO	\$ 2000	\$ 2150

[Ⓞ] See Plan Brochure for full disclosure of all applicable copayment amounts.
[Ⓞ] This is the amount that the plan pays. The Member is responsible for the portion of the Dental's fee that is over this amount.
[Ⓞ] BENEFITS QUOTED ARE 1ST YEAR ONLY SEE PLAN BROCHURE FOR 2ND AND 3RD YEAR BENEFIT INFORMATION AND ONLINE ENROLLMENT REQUIREMENTS.
[Ⓞ] Some Golden West orthodontic offices limit their practice to children. Please refer to your Golden West Network Directory for more information.
[Ⓞ] \$150 Family Deductible
[Ⓞ] Member pays all costs in excess of amount shown.

Quote 97640A

August 9, 2007

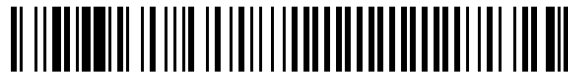
EXHIBIT B

Form B10 (Official Form 10) (04/05)

ORIGINAL
 United States Bankruptcy Court
 Central District of California

United States Bankruptcy Court		PROOF OF CLAIM	
Name of Debtor PEOPLE'S CHOICE FUNDING, INC.		Case Number SA-07-10767	
<p>NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A "request" for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.</p>		<div style="border: 2px solid black; padding: 10px; width: fit-content; margin: auto;"> <p style="text-align: center; font-weight: bold; font-size: 1.2em;">FILED</p> <div style="border: 1px solid black; padding: 5px; text-align: center; font-size: 1.5em; font-weight: bold;">AUG 31 2007</div> <p style="text-align: center; font-size: 1.2em; font-weight: bold;">PA</p> </div> <p style="text-align: center; font-weight: bold; margin-top: 10px;">This space is for Court use only.</p>	
Name of Creditor (The person or other entity to whom the debtor owes money or property): NEIL B. KORNSWIET			<input type="checkbox"/> Check box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.
Name and address where notices should be sent: HOWARD J. WEG, ESQ. PEITZMAN, WEG & KEMPINSKY LLP 10100 SANTA MONICA BLVD., SUITE 1450 LOS ANGELES, CA 90067 Telephone number: (310) 552-3100			<input type="checkbox"/> Check box if you have never received any notices from the bankruptcy court in this case. <input checked="" type="checkbox"/> Check box if the address differs from the address on the envelope sent to you by the court.
Account or other number by which creditor identifies debtor:		Check here <input type="checkbox"/> replaces if this claim <input type="checkbox"/> amends a previously filed claim, dated: _____	
1. Basis for Claim <input type="checkbox"/> Goods sold <input checked="" type="checkbox"/> Services performed <input type="checkbox"/> Money loaned <input type="checkbox"/> Personal injury/wrongful death <input type="checkbox"/> Taxes <input type="checkbox"/> Other _____		<input type="checkbox"/> Retiree benefits as defined in 11 U.S.C. § 1114(a) <input checked="" type="checkbox"/> Wages, salaries, and compensation (Fill out below) Last four digits of Social Security number: <u>7771</u> Unpaid compensation for services performed from <u>See attachment</u> to <u>See attachment</u> (date) (date)	
2. Date debt was incurred: See attachment		3. If court judgment, date obtained:	
4. Total Amount of Claim at Time Case Filed: \$ <u>11,401,935.75</u> \$ <u>0</u> \$ <u>10,000.00</u> \$ <u>11,411,935.75</u> (unsecured) (secured) (priority) (Total)			
If all or part of your claim is secured or entitled to priority, also complete Item 5 or 7 below. <input type="checkbox"/> Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of all interest or additional charges.			
5. Secured Claim. <input type="checkbox"/> Check this box if your claim is secured by collateral (including a right of setoff). Brief Description of Collateral: <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other _____ Value of Collateral: \$ _____ Amount of arrearage and other charges at time case filed included in secured claim, if any \$ _____		7. Unsecured Priority Claim. <input checked="" type="checkbox"/> Check this box if you have an unsecured priority claim Amount entitled to priority \$ <u>10,000.00</u> Specify the priority of the claim: <input checked="" type="checkbox"/> Wages, salaries or commissions (up to \$10,000)* earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507(a)(3). <input type="checkbox"/> Contributions to an employee benefit plan - 11 U.S.C. § 507(a)(4). <input type="checkbox"/> Up to \$2,225* of deposits toward purchase, lease or rental of property or services for personal, family, or household use - 11 U.S.C. § 507(a)(6). <input type="checkbox"/> Alimony, maintenance, or support owed to a spouse, former spouse or child - 11 U.S.C. § 507(a)(7). <input type="checkbox"/> Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8). <input type="checkbox"/> Other - Specify applicable paragraph of 11 U.S.C. § 507(a)(____). <small>*Amounts are subject to adjustment on 4/1/07 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment. \$10,000 and 180-day limits apply to cases filed on or after 4/20/05. Pub. L. 109-8</small>	
6. Unsecured Nonpriority Claim. \$ <u>11,401,935.75</u> <input checked="" type="checkbox"/> Check this box if (a) there is no collateral or lien securing your claim, or (b) your claim exceeds the value of the property securing it or (c) none or only part of your claim is entitled to priority.			
8. Credits: The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim. 9. Supporting Documents: Attach copies of supporting documents, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages, security agreements, and evidence of perfection of lien. DO NOT SEND ORIGINAL DOCUMENTS. If the documents are not available, explain. If the documents are voluminous, attach a summary. 10. Date-Stamped Copy: To receive an acknowledgment of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim.		<p style="font-weight: bold;">This space is for Court use only.</p>	
Date August 30, 2007	Sign and print the name and title, if any, of the creditor or other person authorized to file this claim (attach copy of power of attorney, if any). NEIL B. KORNSWIET <i>Neil B. Kornswiet</i>		

Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years, or both. 18 U.S.C. §§ 152 and 3571.



ATTACHMENT TO PROOF OF CLAIM

Pursuant to an Employment Agreement dated as of December 21, 2004 (including all amendments, the "Agreement"), Claimant was employed as the Debtor's President and Chief Executive Officer. A true and correct copy of the Agreement (including all amendments) is attached hereto as Exhibit A.

On July 17, 2007, Claimant terminated the Agreement for "Good Reason." A true and correct copy of a letter from the Debtor confirming the termination of the Agreement by Claimant for Good Reason is attached hereto as Exhibit B.

Claimant's claims against the Debtor include, but are not limited to, the following:

Unpaid prepetition salary	\$13,961.54 ¹
Unpaid prepetition accrued vacation	\$116,346.15 ²
Continuation of directors and officers insurance during the term of the Agreement and for a period of 36 months after completion of the term of the Agreement (Agreement, ¶ 6(d)(iv))	\$2,074,000.00 ³
Vanishing premium whole life insurance policy and related taxes (Agreement, ¶ 6(d)(vii))	\$2,152,795.47 ⁴

¹ Attached as Exhibit C is an email from Alvarez & Marsal liquidating the claim amount.

² Attached as Exhibit C is an email from Alvarez & Marsal liquidating the claim amount.

³ Claimant is informed that the Debtor does not intend to purchase the D&O insurance required by Paragraph 6(d)(iv) and, therefore, Claimant may not have D&O insurance provided by the Debtor after expiration of the current policy on or about October 3, 2007, for claims made after the expiration date. Therefore, Claimant asserts an unliquidated and contingent claim against the Debtor for all costs and expenses incurred by Claimant to defend against and/or resolve all claims asserted against Claimant that would have been covered by the D&O policy. Presently, Claimant asserts a claim of \$2,074,000, which is the cost to Claimant to continue the present insurance coverage for the required three year period. Attached as Exhibit D is a quote from an insurance broker for such insurance.

⁴ The Debtor was obligated to purchase the policy for the benefit of Claimant in 2004 (with no tax consequence for Claimant), but failed to do so. Attached as Exhibit E is a quote from a life insurance company for the costs of the required policy. The quoted premium is \$1,140,981.60, so the claim amount grossed up for taxes is \$2,152,795.47.

Severance payment (Agreement, ¶ 8(d)(ii))	\$6,988,528.59 ⁵
Continuation of medical and dental insurance for 36 months after termination of Agreement (Agreement, ¶ 8(d)(iii))	\$56,304.00 ⁶
Attorneys' fees (Agreement, ¶ 15(d))	\$10,000.00 (est.)
TOTAL CLAIM	\$11,411,935.75

In addition, Claimant may have claims against the Debtor for indemnification based upon the Agreement, the Debtor's by-laws, California Labor Code § 2802, or other applicable law. Those claims are presently contingent and unliquidated.

Claimant reserves the right to amend or supplement this proof of claim at any time and in any respect for any reason, including asserting that some or all of the claims are entitled to administrative expense status.

⁵ Because Claimant terminated the Agreement for Good Reason, Claimant is entitled to the following amounts as severance: "an aggregate amount equal to three (3) times the Executive's annualized rate of Base Salary and one (1) times the average Incentive Bonus paid to Executive for the three calendar years preceding the Date of Termination, such aggregate amount to be paid in a series of substantially equal installments (not less frequently than monthly) over a period of three (3) years following the Date of Termination." Claimant's Base Salary was \$605,000, which multiplied by 3 equals \$1,815,000. The Incentive Bonuses paid to Claimant in the previous three calendar years were \$13,132,897.96, \$2,387,687.80, and 0, which divided by 3 equals \$5,173,528.59. Therefore, the severance claim is \$1,815,000 plus \$5,173,528.59 for a total of \$6,988,528.59.

⁶ Claimant is informed that the Debtor does not intend to pay the costs for the continuance of medical and dental insurance required by Paragraph 8(d)(iii) and, therefore, Claimant does not have medical and dental insurance provided by the Debtor. Claimant asserts a claim of \$56,304.00, which is the estimated cost to Claimant of acquiring equivalent insurance. Attached as Exhibit F is a quote showing the costs of equivalent insurance.

EMPLOYMENT AGREEMENT

AGREEMENT made this 21st day of December, 2004, between People's Choice Financial Corporation, a Maryland corporation (the "Company"), and Neil B. Kornswiet (the "Executive").

The Executive is presently employed as the Chairman of the Board, President and Chief Executive Officer of the Company. The Board of Directors of the Company (the "Board") recognizes that the Executive's contribution to the growth and success of the Company has been substantial. The Board desires to provide for the continued employment of the Executive and to make certain changes in the Executive's employment arrangements with the Company which the Board has determined will reinforce and encourage the continued attention and dedication to the Company of the Executive as a member of the Company's management, in the best interest of the Company and its shareholders. The Executive is willing to commit himself to continue to serve the Company, on the terms and conditions herein provided. The Executive's continued employment with the Company is contingent on his execution of this Employment Agreement.

In order to effect the foregoing, the Company and the Executive wish to enter into an employment agreement on the terms and conditions set forth below. Accordingly, in consideration of the premises and the respective covenants and agreements of the parties herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Employment. The Company hereby agrees to continue to employ the Executive, and the Executive hereby agrees to continue to serve the Company, on the terms and conditions set forth herein.
2. Term. The employment of the Executive by the Company as provided in Section 1 will commence on the date of the completion of the Company's private placement of shares of its common stock pursuant to Rule 144A of the Securities and Exchange Commission and end on December 31, 2007, unless further extended or sooner terminated as hereinafter provided. Commencing on January 1, 2006, and on each January 1 thereafter (each, an "Anniversary Date"), the term of the Executive's employment shall automatically be extended for one (1) additional year, unless the Company or the Executive provides 90 days' written notice prior to any such Anniversary Date that it or he does not wish the Term of this Agreement to continue to be automatically extended as described above. In the event either party gives such notice, no additional automatic extensions shall take effect. For purposes of this Agreement, "Term" shall mean the actual duration of Executive's employment hereunder, taking into account any extensions or notices not to extend pursuant to this Section 2 or termination of employment pursuant to Section 7.
3. Position and Duties. The Executive shall serve as the Chairman of the Board, President and Chief Executive Officer of the Company and shall have such responsibilities, duties and authority as he may have as of the date hereof and as may from time to time be assigned to the Executive by the Board that are consistent with such responsibilities, duties and authority. The Executive shall devote substantially all his working time and efforts to the business and affairs of

the Company; provided, that nothing in this Agreement shall preclude Executive from serving as a director or trustee in any other firm or from pursuing personal real estate investments and other personal investments, as long as such activities do not interfere with Executive's performance of his duties hereunder or violate Section 9 or 10 of this Agreement.

4. Service as Chairman of the Board. During the Term, the Executive agrees to continue to serve, and the Company agrees to nominate the Executive annually for reelection to serve, without additional compensation, as a director of the Company and as Chairman of the Board. The Executive also agrees to serve as the director of any subsidiary of the Company upon the request of the Board. The Executive shall be indemnified for serving in such capacities on a basis no less favorable than is currently provided by the Company to any other director of the Company or subsidiary of the Company.

5. Place of Performance. In connection with the Executive's employment by the Company, the Executive shall be based at the principal executive offices of the Company in Irvine, California, except for required travel on the Company's business to an extent substantially consistent with present business travel obligations.

6. Compensation and Related Matters.

(a) Base Salary. The Company shall pay the Executive a base salary annually (the "Base Salary"), which shall be payable in periodic installments according to the Company's normal payroll practices. The initial Base Salary shall be \$500,000. During the Term, the Board or the Compensation Committee of the Board (the "Compensation Committee") shall review the Base Salary at least once a year to determine whether the Base Salary should be increased effective the following January 1; *provided, however*, that on January 1, 2006 and on each January 1 thereafter, the Base Salary shall be increased by at least 10 percent. The Base Salary, including any increases, shall not be decreased during the Term. For purposes of this Agreement, the term "Base Salary" shall mean the amount established and adjusted from time to time pursuant to this Section 6(a).

(b) Annual Cash Incentive Awards. The Executive shall be eligible to participate in the Company's annual cash incentive bonus plan adopted by the Compensation Committee for each fiscal year during the Term of this Agreement ("Bonus Plan"), subject to the terms and conditions of the Bonus Plan. If the Executive or the Company, as the case may be, satisfies the performance criteria contained in such Bonus Plan for a fiscal year, he shall receive an annual cash incentive bonus (the "Incentive Bonus") in an amount determined by the Compensation Committee, with a target Incentive Bonus of two hundred percent (200%) of Executive's Base Salary for such fiscal year and subject to ratification by the Board, if required. If the Executive or the Company, as the case may be, fails to satisfy the performance criteria contained in such Bonus Plan for a fiscal year, the Compensation Committee may determine whether any Incentive Bonus shall be payable to Executive for that year, subject to ratification by the Board, if required. Beginning January 1, 2005, the Bonus Plan shall contain both individual and group goals established by the Compensation Committee. The annual Incentive Bonus shall be paid to the Executive no later than thirty (30) days after the date the Compensation Committee determines whether the criteria in the Bonus Plan for such fiscal year were satisfied. For

purposes of ~~this Agreement~~, the term "Incentive Bonus" shall mean the amount established pursuant to this Section 6(b).

(c) Stock Based Awards. The Company has established the 2004 Equity Incentive Plan ("Equity Incentive Plan"). Subject to the terms and conditions of the Equity Incentive Plan, the Executive shall be eligible to participate in the Equity Incentive Plan, and shall be eligible to receive annual stock option and/or restricted stock awards under the Equity Incentive Plan. The Compensation Committee shall make and approve any such awards to the Executive pursuant to the Equity Incentive Plan.

(i) 2004 Equity Incentive Plan Option Grants. Option awards under the Equity Incentive Plan will have an exercise price per share equal to the closing price of the Company's common stock on the trading day immediately preceding the date of grant, will have a term of ten (10) years and will vest and become exercisable with respect to 1/3 of the underlying shares of Company common stock on the first, second and third anniversaries, respectively, of the date of grant; *provided, however*, that the Executive will be 100% vested in all outstanding option awards, including the unvested portion of such awards, upon (i) a Change in Control (as defined herein), (ii) a termination by the Company without Cause (as defined herein), or (iii) a termination by the Executive for Good Reason (as defined herein), and that the Executive will forfeit all unvested options if he is terminated for Cause, Disability (as defined below) or death, or if he terminates his employment hereunder for other than Good Reason.

(ii) 2004 Equity Incentive Plan Restricted Stock Awards. The Equity Incentive Plan provides for the issuance of shares of Company common stock as restricted common stock ("Restricted Stock Grants") to the extent that such shares of common stock are available thereunder. Restricted Stock Grants awarded to the Executive shall be subject to forfeiture restrictions that will terminate with respect to 1/3 of the awarded shares on the first, second and third anniversaries of the date of the issuance; *provided, further*, that the Executive will be 100% vested and all restrictions on each outstanding Restricted Stock Grant will lapse upon (i) a Change in Control (as defined herein), (ii) a termination by the Company without Cause (as defined herein), or (iii) a termination by the Executive for Good Reason (as defined herein), and that the Executive will forfeit all shares with respect to which the forfeiture restrictions have not terminated if he is terminated for Cause, Disability (as defined below) or death, or if he terminates his employment hereunder for other than Good Reason. The common stock issued as Restricted Stock Grants will have voting and dividend rights.

For purposes of this Agreement:

"Acquiring Person" means that a Person, considered alone or as part of a "group" within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, is or becomes directly or indirectly the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of securities representing more than thirty-three and one-third percent (33 1/3%) of the Company's then outstanding securities entitled to vote generally in the election of the Board.

"Continuing Director" means any member of the Board, while a member of the Board and (i) who was a member of the Board on the closing date of the Company's initial public offering of the Common Stock or (ii) whose nomination for or election to the Board was recommended or approved by a majority of the Continuing Directors.

"Control Change Date" means the date on which a Change in Control occurs. If a Change in Control occurs on account of a series of transactions, the "Control Change Date" is the date of the last of such transactions.

"Change in Control" means (i) a Person is or becomes an Acquiring Person; (ii) holders of the securities of the Company entitled to vote thereon approve any agreement with a Person (or, if such approval is not required by applicable law and is not solicited by the Company, the closing of such an agreement) that involves the transfer of all or substantially all of the Company's total assets on a consolidated basis, as reported in the Company's consolidated financial statements filed with the Securities and Exchange Commission; (iii) holders of the securities of the Company entitled to vote thereon approve a transaction (or, if such approval is not required by applicable law and is not solicited by the Company, the closing of such a transaction) pursuant to which the Company will undergo a merger, consolidation, or statutory share exchange with a Person, regardless of whether the Company is intended to be the surviving or resulting entity after the merger, consolidation, or statutory share exchange, *other than* a transaction that results in the voting securities of the Company carrying the right to vote in elections of persons to the Board outstanding immediately prior to the closing of the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 50% (fifty percent) of the Company's voting securities carrying the right to vote in elections of persons to the Company's Board, or such securities of such surviving entity, outstanding immediately after the closing of such transaction; (iv) the Continuing Directors cease for any reason to constitute a majority of the Board; (v) holders of the securities of the Company entitled to vote thereon approve a plan of complete liquidation of the Company or an agreement for the sale or liquidation by the Company of all or substantially all of the Company's assets (or, if such approval is not required by applicable law and is not solicited by the Company, the commencement of actions constituting such a plan or the closing of such an agreement); or (vi) the Board adopts a resolution to the effect that, in its judgment, as a consequence of any one or more transactions or events or series of transactions or events, a Change in Control of the Company has effectively occurred. The Board shall be entitled to exercise its sole and absolute discretion in exercising its judgment and in the adoption of such resolution, whether or not any such transaction(s) or event(s) might be deemed, individually or collectively, to satisfy any of the criteria set forth in subparagraphs (i) through (v) above.

"Person" means any human being, firm, corporation, partnership, or other entity. "Person" also includes any human being, firm, corporation, partnership, or other entity as defined in sections 13(d)(3) and 14(d)(2) of the Exchange Act. The term "Person" does not include the Company or any Related Entity, and the term Person does not include any employee-benefit plan maintained by the Company or any Related Entity, or any person or entity organized, appointed, or established by the Company or any Related Entity for or pursuant to the terms of any such employee-benefit plan, unless the Board determines that such an employee-benefit plan or such person or entity is a "Person".

"Related Entity" means any entity ~~that~~ is part of a controlled group of corporations or is under common control with the Company within the meaning of Sections 1563(a), 414(b) or 414(c) of the Code.

(d) Benefits.

(i) Vacation. The Executive shall be entitled to five (5) weeks of paid vacation per full calendar year. The Executive shall not be entitled to cash in lieu of any unused vacation time. The Executive shall be entitled to carry over any unused vacation time from year to year pursuant to the Company's then current vacation policy.

(ii) Sick and Personal Days. The Executive shall be entitled to sick and personal days in accordance with the policies of the Company.

(iii) Employee Benefits.

(A) Participation in Employee Benefit Plans. Subject to the terms of any applicable plans, policies or programs, the Executive and his spouse and eligible dependents, if any, and their respective designated beneficiaries where applicable, will be eligible for and entitled to participate in any Company sponsored employee benefit plans, including but not limited to benefits such as group health, dental, accident, disability insurance, group life insurance, and a 401(k) plan, as such benefits may be offered from time to time, on a basis no less favorable than that applicable to other executives of the Company.

(B) Disability Insurance. The Company will maintain, at its cost, a renewable long-term Disability plan that, subject to the terms of such plan and any applicable plans, policies or programs, provides for payment of not less than 60% of the Executive's Base Salary for so long as any long-term Disability of the Executive continues. In addition, the Company shall reimburse the Executive the amount of premiums payable by the Executive with respect to a personal supplemental long-term disability insurance policy providing for benefits equal to at least 40% of the Executive's Base Salary for so long as any long-term Disability of the Executive continues.

(iv) Directors and Officers Insurance. During the Term and for a period of thirty-six (36) months thereafter, the Executive shall be entitled to director and officer insurance coverage for his acts and omissions while an officer and director of the Company on a basis no less favorable to him than the coverage provided to current officers and directors.

(v) Expenses, Office and Secretarial Support. The Executive shall be entitled to reimbursement of all reasonable expenses, in accordance with the Company's policy as in effect from time to time and on a basis no less favorable than that applicable to other executives of the Company, including, without limitation, telephone, reasonable travel and reasonable entertainment expenses incurred by the Executive in connection with the business of the Company, promptly upon the presentation by the Executive of appropriate documentation. The Company shall also provide Executive with an automobile allowance of \$1,500 per month. The Executive shall also be entitled to appropriate office space, administrative support, and such

~~other facilities~~ and services as are suitable to the Executive's positions and adequate for the performance of the Executive's duties.

(vi) Reimbursement of Certain Professional Fees. The Company shall reimburse, at the request of the Executive, fees for financial, tax and accounting advisory services, and professional organizations reasonably related to the mortgage banking and REIT industries.

(vii) Life Insurance. The Company may purchase on the life of the Executive up to \$15 million of key man life insurance with the Company as the beneficiary of the death benefit. The Company shall also purchase on the life of the Executive a 30 year vanishing premium, whole life insurance policy with a death benefit of at least four times the Executive's Base Salary and target Incentive Bonus with the Executive as the owner of the policy and the beneficiaries of the death benefit to be designated by the Executive, and the Company will pay the Executive such additional amount as necessary to have no tax effect on the Executive. The life insurance shall be issued by an AA or better rated (by AM Best) insurer. The Company will obtain bids for this program and review the final program with the Executive and the Chairman of the Compensation Committee for approval. The program will be structured to comply with all requirements of the Sarbanes-Oxley Act or similar requirements.

7. Termination. The Executive's employment hereunder may be terminated without any breach of this Agreement only under the following circumstances:

(a) Death. The Executive's employment hereunder shall terminate upon his death.

(b) Disability. If, in the written opinion of a qualified physician reasonably agreed to by the Company and the Executive, the Executive shall become unable to perform his duties hereunder due to Disability, the Company may terminate the Executive's employment hereunder. As used in this Agreement, the term "Disability" shall mean inability of the Executive, due to physical or mental condition, to perform the essential functions of the Executive's job, after consideration of the availability of reasonable accommodations, for more than 180 total calendar days during any period of 12 consecutive months.

(c) For Cause. The Company may terminate the Executive's employment hereunder immediately for Cause. For purposes of this Agreement, the Company shall have "Cause" to terminate the Executive's employment hereunder upon a determination by at least a majority of the members of the Board (other than Executive) at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive of such meeting, the purpose thereof and the particulars of the basis for such meeting and the Executive is given an opportunity, together with counsel, to be heard before the Board) that Executive (i) has committed fraud or misappropriated, stolen or embezzled funds or property from the Company or an affiliate of the Company or secured or attempted to secure personally any profit in connection with any transaction entered into on behalf of the Company or any affiliate of the Company, (ii) has been convicted of, or entered a plea of guilty or "nolo contendere" to, a felony, whether or not involving the Company, which constitutes a crime of moral turpitude or which is punishable by imprisonment or which is likely to cause material harm to the Company's (or any affiliate of the Company) business, customer or ~~supplier~~ relations, financial condition or

prospects, (iii) has, notwithstanding not less than 30 days' prior ~~written~~ notice from the Board, willfully failed to perform (other than by reason of illness or temporary disability) his material duties hereunder on an exclusive and full-time basis, or willfully violated any reasonable directive or decision of the Board (iv) has knowingly violated or breached any material law or regulation to the material detriment of the Company or any affiliates of the Company or its business, or (v) has breached any non-competition, non-disclosure or non-solicitation agreement between Executive and the Company which causes or is reasonably likely to cause material harm to the Company. For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that his action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. Any notice of termination delivered by the Company to Executive that purports to notify Executive of a termination for Cause, but where the Company has not otherwise followed the procedures set forth in the definition of "Cause" above, shall be deemed to constitute a notice of termination without Cause pursuant to Section 7(d) hereof. Neither a notice from the Company to Executive that a meeting of the Board has been scheduled to determine whether grounds for a termination for "Cause" exist, nor the holding of such a meeting, shall itself be construed as a notice of termination for such purpose.

(d) Without Cause. The Company may at any time terminate the Executive's employment hereunder without Cause.

(e) Termination by the Executive.

(i) The Executive may terminate his employment hereunder (A) for Good Reason, or (B) at any time after the date hereof by giving sixty (60) days prior notice of his intention to terminate.

(ii) For purposes of this Agreement, "Good Reason" shall mean (A) a failure by the Company to comply with any material provision of this Agreement (other than the Company's payment obligations referred to in clause (E) below) which has not been cured within thirty (30) days after notice of such noncompliance has been given by the Executive to the Company, (B) the assignment to the Executive of any material duties inconsistent with the Executive's position with the Company or a substantial adverse alteration in the nature or status of the Executive's responsibilities without the consent of the Executive, (C) without the consent of the Executive, a material reduction in employee benefits other than a reduction generally applicable to similarly situated executives of the Company, (D) without the consent of the Executive, relocation of the Company's principal place of business outside a fifty (50) mile radius of Irvine, California, (E) any failure by the Company to pay the Executive Base Salary or any Incentive Bonus to which he is entitled under the Bonus Plan or hereunder which failure has not been cured within ten (10) days after notice of such noncompliance has been given by the Executive to the Company or any failure of the Compensation Committee to approve a Bonus Plan for any fiscal year, or (F) without the consent of the Executive, a failure by the Board of Directors to nominate the Executive for reelection as a director of the Company and as Chairman

of the Board and any ~~failure~~ by the stockholders of the Company to reelect Executive as a director of and as Chairman of the Board of the Company and any removal by the stockholders or the Board of Directors of the Executive from his positions as Chief Executive Officer, President, or as director of and as Chairman of the Board of the Company, other than for Cause.

(f) Any termination of the Executive's employment by the Company or by the Executive (other than termination pursuant to subsection (a) or (b) of this Section 7) shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 14. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.

(g) "Date of Termination" shall mean (i) if the Executive's employment is terminated by his death, the date of his death, (ii) if the Executive's employment is terminated pursuant to subsection (b) above, the date as of which the physician's written opinion is received by the Company, (iii) if the Executive's employment is terminated pursuant to subsection (c) above, the date specified in the Notice of Termination, and (iv) if the Executive's employment is terminated for any other reason, the date sixty (60) days following the date on which a Notice of Termination is given.

8. Compensation Upon Termination, Death or During Disability.

(a) Disability. Should Executive become disabled from performing his duties hereunder as defined above, Executive acknowledges that his employment may be terminated anytime thereafter if such disability continues; provided that during the period of the disability prior to such termination of employment, Executive shall continue to receive all compensation and benefits as if he were actively employed less any sums received directly by the Executive, if any, under any policy or policies of disability income insurance purchased by the Company. In the event of such termination, Executive shall be entitled to receive any unpaid Base Salary to the Date of Termination, the earned but unpaid Incentive Bonus for any completed fiscal year and any amounts due to Executive pursuant to Section 6(d) through the Date of Termination. Executive's rights to receive any additional salary or payments under this Agreement shall terminate but Executive shall have the right to continue to receive any and all payments made by an insurance company under any and all policies of disability insurance purchased by the Company. Executive's rights under any Company benefit plan will be those rights accorded to any terminated employee under the plan provisions and applicable law. Executive will remain entitled to receive any benefits under state disability or worker's compensation laws. In addition, all stock options, restricted stock grants awards and any other equity awards granted by the Company to the Executive shall become fully vested, unrestricted and exercisable as of the Date of Termination.

(b) Death. If the Executive's employment is terminated by his death, the Company shall within ten (10) days following the date of the Executive's death, pay to the Executive's designated beneficiary (ies) any amounts due to the Executive under Section 6(d) through the date of and as a result of his death, an amount equal to the Executive's annual Base Salary for the year in which the ~~termination~~ took place, and an amount equal to either the Executive's

target Incentive Bonus for the year in which the termination took place (if termination occurs during the first year of this Agreement), or an amount equal to the average Incentive Bonus earned by Executive during the term of this Agreement (if termination occurs after the first year of this Agreement) together with any other amounts to which the Executive is entitled pursuant to death benefit plans, programs and policies. In addition, all stock options, restricted stock awards and any other equity awards granted by the Company to the Executive shall become fully vested, unrestricted and exercisable as of the Date of Termination.

(c) Cause or other than Good Reason. If the Executive's employment shall be terminated by the Company for Cause or by the Executive for other than Good Reason, the Company shall pay the Executive his full Base Salary through the Date of Termination at the rate in effect at the time Notice of Termination is given and reimburse the Executive for all reasonable and customary expenses incurred by the Executive in performing services hereunder prior to the Date of Termination in accordance with Section 6(d), and the Company shall have no further obligations to the Executive under this Agreement.

(d) Termination by the Company without Cause (other than for death or Disability) or Termination by the Executive for Good Reason. If the Company shall terminate the Executive's employment other than for death, Disability, or Cause, or the Executive shall terminate his employment for Good Reason, then:

(i) the Company shall pay to the Executive within two business days following the Date of Termination any unpaid Base Salary to the Date of Termination, the earned but unpaid Incentive Bonus for any completed fiscal year, and any amounts due to Executive pursuant to Section 6 (d) through the Date of Termination;

(ii) pay to the Executive as severance pay (a) an aggregate amount equal to three (3) times the Executive's annualized rate of Base Salary and one (1) times the average Incentive Bonus paid to Executive for the three calendar years preceding the Date of Termination, such aggregate amount to be paid in a series of substantially equal installments (not less frequently than monthly) over a period of three (3) years following the Date of Termination.

(iii) In the case of a termination of the Executive's employment by the Company without Cause or for Disability, or by the Executive for Good Reason, the Company shall pay the full cost for the Executive to participate in the health insurance plan in which the Executive was enrolled immediately prior to the Date of Termination for a period of thirty-six (36) months, provided that the Executive's continued participation is possible under the general terms and provisions of such plans and programs. In the event that the Executive's participation in any such plan or program is barred, the Company shall arrange to provide the Executive with benefits substantially similar to those which the Executive would otherwise have been entitled to receive under such plan from which his continued participation is barred; and

(iv) The obligations of the Company to make any payments to Executive required under Section 8(d) hereof shall be conditioned on the execution and delivery by the Executive of a general release of claims in form and substance reasonably satisfactory to the Company.

9. Nondisclosure. The Executive shall hold in a ~~fiduciary~~ capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. The agreement made in this Section 9 shall be in addition to, and not in limitation or derogation of, any obligations otherwise imposed by law or by separate agreement upon the Executive in respect of confidential information of the Company.

10. Non-Competition and Non-Solicitation. During the Executive's employment with the Company and for a period of twelve (12) months following the Executive's Date of Termination, the Executive shall not, for himself or on behalf of or in conjunction with any other person, persons, company, firm, partnership, corporation, business, group or other entity (each, a "Person"), work in the principal line of business engaged in, or planned to be engaged in, by the Company at the Date of Termination within any state where the Company is doing business or has plans for commencing business as of the Date of Termination. The Executive's passive ownership of less than five percent (5%) of the securities of a public company shall not be treated as an action in competition with the Company.

(a) Executive hereby acknowledges and agrees that his employment with the Company places him in a position of trust and confidence with respect to the business operations, customers, prospects and personnel of the Company. He agrees that, due to his position and knowledge, his engaging in any business that competes in the principal line of business as the Company will cause the Company significant and irreparable harm.

(b) In consideration of the compensation and benefits extended to him under this Agreement, Executive agrees that, during the term of Executive's employment by the Company and for twelve (12) months following the Executive's Date of Termination, the Executive shall not, for any reason whatsoever, directly or indirectly, for himself or herself or on behalf of or in conjunction with any other Person with whom the Executive works or is affiliated:

(i) solicit and/or hire any Person who is on the Date of Termination, or has been within six (6) months prior to the Date of Termination, an employee of the Company or its affiliates;

(ii) solicit, induce or attempt to induce any Person who is, at the Date of Termination, or has been within six (6) months prior to the Date of Termination, an actual customer, client, business partner, or a prospective customer, client, business partner (i.e., a customer, client or business partner who is party to a written proposal or letter of intent with the Company, in each case written less than six (6) months prior to the Date of Termination) of the Company, for the purpose or with the intent of (A) inducing or attempting to induce such Person to cease doing business with the Company or its affiliates, (B) enticing or attempting to entice

such Person to do business with Executive or any affiliate of Executive, or (C) in any way interfering with the relationship between such Person and the Company or its affiliates; or

(iii) solicit, induce or attempt to induce any Person who is or that is, at the time of the Date of Termination, or has been within six (6) months prior to the Date of Termination, a supplier, licensee or consultant of, or provider of goods or services to the Company or its affiliates, for the purpose or with the intent of (A) inducing or attempting to induce such Person to cease doing business with the Company or its affiliates or (B) in any way interfering with the relationship between such Person and the Company or its affiliates.

(c) Because of the difficulty of measuring economic losses to the Company as a result of a breach of the foregoing covenants, and because of the immediate and irreparable damage that could be caused to the Company for which it would have no other adequate remedy, Executive agrees that the foregoing covenants in this Section 10, in addition to and not in limitation of any other rights, remedies or damages available to the Company at law, in equity or under this Agreement, shall be enforced by the Company in the event of the breach or threatened breach by Executive, by injunctions and/or restraining orders.

(d) It is agreed by the parties that the covenants contained in this Section 10 impose a fair and reasonable restraint on Executive in light of the activities and business of the Company on the date of the execution of this Agreement and the current plans of the Company; but it is also the intent of the Company and Executive that such covenants be construed and enforced in accordance with the changing activities, business and locations of the Company and its affiliates throughout the term of these covenants. Executive also acknowledges that this restraint will not prevent him from earning a living in his chosen field of work.

(e) The covenants in this Section 10 are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, in the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth herein are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent that such court deems reasonable, and the Agreement shall thereby be reformed to reflect the same.

(f) All of the covenants in this Section 10 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Executive against the Company whether predicated on this Agreement or otherwise shall not constitute a defense to the enforcement by the Company of such covenants. It is specifically agreed that the duration of the period during which the agreements and covenants of Executive made in this Section 10 shall be effective shall be computed by excluding from such computation any time during which Executive is in violation of any provision of this Section 10.

(g) Notwithstanding any of the foregoing, if any applicable law, judicial ruling or order shall reduce the time period during which Executive shall be prohibited from engaging in any competitive activity described in Section 10 hereof, the period of time for which Executive shall be prohibited pursuant to Section 10 hereof shall be the maximum time permitted by law.

11. Successors; Binding Agreement. This Agreement shall be binding upon and inure to the benefit of successors and permitted assigns of the parties. This Agreement may not be assigned, nor may performance of any duty hereunder be delegated, by either party without the prior written consent of the other; *provided, however*, the Company may assign this Agreement to any successor to its business, including but not limited to in connection with any subsequent merger, consolidation, sale of all or substantially all of the assets or stock of the Company or similar transaction involving the Company or a successor corporation.

12. Additional Payments by the Company.

(a) If it is determined (as hereafter provided) that any payment or distribution by the Company to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any option, share appreciation right or similar right, or the lapse or termination of any restriction on or the vesting or exercisability of any of the foregoing (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law, or any interest or penalties with respect to such excise tax (such tax or taxes, together with any such interest and penalties, are hereafter collectively referred to as the "Excise Tax"), then Executive will be entitled to receive an additional payment or payments (a "Gross-Up Payment") in an amount such that, after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) All determinations required to be made under this Section 12, including whether an Excise Tax is payable by Executive and the amount of such Excise Tax and whether a Gross-Up Payment is required and the amount of such Gross-Up Payment, will be made by the Company's then current outside auditors; provided that if that firm is unwilling or unable to provide such services, another accounting firm may be selected by the Company (such accounting firm the "Accounting Firm"). The Company will direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and Executive within 30 calendar days after the date of the change in control or the date of Executive's termination of employment, if applicable, and any other such time or times as may be requested by the Company or Executive. If the Accounting Firm determines that any Excise Tax is payable by Executive, the Company will pay the required Gross-Up Payment to Executive no later than five calendar days prior to the due date for Executive's income tax return on which the Excise Tax is included. If the Accounting Firm determines that no Excise Tax is payable by Executive, it will, at the same time as it makes such determination, furnish Executive with an opinion that he has substantial authority not to report any Excise Tax on his federal, state, local income or other tax returns. Any determination by the Accounting Firm as to the amount of the Gross-Up Payment will be binding upon the Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code (or any successor provision thereto) and the possibility of similar uncertainty regarding applicable state or local tax law at the time of any determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made (an "Underpayment"), consistent with the calculations

required to be made hereunder. ~~In the event that~~ the Company exhausts or fails to pursue its remedies pursuant to Section 12(f) hereof and Executive thereafter is required to make a payment of any Excise Tax, Executive shall so notify the Company, which will direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Company and Executive as promptly as possible. Any such Underpayment will be promptly paid by the Company to, or for the benefit of, Executive within five business days after receipt of such determination and calculations.

(c) The Company and Executive will each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or Executive, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determination contemplated by Section 12(b) hereof.

(d) The federal, state and local income or other tax returns filed by Executive will be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by Executive. To the extent the Excise Tax has not been previously withheld from amounts paid to the Executive, Executive will make proper payment of the amount of any Excise Tax, and at the request of the Company, provide to the Company true and correct copies (with any amendments) of his federal income tax return as filed with the Internal Revenue Service and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by the Company, evidencing such payment. If prior to the filing of Executive's federal income tax return, or corresponding state or local tax return, if relevant, the Accounting Firm determines that the amount of the Gross-Up Payment should be reduced, Executive will within five business days pay to the Company the amount of such reduction.

(e) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by Sections 12(b) and 12(d) hereof will be borne by the Company. If such fees and expenses are initially advanced by Executive, the Company will reimburse Executive the full amount of such fees and expenses within five business days after receipt from Executive of a statement therefore and reasonable evidence of his payment thereof.

(f) Executive will notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification will be given as promptly as practicable but no later than ten (10) business days after Executive actually receives notice of such claim and Executive will further apprise the Company of the nature of such claim and the date on which such claim is requested to be paid (in each case, to the extent known by Executive). Executive will not pay such claim prior to the earlier of (x) the expiration of the 30-calendar-day period following the date on which he gives such notice to the Company and (y) the date that any payment of amount with respect to such claim is due. If the Company notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive will:

(i) provide the Company with any written records or documents in his possession relating to such claim reasonably requested by the Company;

(ii) take such action in connection with contesting such claim as the Company reasonably requests in writing from time to time, including without limitation accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company will bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and will indemnify and hold harmless Executive, on an after-tax basis, for and against any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this Section 12(f), the Company will control all proceedings taken in connection with the contest of any claim contemplated by this Section 12(f) and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided that Executive may participate therein at his own cost and expense) and may, at its option, either direct Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company will determine; provided, however, that if the Company directs Executive to pay the tax claimed and sue for a refund, the Company will advance the amount of such payment to Executive on an interest-free basis and will indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income tax, including interest or penalties with respect thereto, imposed with respect to such advance; and provided further, however, that any extension of the statute of limitations relating to payment of taxes for the taxable year of Executive with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of any such contested claim will be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Executive will be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(g) If, after the receipt by Executive of an amount advanced by the Company pursuant to Section 12(f) hereof, Executive receives any refund with respect to such claim, Executive will (subject to the Company's complying with the requirements of Section 12(f) hereof) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by Executive of an amount advanced by the Company pursuant to Section 12(f) hereof, a determination is made that Executive will not be entitled to any refund with respect to such claim and the Company does not notify Executive in writing of its intent to contest such denial or refund prior to the expiration of 30 calendar days after such determination, then such advance will be forgiven and will not be required to be repaid and the amount of such advance will offset, to the extent

thereof, the amount of Gross-Up Payment required to be paid pursuant to this Section 12. If, after the receipt by Executive of a Gross-Up Payment but before the payment by Executive of the Excise Tax, it is determined by the Accounting Firm that the Excise Tax payable by Executive is less than the amount originally computed by the Accounting Firm and consequently that the amount of the Gross-Up Payment is larger than that required by this Section 12, Executive shall promptly refund to the Company the amount by which the Gross-Up Payment initially made to Executive exceeds the Gross-Up Payment required under this Section 12.

13. Continued Performance. Provisions of this Agreement shall survive any termination of Executive's employment hereunder if so provided herein or if necessary or desirable fully to accomplish the purposes of such provisions, including, without limitation, the obligations of the Executive under the terms and conditions of Sections 9 and 10. Any obligation of the Company to make payments to or on behalf of the Executive under Section 8 is expressly conditioned upon the Executive's continued performance of the Executive's obligations under Sections 9 and 10 for the time periods stated in Sections 9 and 10. The Executive recognizes that, except to the extent, if any, provided in Section 8, the Executive will earn no compensation from the Company after the Date of Termination.

14. Notices. For the purposes of this Agreement, notices, demands and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or (unless otherwise specified) mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:


FAX: 

If to the Company:

PEOPLE'S CHOICE FINANCIAL CORPORATION
7515 Irvine Center Drive
Irvine, California 92618
Attention: Board of Directors
FAX: _____

With a copy to:

PEOPLE'S CHOICE FINANCIAL CORPORATION
7515 Irvine Center Drive
Irvine, California 92618
Attention: General Counsel
FAX: (949) 341-2248

or to such other address as any party may have furnished to the others in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

15. Miscellaneous. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and such officer of the Company as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without regard to its conflicts of law principles.

(a) Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

(b) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be in an original but all of which together will constitute one and the same instrument.

(c) Disputes.

(i) Arbitrable Claims. All disputes between Executive (and Executive's attorneys, successors, and assigns) and the Company (and its affiliates, shareholders, directors, officers, employees, agents, successors, attorneys, and assigns) relating in any manner whatsoever to the employment or termination of Executive, including, without limitation, all disputes arising under this Agreement ("Arbitrable Claims"), shall be resolved by final and binding arbitration. All persons and entities specified in the preceding sentence (other than Company and Executive) shall be considered third-party beneficiaries of the rights and obligations created by this Section 15. Arbitrable Claims shall include, but are not limited to, contract (express or implied) and tort claims of all kinds, as well as all claims based on any federal, state, or local law, statute, or regulation, excepting only claims under applicable workers' compensation law and unemployment insurance claims. By way of example and not in limitation of the foregoing, Arbitrable Claims shall include any claims arising under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Americans with Disabilities Act, and the California Fair Employment and Housing Act, as well as any claims asserting wrongful termination, breach of contract, breach of the covenant of good faith and fair dealing, negligent or intentional infliction of emotional distress, negligent or intentional misrepresentation, negligent or intentional interference with contract or prospective economic advantage, defamation, invasion of privacy, and claims related to disability. Arbitration shall be final and binding upon the parties and shall be the exclusive remedy for all Arbitrable Claims, except that the Company may, at its option, seek interim injunctive relief and other provisional remedies in court as set forth in Section 15 (vi) of this Agreement. The parties hereby waive any rights they may have to trial by jury in regard to Arbitrable Claims.

(ii) Procedure. Arbitration of Arbitrable Claims shall be in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association, as amended ("AAA Employment Rules"), as augmented in this Agreement. Arbitration shall be initiated as provided by the AAA Employment Rules, although the written notice to the other party initiating arbitration shall also include a statement of the claim(s) asserted and all the facts upon which the claim(s) are based. Either party may bring an action in court to compel arbitration under this Agreement and to enforce an arbitration award. Otherwise, neither party shall initiate or prosecute any lawsuit or administrative action in any way related to any Arbitrable Claim. All arbitration hearings under this Agreement shall be conducted in Orange County, California. The Federal Arbitration Act shall govern the interpretation and enforcement of this Section 15.

(iii) Arbitrator Selection and Authority. All disputes involving Arbitrable Claims shall be decided by a single arbitrator. The arbitrator shall be selected by mutual agreement of the parties within thirty (30) days of the effective date of the notice initiating the arbitration. If the parties cannot agree on an arbitrator, then the complaining party shall notify the AAA and request selection of an arbitrator in accordance with the AAA Employment Rules. The arbitrator shall have only such authority to award equitable relief, damages, costs, and fees as a court would have for the particular claim(s) asserted and any action of the arbitrator in contravention of this limitation may be the subject of court appeal by the aggrieved party. No other aspect of any ruling by the arbitrator shall be appealable, and, except for being limited to relief that would be available in a court proceeding, all other aspects of the arbitrator's ruling shall be final and non-appealable. The expenses of arbitration shall be borne by the Company. The arbitrator shall have exclusive authority to resolve all Arbitrable Claims, including, but not limited to, whether any particular claim is arbitrable and whether all or any part of this Agreement is void or unenforceable.

(iv) Confidentiality. All proceedings and all documents prepared in connection with any Arbitrable Claim shall be confidential and, unless otherwise required by law, the subject matter thereof shall not be disclosed to any person other than the parties to the proceedings, their counsel, witnesses and experts, the arbitrator, and, if involved, the court and court staff. All documents filed with the arbitrator or with a court shall be filed under seal. The parties shall stipulate to all arbitration and court orders necessary to effectuate fully the provisions of this subsection concerning confidentiality.

(v) Continuing Obligations. The rights and obligations of Executive and the Company set forth in this Section 15 shall survive the termination of Executive's employment and the expiration of this Agreement.

(vi) Exceptions for Injunctive Relief. Notwithstanding the foregoing, in order to provide for interim relief pending the finalization of arbitration proceedings hereunder, nothing in this Section 15 shall prohibit the Company from pursuing a claim for interim injunctive relief, for other applicable provisional remedies, and for related attorneys' fees in a court of competent jurisdiction from Executive's breach of Executive's obligations set forth in this Agreement including, without limitation, Sections 3, 9, 10 and 15 of this Agreement.

(d) Executive's Legal Expenses. ~~In the event~~ that the Executive institutes any proceeding to enforce his rights under, or to recover damages for breach of this Agreement, the Executive, if he is the prevailing party, shall be entitled to recover from the Company any actual expenses for attorney's fees and disbursements incurred by him.

(c) Indemnification. The Company shall indemnify and hold the Executive harmless to the maximum extent permitted by the laws of the State of Maryland (and the law of any other appropriate jurisdiction after any reincorporation of the Company) against judgments, fines, amounts paid in settlement and reasonable expenses, including attorneys' fees incurred by Executive, in connection with the defense of, or as a result of any action or proceeding (or any appeal from any action or proceeding) in which Executive is made or is threatened to be made a party by reason of the fact that he is or was an officer or director of the Company, regardless of whether such action or proceeding is one brought by or in the right of the Company to procure a judgment in its favor (or other than by or in the right of the Company); *provided, however*, that this indemnification provision shall not apply to any action or proceeding relating to a dispute between the Company and the Executive based on any alleged breach or violation of this Agreement.

(d) Entire Agreement. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto; and any prior agreement of the parties hereto in respect of the subject matter contained herein.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

PEOPLE'S CHOICE FINANCIAL CORPORATION

Attest:

By: 


By: 

Name:

Title: CEO

NEIL B. KORNSWIET

Attest:

By: 

By: 

Name:

Title:

AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT


This Amendment No. 1 is made this 19th day of March, 2007, to that certain Employment Agreement (the "Employment Agreement") dated January 1, 2006 between People's Choice Financial Corporation, a Maryland Corporation (the "Company") and Neil Kornswiet (the "Executive").

The Company and Executive hereby agree that Employee's services would better serve the Company as an employee of the Company's wholly-owned subsidiary, People's Choice Home Loan, Inc., a Wyoming corporation ("PCHLI"), and therefore agree that the Employment Agreement is hereby amended as follows:

The first paragraph is hereby amended to replace "People's Choice Financial Corporation, a Maryland Corporation" with "People's Choice Home Loan, Inc., a Wyoming corporation"


IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

PEOPLE'S CHOICE FINANCIAL CORPORATION

By: 

Brad Plantiko
Executive Vice President

NEIL KORNSWIET



The People's Choice Home Loan

July 18, 2007

Neil Kornswiet
108 Emerald Bay
Laguna Beach, CA 92651

RE: Change of Employment Status Confirmation

Dear Neil:

This letter confirms that you terminated your employment for good cause pursuant to your employment contract with People's Choice Home Loan, Inc., effective July 17, 2007.

Please find enclosed a pamphlet from the Employment Development Department (EDD) for your reference. The pamphlet provides useful information regarding the various programs offered by the EDD for the benefits of unemployed individuals including job service, one-stop services, unemployment insurance, and disability insurance. Please contact the EDD directly with any questions regarding any programs that they offer.

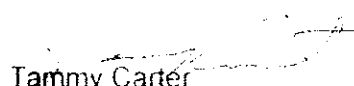
Your medical, dental and vision benefits coverage will continue through July 31, 2007. Information on continuing your benefits coverage at your own expense (COBRA) will be mailed to your home directly from our vendor, Conexis, within a few weeks.

If you were enrolled in the group life and/or voluntary life coverage's for five years or longer, you may be eligible to convert to an individual policy. Please contact Standard Insurance at 1 (800) 378-4668 ext. 6785 for information regarding converting to an individual policy within 31 days.

Should you have an address change, please notify the Human Resources Department. This will ensure the receipt of any future mailings.

Please contact me should you have any questions at (949) 265-1816.

Sincerely,


Tammy Carter
Regional Manager, Human Resources

7515 IRVINE CENTER DRIVE, IRVINE CA 92618
phone (949) 265-1816 fax (949) 453-1609

Neil Kornswiet

From: Johnson, Sven [sjohnson@alvarezandmarsal.com]
Sent: Tuesday, August 28, 2007 10:43 AM
To: Neil Kornswiet
Subject: Accruals

Below should give you the information you are looking for;

Prepetition wages - \$13,961.54
3/16 Vacation accrual - \$116,346.15

Sven

Alvarez & Marsal
633 West Fifth Street, Suite 2560
Los Angeles, CA 90071
P: 213.330.2382
C: 678.644.0535
F: 213.330.2133

This message is intended only for the use of the Addressee and may contain information that is privileged and confidential. If you are not the intended recipient, you are hereby notified that any dissemination of this communication is strictly prohibited. If you have received this communication in error, please erase all copies of the message and its attachments and notify us immediately. Thank you.

This message is intended only for the use of the addressee(s) and may contain information that is PRIVILEGED and CONFIDENTIAL. If you are not the intended recipient(s), you are hereby notified that any dissemination of this communication is strictly prohibited. If you have received this communication in error, please erase all copies of the message and its attachments and notify us immediately.

This email has been scanned by the MessageLabs Email Security System.

JP TECH

Insurance Services, Inc.
100 South Orange Avenue, Suite 1000
Orlando, Florida 32814
Tel: 407.222.1111
Fax: 407.222.1112
www.jp-tech.com

August 28, 2007

Neil Kornswiet
People's Choice Financial Corporation
7515 Irvine Center Drive
Irvine, CA 92618

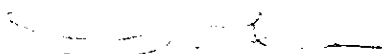
RE: Directors & Officers Liability - 3 Year Run-Off Proposal
Policy Periods: October 3, 2007 to October 3, 2010

Dear Neil:

The total premium for the 3 year run-off option extending your current \$90 Million in D&O limits is \$2,074,000. A complete breakdown of coverage terms and premiums of individual policies is available upon request.

Please feel free to contact us if you have any questions or concerns.

Best Regards,



Joseph Plascencia
Director

John Hancock Life Insurance Company (U.S.A.)

A LIFE INSURANCE POLICY ILLUSTRATION

A Whole Life Insurance Policy

Protection Whole Life Form: 07PROWL

Guaranteed Detailed Policy Values

Presented By: Chris Lapple

Illustration Assumptions

Neil Kornswiel

Total Initial Death Benefit \$3,630,000

Male - Preferred NonSmoker

Initial Premium: \$1,140,981.60

Age: 50

State: California

Modified Endowment Contract Under TAMRA Starting In Year 1

Policy Year	EOY Age	Guaranteed Values					
		Total Annual Premium	Net Outlay	Total Cash Surrender Value	IRR Cash Surrender Value	Total Death Benefit	IRR Death Benefit
1	51	1,140,982	1,140,982	998,032	-12.53%	3,630,000	218.15%
2	52	0	0	1,038,652	-4.59%	3,630,000	78.37%
3	53	0	0	1,080,470	-1.80%	3,630,000	47.08%
4	54	0	0	1,123,558	-0.38%	3,630,000	33.55%
5	55	0	0	1,167,735	0.46%	3,630,000	26.04%
6	56	0	0	1,212,856	1.02%	3,630,000	21.28%
7	57	0	0	1,258,920	1.42%	3,630,000	17.98%
8	58	0	0	1,306,001	1.70%	3,630,000	15.57%
9	59	0	0	1,354,426	1.92%	3,630,000	13.72%
10	60	0	0	1,404,120	2.10%	3,630,000	12.27%
Totals:		1,140,982	1,140,982				
11	61	0	0	1,454,904	2.23%	3,630,000	11.09%
12	62	0	0	1,506,595	2.34%	3,630,000	10.12%
13	63	0	0	1,558,831	2.43%	3,630,000	9.31%
14	64	0	0	1,611,539	2.50%	3,630,000	8.62%
15	65	0	0	1,664,882	2.55%	3,630,000	8.02%
16	66	0	0	1,718,333	2.59%	3,630,000	7.50%
17	67	0	0	1,772,674	2.63%	3,630,000	7.04%
18	68	0	0	1,827,850	2.65%	3,630,000	6.64%
19	69	0	0	1,883,861	2.67%	3,630,000	6.28%
20	70	0	0	1,940,925	2.69%	3,630,000	5.96%
Totals:		1,140,982	1,140,982				
21	71	0	0	1,998,642	2.71%	3,630,000	5.67%
22	72	0	0	2,056,976	2.72%	3,630,000	5.40%
23	73	0	0	2,115,020	2.72%	3,630,000	5.16%
24	74	0	0	2,172,954	2.72%	3,630,000	4.94%
25	75	0	0	2,230,853	2.72%	3,630,000	4.74%
26	76	0	0	2,288,679	2.71%	3,630,000	4.55%
27	77	0	0	2,346,468	2.71%	3,630,000	4.38%
28	78	0	0	2,403,859	2.70%	3,630,000	4.22%
29	79	0	0	2,460,341	2.69%	3,630,000	4.07%
30	80	0	0	2,515,517	2.67%	3,630,000	3.93%
Totals:		1,140,982	1,140,982				

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This is your Basic Illustration and is valid only if all illustration pages are included.

John Hancock Life Insurance Company (U.S.A.)

A LIFE INSURANCE POLICY ILLUSTRATION

A Whole Life Insurance Policy

Protection Whole Life Form: 07PROWL

Guaranteed Detailed Policy Values (cont'd)

Presented By: Chris Lapple

Illustration Assumptions

Neil Kornswiet

Total Initial Death Benefit \$3,630,000

Male - Preferred NonSmoker

Initial Premium: \$1,140,981.60

Age: 50

State: California

Modified Endowment Contract Under TAMRA Starting In Year 1

Policy Year	EOY Age	Guaranteed Values					
		Total Annual Premium	Net Outlay	Total Cash Surrender Value	IRR Cash Surrender Value	Total Death Benefit	IRR Death Benefit
31	81	0	0	2,569,314	2.65%	3,630,000	3.80%
32	82	0	0	2,621,259	2.63%	3,630,000	3.68%
33	83	0	0	2,671,716	2.61%	3,630,000	3.57%
34	84	0	0	2,720,649	2.59%	3,630,000	3.46%
35	85	0	0	2,767,875	2.56%	3,630,000	3.36%
36	86	0	0	2,813,069	2.54%	3,630,000	3.27%
37	87	0	0	2,855,939	2.51%	3,630,000	3.18%
38	88	0	0	2,896,159	2.48%	3,630,000	3.09%
39	89	0	0	2,933,657	2.45%	3,630,000	3.01%
40	90	0	0	2,968,360	2.42%	3,630,000	2.94%
Totals:		1,140,982	1,140,982				
41	91	0	0	3,000,231	2.39%	3,630,000	2.86%
42	92	0	0	3,030,360	2.35%	3,630,000	2.79%
43	93	0	0	3,058,820	2.32%	3,630,000	2.73%
44	94	0	0	3,085,573	2.29%	3,630,000	2.67%
45	95	0	0	3,110,474	2.25%	3,630,000	2.61%
46	96	0	0	3,133,235	2.22%	3,630,000	2.55%
47	97	0	0	3,155,160	2.19%	3,630,000	2.49%
48	98	0	0	3,176,032	2.16%	3,630,000	2.44%
49	99	0	0	3,195,671	2.12%	3,630,000	2.39%
50	100	0	0	3,213,675	2.09%	3,630,000	2.34%
Totals:		1,140,982	1,140,982				
51	101	0	0	3,229,248	2.06%	3,630,000	2.30%
52	102	0	0	3,244,530	2.03%	3,630,000	2.25%
53	103	0	0	3,259,450	2.00%	3,630,000	2.21%
54	104	0	0	3,274,079	1.97%	3,630,000	2.17%
55	105	0	0	3,288,236	1.94%	3,630,000	2.13%
56	106	0	0	3,302,102	1.92%	3,630,000	2.09%
57	107	0	0	3,315,606	1.89%	3,630,000	2.05%
58	108	0	0	3,328,746	1.86%	3,630,000	2.02%
59	109	0	0	3,341,560	1.84%	3,630,000	1.98%
60	110	0	0	3,353,975	1.81%	3,630,000	1.95%
Totals:		1,140,982	1,140,982				

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John Hancock Life Insurance Company (U.S.A.)

A LIFE INSURANCE POLICY ILLUSTRATION

A Whole Life Insurance Policy

Protection Whole Life Form: 07PROWL

Guaranteed Detailed Policy Values (cont'd)

Presented By: Chris Lapple

Illustration Assumptions

Neil Komswiet

Total Initial Death Benefit \$3,630,000

Male - Preferred NonSmoker

Initial Premium: \$1,140,981.60

Age: 50

State: California

Modified Endowment Contract Under TAMRA Starting In Year 1

Policy Year	EOY Age	Guaranteed Values					
		Total Annual Premium	Net Outlay	Total Cash Surrender Value	IRR Cash Surrender Value	Total Death Benefit	IRR Death Benefit
61	111	0	0	3,366,026	1.79%	3,630,000	1.92%
62	112	0	0	3,377,679	1.77%	3,630,000	1.88%
63	113	0	0	3,388,968	1.74%	3,630,000	1.85%
64	114	0	0	3,399,894	1.72%	3,630,000	1.82%
65	115	0	0	3,410,421	1.70%	3,630,000	1.80%
66	116	0	0	3,420,585	1.68%	3,630,000	1.77%
67	117	0	0	3,430,350	1.66%	3,630,000	1.74%
68	118	0	0	3,439,752	1.64%	3,630,000	1.72%
69	119	0	0	3,448,790	1.62%	3,630,000	1.69%
70	120	0	0	3,457,176	1.60%	3,630,000	1.67%
Totals:		1,140,982	1,140,982				
71	121	0	0	3,630,000	1.64%	3,630,000	1.64%
Totals:		1,140,982	1,140,982				

Applicant's signature

By signing here, you acknowledge that:

- you have received a copy of this illustration
- you understand that the risk classification, premiums and values shown in this illustration may change as a result of the underwriting of your application

Representative's signature

By signing here, the representative certifies that:

- this illustration has been presented to the applicant unaltered
- no statements have been made that are inconsistent with the illustration

 Applicant's signature

 Date(mm/dd/yyyy)

 Representative's signature

 Date(mm/dd/yyyy)

for The John Hancock Life Insurance Company (U.S.A.)

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Individual/Family Plan Proposal

Prepared For: Neil Kornswiel
 Prepared By: Adrienne Emmons
 Coverage: Family (Subscriber Age 50, Spouse Age 39)
 Blue Shield PPO

Prepared On: August 15, 2007
 Effective Date: September 01, 2007

Aetna PPO
 Aetna PPO
 Blue Shield PPO

	Spectrum \$750	MC 1500	MC 500	Spectrum \$500	
Deductible					
In Network	\$750	\$1,500	\$500	\$500	
Out Network	\$750	\$3,000	\$1,000	\$500	
Family Deductible					
In Network	\$1,500	\$3,000	\$1,000	\$1,000	
Out Network	\$1,500	\$6,000	\$2,000	\$1,000	
Copay					
In Network	\$35	\$30/\$40 Spec. 50%	\$30/\$40 Spec. 50%	\$30	
Out Network	\$35	\$30/\$40 Spec. 50%	\$30/\$40 Spec. 50%	\$30	
Subscriber Max Out of Pocket					
In Network	\$4,000(Excluding Ded)	\$6,000	\$5,000	\$3,500(Excluding Ded)	
Out Network	\$8,000(Excluding Ded)	\$12,000	\$10,000	\$7,000(Excluding Ded)	
Family Max Out of Pocket					
In Network	\$8,000(Excluding Ded)	\$12,000	\$10,000	\$7,000(Excluding Ded)	
Out Network	\$15,000(Excluding Ded)	\$24,000	\$20,000	\$14,000(Excluding Ded)	
Hospital Copay					
In Network	30%	30%	20%	25%	
Out Network	50%	50%	50%	50%	
Rx Generic					
In Network	\$10	\$15	\$15	\$10	
Out Network	N/A	\$15 + 50%	\$15 + 50%	See Schedule	
Rx Brand					
In Network	\$250+\$35	\$250 + \$30	\$250 + \$30	\$250+\$35	
Out Network	N/A	\$250 + \$30 + 50%	\$250 + \$30 + 50%	See Schedule	
Non-Formulary					
In Network	\$50 or 50% (Max \$150)	\$250 + \$50	\$250 + \$50	\$50 or 50%(Max \$150)	
Out Network	N/A	\$250 + \$50 + 50%	\$250 + \$50 + 50%	See Schedule	
Lifetime Max					
In Network	\$6,000,000	\$5,000,000	\$5,000,000	\$6,000,000	
Out Network	\$6,000,000	\$5,000,000	\$5,000,000	\$6,000,000	
Subscriber	\$316.00	\$413.00	\$553.00	\$472.00	
Dependent(s)	\$640.00	\$611.00	\$850.00	\$880.00	
Total	\$956.00	\$1,024.00	\$1,403.00	\$1,352.00	

The above rates and benefits are for general information and discussion purposes only and not valid unless approved by the carrier. Final rates are determined by the carrier's underwriting guidelines and final enrollment. The insurance policy, not general rates and descriptions in this website or printed output, will form the contract between the insured and the carrier.
 Adrienne Emmons - Wood - Gutmann
 Page 3 of 5
 License:

CARRIER PLAN NAME	PREM RANK	PREMIUMS	DEDUCTIBLE & COPAYMENTS ①								ORTHO COPAY	
		TOTAL BASIC PREM	DED	OFFICE VISIT	CLEANING	X-RAYS	SINGLE AMALGAM	SINGLE ROOT CANAL	PORCELAIN WITH METAL CROWN ②	WAIT FOR MAJOR	CHILD	ADULT
BLUE CROSS DENTAL												
SAVER SELECT	3	\$31	NONE	\$ 5	NONE	NONE	\$54	\$341	\$432	NONE	\$ 2870	\$ 3045
SELECT HMO	7	\$45	NONE	\$ 5	NONE	NONE	NONE	\$341	\$432	NONE	\$ 2870	\$ 3045
DENTAL PPO	12	\$132	\$ 50	NONE	NONE	NONE	\$38 ③	\$154 ④	\$264 ⑤	12 MO	NA	NA
DELTA DENTAL IND												
DELTA PPO	11	\$126	\$ 50	80% ⑥	80% ⑥	80% ⑥	80% ⑥	0% ⑥	0% ⑥	12 MO ⑥	0% ⑥	\$ N/A
DELTA PREMIER	13	\$180	\$ 90	80% ⑥	80% ⑥	80% ⑥	60% ⑥	0% ⑥	0% ⑥	12 MO ⑥	0% ⑥	\$ N/A
FIDELITY SEC.												
THE ONE DENTAL	10	\$108	\$ 50	\$ 10	100%	80%	80%	50%	50%	24 MO	NA	NA
GOLDEN WEST												
SMILECHOICE 1	1	\$13	NONE	NONE	\$20	NONE	\$33	\$215	\$380	6 MO	\$1,795	\$1,795 ⑦
SMILECHOICE 2	4	\$34	NONE	NONE	NONE	NONE	\$ 8	\$ 80	\$170	6 MO	\$1,795	\$1,795 ⑦
NATIONWIDE DENTAL												
HMO DENTAL	8	\$87	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 75	\$195	NONE	\$1,600	\$1,800
SCHED REIMBURS	9	\$89	\$ 50 ⑧	\$ 24 ⑨	\$ 40 ⑨	\$ 62 ⑨	\$ 38 ⑩	\$193 ⑩	\$220 ⑩	12 MO	NA	NA
PACIFICARE DENTAL												
PLAN 160	5	\$35	NONE	NONE	NONE	NONE	\$15	\$100	\$185	NONE	\$ 1895	\$ 1895
SMILESAVER DENTAL												
SM 800 SOUTH	7	\$14	NONE	NONE	\$22	\$ 5	\$38	\$230	\$400	NONE	\$ 2200	\$ 2400
SM 400 SOUTH	6	\$35	NONE	NONE	NONE	\$ 5	\$10	\$110	\$190	6 MO	\$ 2000	\$ 2150

① See Plan Brochure for full disclosure of all applicable copayment amounts.
 ② This is the amount that the plan pays. The Member is responsible for the portion of the Dentist's fee that is over this amount.
 ③ BENEFITS QUOTED ARE 1ST YEAR ONLY. SEE PLAN BROCHURE FOR 2ND AND 3RD YEAR BENEFIT INFORMATION AND ONJUNE ENROLLMENT REQUIREMENTS.
 ④ Some Golden West orthodontic offices limit their practice to children. Please refer to your Golden West Network Directory for more information.
 ⑤ \$150 Family Deductible
 ⑥ Member pays all costs in excess of amount shown.

Quote 97640A August 9, 2007

EXHIBIT C

Form B10 (Official Form 10) (04/05)

CONFORM

United States Bankruptcy Court Central District of California		PROOF OF CLAIM
Name of Debtor PEOPLE'S CHOICE FINANCIAL CORP.		Case Number SA-07-10772
<p>NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A "request" for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.</p>		
Name of Creditor (The person or other entity to whom the debtor owes money or property): NEIL B. KORNSWIET		<div style="border: 2px solid black; padding: 10px; width: fit-content; margin: auto;"> <p style="margin: 0;">FILED</p> <p style="margin: 0; font-size: 1.2em;">AUG 31 2007</p> <p style="margin: 0; font-size: 0.8em;">CLERK U.S. BANKRUPTCY COURT CENTRAL DISTRICT OF CALIFORNIA BY <i>[Signature]</i></p> </div> <p style="text-align: center; margin-top: 10px;">This space is for Court use only.</p>
Name and address where notices should be sent: HOWARD J. WEG, ESQ. PEITZMAN, WEG & KEMPINSKY LLP 10100 SANTA MONICA BLVD., SUITE 1450 LOS ANGELES, CA 90067 Telephone number: (310) 552-3100		
Account or other number by which creditor identifies debtor:		<input type="checkbox"/> Check box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars. <input type="checkbox"/> Check box if you have never received any notices from the bankruptcy court in this case. <input checked="" type="checkbox"/> Check box if the address differs from the address on the envelope sent to you by the court.
Check here <input type="checkbox"/> replaces if this claim <input type="checkbox"/> amends a previously filed claim, dated: _____		
<p>1. Basis for Claim</p> <input type="checkbox"/> Goods sold <input checked="" type="checkbox"/> Services performed <input type="checkbox"/> Money loaned <input type="checkbox"/> Personal injury/wrongful death <input type="checkbox"/> Taxes <input type="checkbox"/> Other _____		
<input type="checkbox"/> Retiree benefits as defined in 11 U.S.C. § 1114(a) <input checked="" type="checkbox"/> Wages, salaries, and compensation (Fill out below) Last four digits of Social Security number: <u>7771</u> Unpaid compensation for services performed from <u>See attachment</u> to <u>See attachment</u> (date) (date)		
2. Date debt was incurred: See attachment		3. If court judgment, date obtained:
<p>4. Total Amount of Claim at Time Case Filed: \$ <u>11,401,935.75</u> (unsecured) \$ <u>0</u> (secured) \$ <u>10,000.00</u> (priority) \$ <u>11,411,935.75</u> (Total)</p> <p>If all or part of your claim is secured or entitled to priority, also complete Item 5 or 7 below.</p> <input type="checkbox"/> Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of all interest or additional charges.		
<p>5. Secured Claim.</p> <input type="checkbox"/> Check this box if your claim is secured by collateral (including a right of setoff). Brief Description of Collateral: <input type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other _____ Value of Collateral: \$ _____ Amount of arrearage and other charges at time case filed included in secured claim, if any \$ _____		<p>7. Unsecured Priority Claim.</p> <input checked="" type="checkbox"/> Check this box if you have an unsecured priority claim Amount entitled to priority \$ <u>10,000.00</u> Specify the priority of the claim: <input checked="" type="checkbox"/> Wages, salaries or commissions (up to \$10,000)* earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507(a)(3). <input type="checkbox"/> Contributions to an employee benefit plan - 11 U.S.C. § 507(a)(4). <input type="checkbox"/> Up to \$2,225* of deposits toward purchase, lease or rental of property or services for personal, family, or household use - 11 U.S.C. § 507(a)(6). <input type="checkbox"/> Alimony, maintenance, or support owed to a spouse, former spouse or child - 11 U.S.C. § 507(a)(7). <input type="checkbox"/> Taxes or penalties owed to governmental units - 11 U.S.C. § 507(a)(8). <input type="checkbox"/> Other - Specify applicable paragraph of 11 U.S.C. § 507(a)(____). <small>*Amounts are subject to adjustment on 4/1/07 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment. \$10,000 and 180-day limits apply to cases filed on or after 4/20/05. Pub. L. 109-8</small>
<p>6. Unsecured Nonpriority Claim. \$11,401,935.75</p> <input checked="" type="checkbox"/> Check this box if (a) there is no collateral or lien securing your claim, or (b) your claim exceeds the value of the property securing it or (c) none or only part of your claim is entitled to priority.		
<p>8. Credits: The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim.</p> <p>9. Supporting Documents: Attach copies of supporting documents, such as promissory notes, purchase orders, invoices, itemized statements of running accounts, contracts, court judgments, mortgages, security agreements, and evidence of perfection of lien. DO NOT SEND ORIGINAL DOCUMENTS. If the documents are not available, explain. If the documents are voluminous, attach a summary.</p> <p>10. Date-Stamped Copy: To receive an acknowledgment of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim.</p>		This space is for Court use only.
Date August 30, 2007	Sign and print the name and title, if any, of the creditor or other person authorized to file this claim (attach copy of power of attorney, if any): NEIL B. KORNSWIET <i>Neil Kornswiet</i>	

Penalty for presenting fraudulent claim: Fine of up to \$500,000 or imprisonment for up to 5 years.



071077207083100000000003

ATTACHMENT TO PROOF OF CLAIM

Pursuant to an Employment Agreement dated as of December 21, 2004 (including all amendments, the "Agreement"), Claimant was employed as the Debtor's President and Chief Executive Officer. A true and correct copy of the Agreement (including all amendments) is attached hereto as Exhibit A.

On July 17, 2007, Claimant terminated the Agreement for "Good Reason." A true and correct copy of a letter from the Debtor confirming the termination of the Agreement by Claimant for Good Reason is attached hereto as Exhibit B.

Claimant's claims against the Debtor include, but are not limited to, the following:

Unpaid prepetition salary	\$13,961.54 ¹
Unpaid prepetition accrued vacation	\$116,346.15 ²
Continuation of directors and officers insurance during the term of the Agreement and for a period of 36 months after completion of the term of the Agreement (Agreement, ¶ 6(d)(iv))	\$2,074,000.00 ³
Vanishing premium whole life insurance policy and related taxes (Agreement, ¶ 6(d)(vii))	\$2,152,795.47 ⁴

¹ Attached as Exhibit C is an email from Alvarez & Marsal liquidating the claim amount.

² Attached as Exhibit C is an email from Alvarez & Marsal liquidating the claim amount.

³ Claimant is informed that the Debtor does not intend to purchase the D&O insurance required by Paragraph 6(d)(iv) and, therefore, Claimant may not have D&O insurance provided by the Debtor after expiration of the current policy on or about October 3, 2007, for claims made after the expiration date. Therefore, Claimant asserts an unliquidated and contingent claim against the Debtor for all costs and expenses incurred by Claimant to defend against and/or resolve all claims asserted against Claimant that would have been covered by the D&O policy. Presently, Claimant asserts a claim of \$2,074,000, which is the cost to Claimant to continue the present insurance coverage for the required three year period. Attached as Exhibit D is a quote from an insurance broker for such insurance.

⁴ The Debtor was obligated to purchase the policy for the benefit of Claimant in 2004 (with no tax consequence for Claimant), but failed to do so. Attached as Exhibit E is a quote from a life insurance company for the costs of the required policy. The quoted premium is \$1,140,981.60, so the claim amount grossed up for taxes is \$2,152,795.47.

Severance payment (Agreement, ¶ 8(d)(ii))	\$6,988,528.59 ⁵
Continuation of medical and dental insurance for 36 months after termination of Agreement (Agreement, ¶ 8(d)(iii))	\$56,304.00 ⁶
Attorneys' fees (Agreement, ¶ 15(d))	\$10,000.00 (est.)
TOTAL CLAIM	\$11,411,935.75

In addition, Claimant may have claims against the Debtor for indemnification based upon the Agreement, the Debtor's by-laws, California Labor Code § 2802, or other applicable law. Those claims are presently contingent and unliquidated.

Claimant reserves the right to amend or supplement this proof of claim at any time and in any respect for any reason, including asserting that some or all of the claims are entitled to administrative expense status.

⁵ Because Claimant terminated the Agreement for Good Reason, Claimant is entitled to the following amounts as severance: "an aggregate amount equal to three (3) times the Executive's annualized rate of Base Salary and one (1) times the average Incentive Bonus paid to Executive for the three calendar years preceding the Date of Termination, such aggregate amount to be paid in a series of substantially equal installments (not less frequently than monthly) over a period of three (3) years following the Date of Termination." Claimant's Base Salary was \$605,000, which multiplied by 3 equals \$1,815,000. The Incentive Bonuses paid to Claimant in the previous three calendar years were \$13,132,897.96, \$2,387,687.80, and 0, which divided by 3 equals \$5,173,528.59. Therefore, the severance claim is \$1,815,000 plus \$5,173,528.59 for a total of \$6,988,528.59.

⁶ Claimant is informed that the Debtor does not intend to pay the costs for the continuance of medical and dental insurance required by Paragraph 8(d)(iii) and, therefore, Claimant does not have medical and dental insurance provided by the Debtor. Claimant asserts a claim of \$56,304.00, which is the estimated cost to Claimant of acquiring equivalent insurance. Attached as Exhibit F is a quote showing the costs of equivalent insurance.

EMPLOYMENT AGREEMENT

AGREEMENT made this 21st day of December, 2004, between People's Choice Financial Corporation, a Maryland corporation (the "Company"), and Neil B. Kornswiet (the "Executive").

The Executive is presently employed as the Chairman of the Board, President and Chief Executive Officer of the Company. The Board of Directors of the Company (the "Board") recognizes that the Executive's contribution to the growth and success of the Company has been substantial. The Board desires to provide for the continued employment of the Executive and to make certain changes in the Executive's employment arrangements with the Company which the Board has determined will reinforce and encourage the continued attention and dedication to the Company of the Executive as a member of the Company's management, in the best interest of the Company and its shareholders. The Executive is willing to commit himself to continue to serve the Company, on the terms and conditions herein provided. The Executive's continued employment with the Company is contingent on his execution of this Employment Agreement.

In order to effect the foregoing, the Company and the Executive wish to enter into an employment agreement on the terms and conditions set forth below. Accordingly, in consideration of the premises and the respective covenants and agreements of the parties herein contained, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Employment. The Company hereby agrees to continue to employ the Executive, and the Executive hereby agrees to continue to serve the Company, on the terms and conditions set forth herein.
2. Term. The employment of the Executive by the Company as provided in Section 1 will commence on the date of the completion of the Company's private placement of shares of its common stock pursuant to Rule 144A of the Securities and Exchange Commission and end on December 31, 2007, unless further extended or sooner terminated as hereinafter provided. Commencing on January 1, 2006, and on each January 1 thereafter (each, an "Anniversary Date"), the term of the Executive's employment shall automatically be extended for one (1) additional year, unless the Company or the Executive provides 90 days' written notice prior to any such Anniversary Date that it or he does not wish the Term of this Agreement to continue to be automatically extended as described above. In the event either party gives such notice, no additional automatic extensions shall take effect. For purposes of this Agreement, "Term" shall mean the actual duration of Executive's employment hereunder, taking into account any extensions or notices not to extend pursuant to this Section 2 or termination of employment pursuant to Section 7.
3. Position and Duties. The Executive shall serve as the Chairman of the Board, President and Chief Executive Officer of the Company and shall have such responsibilities, duties and authority as he may have as of the date hereof and as may from time to time be assigned to the Executive by the Board that are consistent with such responsibilities, duties and authority. The Executive shall devote substantially all his working time and efforts to the business and affairs of

the Company; provided, that nothing in this Agreement shall preclude Executive from serving as a director or trustee in any other firm or from pursuing personal real estate investments and other personal investments, as long as such activities do not interfere with Executive's performance of his duties hereunder or violate Section 9 or 10 of this Agreement.

4. Service as Chairman of the Board. During the Term, the Executive agrees to continue to serve, and the Company agrees to nominate the Executive annually for reelection to serve, without additional compensation, as a director of the Company and as Chairman of the Board. The Executive also agrees to serve as the director of any subsidiary of the Company upon the request of the Board. The Executive shall be indemnified for serving in such capacities on a basis no less favorable than is currently provided by the Company to any other director of the Company or subsidiary of the Company.

5. Place of Performance. In connection with the Executive's employment by the Company, the Executive shall be based at the principal executive offices of the Company in Irvine, California, except for required travel on the Company's business to an extent substantially consistent with present business travel obligations.

6. Compensation and Related Matters.

(a) Base Salary. The Company shall pay the Executive a base salary annually (the "Base Salary"), which shall be payable in periodic installments according to the Company's normal payroll practices. The initial Base Salary shall be \$500,000. During the Term, the Board or the Compensation Committee of the Board (the "Compensation Committee") shall review the Base Salary at least once a year to determine whether the Base Salary should be increased effective the following January 1; *provided, however*, that on January 1, 2006 and on each January 1 thereafter, the Base Salary shall be increased by at least 10 percent. The Base Salary, including any increases, shall not be decreased during the Term. For purposes of this Agreement, the term "Base Salary" shall mean the amount established and adjusted from time to time pursuant to this Section 6(a).

(b) Annual Cash Incentive Awards. The Executive shall be eligible to participate in the Company's annual cash incentive bonus plan adopted by the Compensation Committee for each fiscal year during the Term of this Agreement ("Bonus Plan"), subject to the terms and conditions of the Bonus Plan. If the Executive or the Company, as the case may be, satisfies the performance criteria contained in such Bonus Plan for a fiscal year, he shall receive an annual cash incentive bonus (the "Incentive Bonus") in an amount determined by the Compensation Committee, with a target Incentive Bonus of two hundred percent (200%) of Executive's Base Salary for such fiscal year and subject to ratification by the Board, if required. If the Executive or the Company, as the case may be, fails to satisfy the performance criteria contained in such Bonus Plan for a fiscal year, the Compensation Committee may determine whether any Incentive Bonus shall be payable to Executive for that year, subject to ratification by the Board, if required. Beginning January 1, 2005, the Bonus Plan shall contain both individual and group goals established by the Compensation Committee. The annual Incentive Bonus shall be paid to the Executive no later than thirty (30) days after the date the Compensation Committee determines whether the criteria in the Bonus Plan for such fiscal year were satisfied. For

purposes of ~~this Agreement~~, the term "Incentive Bonus" shall mean the amount established pursuant to this Section 6(b).

(c) Stock Based Awards. The Company has established the 2004 Equity Incentive Plan ("Equity Incentive Plan"). Subject to the terms and conditions of the Equity Incentive Plan, the Executive shall be eligible to participate in the Equity Incentive Plan, and shall be eligible to receive annual stock option and/or restricted stock awards under the Equity Incentive Plan. The Compensation Committee shall make and approve any such awards to the Executive pursuant to the Equity Incentive Plan.

(i) 2004 Equity Incentive Plan Option Grants. Option awards under the Equity Incentive Plan will have an exercise price per share equal to the closing price of the Company's common stock on the trading day immediately preceding the date of grant, will have a term of ten (10) years and will vest and become exercisable with respect to 1/3 of the underlying shares of Company common stock on the first, second and third anniversaries, respectively, of the date of grant; *provided, however*, that the Executive will be 100% vested in all outstanding option awards, including the unvested portion of such awards, upon (i) a Change in Control (as defined herein), (ii) a termination by the Company without Cause (as defined herein), or (iii) a termination by the Executive for Good Reason (as defined herein), and that the Executive will forfeit all unvested options if he is terminated for Cause, Disability (as defined below) or death, or if he terminates his employment hereunder for other than Good Reason.

(ii) 2004 Equity Incentive Plan Restricted Stock Awards. The Equity Incentive Plan provides for the issuance of shares of Company common stock as restricted common stock ("Restricted Stock Grants") to the extent that such shares of common stock are available thereunder. Restricted Stock Grants awarded to the Executive shall be subject to forfeiture restrictions that will terminate with respect to 1/3 of the awarded shares on the first, second and third anniversaries of the date of the issuance; *provided, further*, that the Executive will be 100% vested and all restrictions on each outstanding Restricted Stock Grant will lapse upon (i) a Change in Control (as defined herein), (ii) a termination by the Company without Cause (as defined herein), or (iii) a termination by the Executive for Good Reason (as defined herein), and that the Executive will forfeit all shares with respect to which the forfeiture restrictions have not terminated if he is terminated for Cause, Disability (as defined below) or death, or if he terminates his employment hereunder for other than Good Reason. The common stock issued as Restricted Stock Grants will have voting and dividend rights.

For purposes of this Agreement:

"Acquiring Person" means that a Person, considered alone or as part of a "group" within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, is or becomes directly or indirectly the beneficial owner (as defined in Rule 13d-3 under the Exchange Act) of securities representing more than thirty-three and one-third percent (33 1/3%) of the Company's then outstanding securities entitled to vote generally in the election of the Board.

“Continuing Director” means any member of the Board, while a member of the Board and (i) who was a member of the Board on the closing date of the Company’s initial public offering of the Common Stock or (ii) whose nomination for or election to the Board was recommended or approved by a majority of the Continuing Directors.

“Control Change Date” means the date on which a Change in Control occurs. If a Change in Control occurs on account of a series of transactions, the “Control Change Date” is the date of the last of such transactions.

“Change in Control” means (i) a Person is or becomes an Acquiring Person; (ii) holders of the securities of the Company entitled to vote thereon approve any agreement with a Person (or, if such approval is not required by applicable law and is not solicited by the Company, the closing of such an agreement) that involves the transfer of all or substantially all of the Company’s total assets on a consolidated basis, as reported in the Company’s consolidated financial statements filed with the Securities and Exchange Commission; (iii) holders of the securities of the Company entitled to vote thereon approve a transaction (or, if such approval is not required by applicable law and is not solicited by the Company, the closing of such a transaction) pursuant to which the Company will undergo a merger, consolidation, or statutory share exchange with a Person, regardless of whether the Company is intended to be the surviving or resulting entity after the merger, consolidation, or statutory share exchange, *other than* a transaction that results in the voting securities of the Company carrying the right to vote in elections of persons to the Board outstanding immediately prior to the closing of the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least 50% (fifty percent) of the Company’s voting securities carrying the right to vote in elections of persons to the Company’s Board, or such securities of such surviving entity, outstanding immediately after the closing of such transaction; (iv) the Continuing Directors cease for any reason to constitute a majority of the Board; (v) holders of the securities of the Company entitled to vote thereon approve a plan of complete liquidation of the Company or an agreement for the sale or liquidation by the Company of all or substantially all of the Company’s assets (or, if such approval is not required by applicable law and is not solicited by the Company, the commencement of actions constituting such a plan or the closing of such an agreement); or (vi) the Board adopts a resolution to the effect that, in its judgment, as a consequence of any one or more transactions or events or series of transactions or events, a Change in Control of the Company has effectively occurred. The Board shall be entitled to exercise its sole and absolute discretion in exercising its judgment and in the adoption of such resolution, whether or not any such transaction(s) or event(s) might be deemed, individually or collectively, to satisfy any of the criteria set forth in subparagraphs (i) through (v) above.

“Person” means any human being, firm, corporation, partnership, or other entity. “Person” also includes any human being, firm, corporation, partnership, or other entity as defined in sections 13(d)(3) and 14(d)(2) of the Exchange Act. The term “Person” does not include the Company or any Related Entity, and the term Person does not include any employee-benefit plan maintained by the Company or any Related Entity, or any person or entity organized, appointed, or established by the Company or any Related Entity for or pursuant to the terms of any such employee-benefit plan, unless the Board determines that such an employee-benefit plan or such person or entity is a “Person”.

"Related Entity" means any entity ~~is~~ ~~is part~~ of a controlled group of corporations or is under common control with the Company within the meaning of Sections 1563(a), 414(b) or 414(c) of the Code.

(d) Benefits.

(i) Vacation. The Executive shall be entitled to five (5) weeks of paid vacation per full calendar year. The Executive shall not be entitled to cash in lieu of any unused vacation time. The Executive shall be entitled to carry over any unused vacation time from year to year pursuant to the Company's then current vacation policy.

(ii) Sick and Personal Days. The Executive shall be entitled to sick and personal days in accordance with the policies of the Company.

(iii) Employee Benefits.

(A) Participation in Employee Benefit Plans. Subject to the terms of any applicable plans, policies or programs, the Executive and his spouse and eligible dependents, if any, and their respective designated beneficiaries where applicable, will be eligible for and entitled to participate in any Company sponsored employee benefit plans, including but not limited to benefits such as group health, dental, accident, disability insurance, group life insurance, and a 401(k) plan, as such benefits may be offered from time to time, on a basis no less favorable than that applicable to other executives of the Company.

(B) Disability Insurance. The Company will maintain, at its cost, a renewable long-term Disability plan that, subject to the terms of such plan and any applicable plans, policies or programs, provides for payment of not less than 60% of the Executive's Base Salary for so long as any long-term Disability of the Executive continues. In addition, the Company shall reimburse the Executive the amount of premiums payable by the Executive with respect to a personal supplemental long-term disability insurance policy providing for benefits equal to at least 40% of the Executive's Base Salary for so long as any long-term Disability of the Executive continues.

(iv) Directors and Officers Insurance. During the Term and for a period of thirty-six (36) months thereafter, the Executive shall be entitled to director and officer insurance coverage for his acts and omissions while an officer and director of the Company on a basis no less favorable to him than the coverage provided to current officers and directors.

(v) Expenses, Office and Secretarial Support. The Executive shall be entitled to reimbursement of all reasonable expenses, in accordance with the Company's policy as in effect from time to time and on a basis no less favorable than that applicable to other executives of the Company, including, without limitation, telephone, reasonable travel and reasonable entertainment expenses incurred by the Executive in connection with the business of the Company, promptly upon the presentation by the Executive of appropriate documentation. The Company shall also provide Executive with an automobile allowance of \$1,500 per month. The Executive shall also be entitled to appropriate office space, administrative support, and such

~~other facilities~~ and services as are suitable to the Executive's positions and adequate for the performance of the Executive's duties.

(vi) Reimbursement of Certain Professional Fees. The Company shall reimburse, at the request of the Executive, fees for financial, tax and accounting advisory services, and professional organizations reasonably related to the mortgage banking and REIT industries.

(vii) Life Insurance. The Company may purchase on the life of the Executive up to \$15 million of key man life insurance with the Company as the beneficiary of the death benefit. The Company shall also purchase on the life of the Executive a 30 year vanishing premium, whole life insurance policy with a death benefit of at least four times the Executive's Base Salary and target Incentive Bonus with the Executive as the owner of the policy and the beneficiaries of the death benefit to be designated by the Executive, and the Company will pay the Executive such additional amount as necessary to have no tax effect on the Executive. The life insurance shall be issued by an AA or better rated (by AM Best) insurer. The Company will obtain bids for this program and review the final program with the Executive and the Chairman of the Compensation Committee for approval. The program will be structured to comply with all requirements of the Sarbanes-Oxley Act or similar requirements.

7. Termination. The Executive's employment hereunder may be terminated without any breach of this Agreement only under the following circumstances:

(a) Death. The Executive's employment hereunder shall terminate upon his death.

(b) Disability. If, in the written opinion of a qualified physician reasonably agreed to by the Company and the Executive, the Executive shall become unable to perform his duties hereunder due to Disability, the Company may terminate the Executive's employment hereunder. As used in this Agreement, the term "Disability" shall mean inability of the Executive, due to physical or mental condition, to perform the essential functions of the Executive's job, after consideration of the availability of reasonable accommodations, for more than 180 total calendar days during any period of 12 consecutive months.

(c) For Cause. The Company may terminate the Executive's employment hereunder immediately for Cause. For purposes of this Agreement, the Company shall have "Cause" to terminate the Executive's employment hereunder upon a determination by at least a majority of the members of the Board (other than Executive) at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive of such meeting, the purpose thereof and the particulars of the basis for such meeting and the Executive is given an opportunity, together with counsel, to be heard before the Board) that Executive (i) has committed fraud or misappropriated, stolen or embezzled funds or property from the Company or an affiliate of the Company or secured or attempted to secure personally any profit in connection with any transaction entered into on behalf of the Company or any affiliate of the Company, (ii) has been convicted of, or entered a plea of guilty or "nolo contendere" to, a felony, whether or not involving the Company, which constitutes a crime of moral turpitude or which is punishable by imprisonment or which is likely to cause material harm to the Company's (or any affiliate of the Company) business, customer or ~~supplier~~ relations, financial condition or

prospects, (iii) has, notwithstanding not less than 30 days' prior written notice from the Board, willfully failed to perform (other than by reason of illness or temporary disability) his material duties hereunder on an exclusive and full-time basis, or willfully violated any reasonable directive or decision of the Board (iv) has knowingly violated or breached any material law or regulation to the material detriment of the Company or any affiliates of the Company or its business, or (v) has breached any non-competition, non-disclosure or non-solicitation agreement between Executive and the Company which causes or is reasonably likely to cause material harm to the Company. For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that his action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. Any notice of termination delivered by the Company to Executive that purports to notify Executive of a termination for Cause, but where the Company has not otherwise followed the procedures set forth in the definition of "Cause" above, shall be deemed to constitute a notice of termination without Cause pursuant to Section 7(d) hereof. Neither a notice from the Company to Executive that a meeting of the Board has been scheduled to determine whether grounds for a termination for "Cause" exist, nor the holding of such a meeting, shall itself be construed as a notice of termination for such purpose.

(d) Without Cause. The Company may at any time terminate the Executive's employment hereunder without Cause.

(e) Termination by the Executive.

(i) The Executive may terminate his employment hereunder (A) for Good Reason, or (B) at any time after the date hereof by giving sixty (60) days prior notice of his intention to terminate.

(ii) For purposes of this Agreement, "Good Reason" shall mean (A) a failure by the Company to comply with any material provision of this Agreement (other than the Company's payment obligations referred to in clause (E) below) which has not been cured within thirty (30) days after notice of such noncompliance has been given by the Executive to the Company, (B) the assignment to the Executive of any material duties inconsistent with the Executive's position with the Company or a substantial adverse alteration in the nature or status of the Executive's responsibilities without the consent of the Executive, (C) without the consent of the Executive, a material reduction in employee benefits other than a reduction generally applicable to similarly situated executives of the Company, (D) without the consent of the Executive, relocation of the Company's principal place of business outside a fifty (50) mile radius of Irvine, California, (E) any failure by the Company to pay the Executive Base Salary or any Incentive Bonus to which he is entitled under the Bonus Plan or hereunder which failure has not been cured within ten (10) days after notice of such noncompliance has been given by the Executive to the Company or any failure of the Compensation Committee to approve a Bonus Plan for any fiscal year, or (F) without the consent of the Executive, a failure by the Board of Directors to nominate the Executive for reelection as a director of the Company and as Chairman.

of the Board and any ~~failure~~ by the stockholders of the Company to reelect Executive as a director of and as Chairman of the Board of the Company and any removal by the stockholders or the Board of Directors of the Executive from his positions as Chief Executive Officer, President, or as director of and as Chairman of the Board of the Company, other than for Cause.

(f) Any termination of the Executive's employment by the Company or by the Executive (other than termination pursuant to subsection (a) or (b) of this Section 7) shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 14. For purposes of this Agreement a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated.

(g) "Date of Termination" shall mean (i) if the Executive's employment is terminated by his death, the date of his death, (ii) if the Executive's employment is terminated pursuant to subsection (b) above, the date as of which the physician's written opinion is received by the Company, (iii) if the Executive's employment is terminated pursuant to subsection (c) above, the date specified in the Notice of Termination, and (iv) if the Executive's employment is terminated for any other reason, the date sixty (60) days following the date on which a Notice of Termination is given.

8. Compensation Upon Termination, Death or During Disability.

(a) Disability. Should Executive become disabled from performing his duties hereunder as defined above, Executive acknowledges that his employment may be terminated anytime thereafter if such disability continues; provided that during the period of the disability prior to such termination of employment, Executive shall continue to receive all compensation and benefits as if he were actively employed less any sums received directly by the Executive, if any, under any policy or policies of disability income insurance purchased by the Company. In the event of such termination, Executive shall be entitled to receive any unpaid Base Salary to the Date of Termination, the earned but unpaid Incentive Bonus for any completed fiscal year and any amounts due to Executive pursuant to Section 6(d) through the Date of Termination. Executive's rights to receive any additional salary or payments under this Agreement shall terminate but Executive shall have the right to continue to receive any and all payments made by an insurance company under any and all policies of disability insurance purchased by the Company. Executive's rights under any Company benefit plan will be those rights accorded to any terminated employee under the plan provisions and applicable law. Executive will remain entitled to receive any benefits under state disability or worker's compensation laws. In addition, all stock options, restricted stock grants awards and any other equity awards granted by the Company to the Executive shall become fully vested, unrestricted and exercisable as of the Date of Termination.

(b) Death. If the Executive's employment is terminated by his death, the Company shall within ten (10) days following the date of the Executive's death, pay to the Executive's designated beneficiary (ies) any amounts due to the Executive under Section 6(d) through the date of and as a result of his death, an amount equal to the Executive's annual Base Salary for the year in which the ~~termination~~ took place, and an amount equal to either the Executive's

target Incentive Bonus for the year in which the termination took place (if termination occurs during the first year of this Agreement), or an amount equal to the average Incentive Bonus earned by Executive during the term of this Agreement (if termination occurs after the first year of this Agreement) together with any other amounts to which the Executive is entitled pursuant to death benefit plans, programs and policies. In addition, all stock options, restricted stock awards and any other equity awards granted by the Company to the Executive shall become fully vested, unrestricted and exercisable as of the Date of Termination.

(c) Cause or other than Good Reason. If the Executive's employment shall be terminated by the Company for Cause or by the Executive for other than Good Reason, the Company shall pay the Executive his full Base Salary through the Date of Termination at the rate in effect at the time Notice of Termination is given and reimburse the Executive for all reasonable and customary expenses incurred by the Executive in performing services hereunder prior to the Date of Termination in accordance with Section 6(d), and the Company shall have no further obligations to the Executive under this Agreement.

(d) Termination by the Company without Cause (other than for death or Disability) or Termination by the Executive for Good Reason. If the Company shall terminate the Executive's employment other than for death, Disability, or Cause, or the Executive shall terminate his employment for Good Reason, then:

(i) the Company shall pay to the Executive within two business days following the Date of Termination any unpaid Base Salary to the Date of Termination, the earned but unpaid Incentive Bonus for any completed fiscal year, and any amounts due to Executive pursuant to Section 6 (d) through the Date of Termination;

(ii) pay to the Executive as severance pay (a) an aggregate amount equal to three (3) times the Executive's annualized rate of Base Salary and one (1) times the average Incentive Bonus paid to Executive for the three calendar years preceding the Date of Termination, such aggregate amount to be paid in a series of substantially equal installments (not less frequently than monthly) over a period of three (3) years following the Date of Termination.

(iii) In the case of a termination of the Executive's employment by the Company without Cause or for Disability, or by the Executive for Good Reason, the Company shall pay the full cost for the Executive to participate in the health insurance plan in which the Executive was enrolled immediately prior to the Date of Termination for a period of thirty-six (36) months, provided that the Executive's continued participation is possible under the general terms and provisions of such plans and programs. In the event that the Executive's participation in any such plan or program is barred, the Company shall arrange to provide the Executive with benefits substantially similar to those which the Executive would otherwise have been entitled to receive under such plan from which his continued participation is barred; and

(iv) The obligations of the Company to make any payments to Executive required under Section 8(d) hereof shall be conditioned on the execution and delivery by the Executive of a general release of claims in form and substance reasonably satisfactory to the Company.

9. Nondisclosure. The Executive shall hold in a ~~fiduciary~~ capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. The agreement made in this Section 9 shall be in addition to, and not in limitation or derogation of, any obligations otherwise imposed by law or by separate agreement upon the Executive in respect of confidential information of the Company.

10. Non-Competition and Non-Solicitation. During the Executive's employment with the Company and for a period of twelve (12) months following the Executive's Date of Termination, the Executive shall not, for himself or on behalf of or in conjunction with any other person, persons, company, firm, partnership, corporation, business, group or other entity (each, a "Person"), work in the principal line of business engaged in, or planned to be engaged in, by the Company at the Date of Termination within any state where the Company is doing business or has plans for commencing business as of the Date of Termination. The Executive's passive ownership of less than five percent (5%) of the securities of a public company shall not be treated as an action in competition with the Company.

(a) Executive hereby acknowledges and agrees that his employment with the Company places him in a position of trust and confidence with respect to the business operations, customers, prospects and personnel of the Company. He agrees that, due to his position and knowledge, his engaging in any business that competes in the principal line of business as the Company will cause the Company significant and irreparable harm.

(b) In consideration of the compensation and benefits extended to him under this Agreement, Executive agrees that, during the term of Executive's employment by the Company and for twelve (12) months following the Executive's Date of Termination, the Executive shall not, for any reason whatsoever, directly or indirectly, for himself or herself or on behalf of or in conjunction with any other Person with whom the Executive works or is affiliated:

(i) solicit and/or hire any Person who is on the Date of Termination, or has been within six (6) months prior to the Date of Termination, an employee of the Company or its affiliates;

(ii) solicit, induce or attempt to induce any Person who is, at the Date of Termination, or has been within six (6) months prior to the Date of Termination, an actual customer, client, business partner, or a prospective customer, client, business partner (i.e., a customer, client or business partner who is party to a written proposal or letter of intent with the Company, in each case written less than six (6) months prior to the Date of Termination) of the Company, for the purpose or with the intent of (A) inducing or attempting to induce such Person to cease doing business with the Company or its affiliates, (B) enticing or attempting to entice

such Person to do business with Executive or any affiliate of Executive, or (C) in any way interfering with the relationship between such Person and the Company or its affiliates; or

(iii) solicit, induce or attempt to induce any Person who is or that is, at the time of the Date of Termination, or has been within six (6) months prior to the Date of Termination, a supplier, licensee or consultant of, or provider of goods or services to the Company or its affiliates, for the purpose or with the intent of (A) inducing or attempting to induce such Person to cease doing business with the Company or its affiliates or (B) in any way interfering with the relationship between such Person and the Company or its affiliates.

(c) Because of the difficulty of measuring economic losses to the Company as a result of a breach of the foregoing covenants, and because of the immediate and irreparable damage that could be caused to the Company for which it would have no other adequate remedy, Executive agrees that the foregoing covenants in this Section 10, in addition to and not in limitation of any other rights, remedies or damages available to the Company at law, in equity or under this Agreement, shall be enforced by the Company in the event of the breach or threatened breach by Executive, by injunctions and/or restraining orders.

(d) It is agreed by the parties that the covenants contained in this Section 10 impose a fair and reasonable restraint on Executive in light of the activities and business of the Company on the date of the execution of this Agreement and the current plans of the Company; but it is also the intent of the Company and Executive that such covenants be construed and enforced in accordance with the changing activities, business and locations of the Company and its affiliates throughout the term of these covenants. Executive also acknowledges that this restraint will not prevent him from earning a living in his chosen field of work.

(e) The covenants in this Section 10 are severable and separate, and the unenforceability of any specific covenant shall not affect the provisions of any other covenant. Moreover, in the event any court of competent jurisdiction shall determine that the scope, time or territorial restrictions set forth herein are unreasonable, then it is the intention of the parties that such restrictions be enforced to the fullest extent that such court deems reasonable, and the Agreement shall thereby be reformed to reflect the same.

(f) All of the covenants in this Section 10 shall be construed as an agreement independent of any other provision in this Agreement, and the existence of any claim or cause of action of Executive against the Company whether predicated on this Agreement or otherwise shall not constitute a defense to the enforcement by the Company of such covenants. It is specifically agreed that the duration of the period during which the agreements and covenants of Executive made in this Section 10 shall be effective shall be computed by excluding from such computation any time during which Executive is in violation of any provision of this Section 10.

(g) Notwithstanding any of the foregoing, if any applicable law, judicial ruling or order shall reduce the time period during which Executive shall be prohibited from engaging in any competitive activity described in Section 10 hereof, the period of time for which Executive shall be prohibited pursuant to Section 10 hereof shall be the maximum time permitted by law.

11. Successors; Binding Agreement. This Agreement shall be binding upon ~~and more to~~ the benefit of successors and permitted assigns of the parties. This Agreement may not be assigned, nor may performance of any duty hereunder be delegated, by either party without the prior written consent of the other; *provided, however*, the Company may assign this Agreement to any successor to its business, including but not limited to in connection with any subsequent merger, consolidation, sale of all or substantially all of the assets or stock of the Company or similar transaction involving the Company or a successor corporation.

12. Additional Payments by the Company.

(a) If it is determined (as hereafter provided) that any payment or distribution by the Company to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise pursuant to or by reason of any other agreement, policy, plan, program or arrangement, including without limitation any option, share appreciation right or similar right, or the lapse or termination of any restriction on or the vesting or exercisability of any of the foregoing (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Code (or any successor provision thereto) or to any similar tax imposed by state or local law, or any interest or penalties with respect to such excise tax (such tax or taxes, together with any such interest and penalties, are hereafter collectively referred to as the "Excise Tax"), then Executive will be entitled to receive an additional payment or payments (a "Gross-Up Payment") in an amount such that, after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) All determinations required to be made under this Section 12, including whether an Excise Tax is payable by Executive and the amount of such Excise Tax and whether a Gross-Up Payment is required and the amount of such Gross-Up Payment, will be made by the Company's then current outside auditors; provided that if that firm is unwilling or unable to provide such services, another accounting firm may be selected by the Company (such accounting firm the "Accounting Firm"). The Company will direct the Accounting Firm to submit its determination and detailed supporting calculations to both the Company and Executive within 30 calendar days after the date of the change in control or the date of Executive's termination of employment, if applicable, and any other such time or times as may be requested by the Company or Executive. If the Accounting Firm determines that any Excise Tax is payable by Executive, the Company will pay the required Gross-Up Payment to Executive no later than five calendar days prior to the due date for Executive's income tax return on which the Excise Tax is included. If the Accounting Firm determines that no Excise Tax is payable by Executive, it will, at the same time as it makes such determination, furnish Executive with an opinion that he has substantial authority not to report any Excise Tax on his federal, state, local income or other tax returns. Any determination by the Accounting Firm as to the amount of the Gross-Up Payment will be binding upon the Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code (or any successor provision thereto) and the possibility of similar uncertainty regarding applicable state or local tax law at the time of any determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made (an "Underpayment"), consistent with the calculations

required to be made hereunder. ~~In the event that~~ the Company exhausts or fails to pursue its remedies pursuant to Section 12(f) hereof and Executive thereafter is required to make a payment of any Excise Tax, Executive shall so notify the Company, which will direct the Accounting Firm to determine the amount of the Underpayment that has occurred and to submit its determination and detailed supporting calculations to both the Company and Executive as promptly as possible. Any such Underpayment will be promptly paid by the Company to, or for the benefit of, Executive within five business days after receipt of such determination and calculations.

(c) The Company and Executive will each provide the Accounting Firm access to and copies of any books, records and documents in the possession of the Company or Executive, as the case may be, reasonably requested by the Accounting Firm, and otherwise cooperate with the Accounting Firm in connection with the preparation and issuance of the determination contemplated by Section 12(b) hereof.

(d) The federal, state and local income or other tax returns filed by Executive will be prepared and filed on a consistent basis with the determination of the Accounting Firm with respect to the Excise Tax payable by Executive. To the extent the Excise Tax has not been previously withheld from amounts paid to the Executive, Executive will make proper payment of the amount of any Excise Tax, and at the request of the Company, provide to the Company true and correct copies (with any amendments) of his federal income tax return as filed with the Internal Revenue Service and corresponding state and local tax returns, if relevant, as filed with the applicable taxing authority, and such other documents reasonably requested by the Company, evidencing such payment. If prior to the filing of Executive's federal income tax return, or corresponding state or local tax return, if relevant, the Accounting Firm determines that the amount of the Gross-Up Payment should be reduced, Executive will within five business days pay to the Company the amount of such reduction.

(e) The fees and expenses of the Accounting Firm for its services in connection with the determinations and calculations contemplated by Sections 12(b) and 12(d) hereof will be borne by the Company. If such fees and expenses are initially advanced by Executive, the Company will reimburse Executive the full amount of such fees and expenses within five business days after receipt from Executive of a statement therefore and reasonable evidence of his payment thereof.

(f) Executive will notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of a Gross-Up Payment. Such notification will be given as promptly as practicable but no later than ten (10) business days after Executive actually receives notice of such claim and Executive will further apprise the Company of the nature of such claim and the date on which such claim is requested to be paid (in each case, to the extent known by Executive). Executive will not pay such claim prior to the earlier of (x) the expiration of the 30-calendar-day period following the date on which he gives such notice to the Company and (y) the date that any payment of amount with respect to such claim is due. If the Company notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive will:

(i) provide the Company with any written records or documents in his possession relating to such claim reasonably requested by the Company;

(ii) take such action in connection with contesting such claim as the Company reasonably requests in writing from time to time, including without limitation accepting legal representation with respect to such claim by an attorney competent in respect of the subject matter and reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company will bear and pay directly all costs and expenses (including interest and penalties) incurred in connection with such contest and will indemnify and hold harmless Executive, on an after-tax basis, for and against any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this Section 12(f), the Company will control all proceedings taken in connection with the contest of any claim contemplated by this Section 12(f) and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim (provided that Executive may participate therein at his own cost and expense) and may, at its option, either direct Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company will determine; provided, however, that if the Company directs Executive to pay the tax claimed and sue for a refund, the Company will advance the amount of such payment to Executive on an interest-free basis and will indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income tax, including interest or penalties with respect thereto, imposed with respect to such advance; and provided further, however, that any extension of the statute of limitations relating to payment of taxes for the taxable year of Executive with respect to which the contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of any such contested claim will be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Executive will be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(g) If, after the receipt by Executive of an amount advanced by the Company pursuant to Section 12(f) hereof, Executive receives any refund with respect to such claim, Executive will (subject to the Company's complying with the requirements of Section 12(f) hereof) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after any taxes applicable thereto). If, after the receipt by Executive of an amount advanced by the Company pursuant to Section 12(f) hereof, a determination is made that Executive will not be entitled to any refund with respect to such claim and the Company does not notify Executive in writing of its intent to contest such denial or refund prior to the expiration of 30 calendar days after such determination, then such advance will be forgiven and will not be required to be repaid and the amount of such advance will offset, to the extent

thereof, the amount of Gross-Up Payment required to be paid pursuant to this Section 12. If, after the receipt by Executive of a Gross-Up Payment but before the payment by Executive of the Excise Tax, it is determined by the Accounting Firm that the Excise Tax payable by Executive is less than the amount originally computed by the Accounting Firm and consequently that the amount of the Gross-Up Payment is larger than that required by this Section 12, Executive shall promptly refund to the Company the amount by which the Gross-Up Payment initially made to Executive exceeds the Gross-Up Payment required under this Section 12.

13. Continued Performance. Provisions of this Agreement shall survive any termination of Executive's employment hereunder if so provided herein or if necessary or desirable fully to accomplish the purposes of such provisions, including, without limitation, the obligations of the Executive under the terms and conditions of Sections 9 and 10. Any obligation of the Company to make payments to or on behalf of the Executive under Section 8 is expressly conditioned upon the Executive's continued performance of the Executive's obligations under Sections 9 and 10 for the time periods stated in Sections 9 and 10. The Executive recognizes that, except to the extent, if any, provided in Section 8, the Executive will earn no compensation from the Company after the Date of Termination.

14. Notices. For the purposes of this Agreement, notices, demands and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or (unless otherwise specified) mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

[REDACTED]
FAX: [REDACTED]

If to the Company:

PEOPLE'S CHOICE FINANCIAL CORPORATION
7515 Irvine Center Drive
Irvine, California 92618
Attention: Board of Directors
FAX: _____

With a copy to:

PEOPLE'S CHOICE FINANCIAL CORPORATION
7515 Irvine Center Drive
Irvine, California 92618
Attention: General Counsel
FAX: (949) 341-2248

or to such other address as any party may have furnished to the others in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

15. Miscellaneous. No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and such officer of the Company as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without regard to its conflicts of law principles.

(a) Validity. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

(b) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be in an original but all of which together will constitute one and the same instrument.

(c) Disputes.

(i) Arbitrable Claims. All disputes between Executive (and Executive's attorneys, successors, and assigns) and the Company (and its affiliates, shareholders, directors, officers, employees, agents, successors, attorneys, and assigns) relating in any manner whatsoever to the employment or termination of Executive, including, without limitation, all disputes arising under this Agreement ("Arbitrable Claims"), shall be resolved by final and binding arbitration. All persons and entities specified in the preceding sentence (other than Company and Executive) shall be considered third-party beneficiaries of the rights and obligations created by this Section 15. Arbitrable Claims shall include, but are not limited to, contract (express or implied) and tort claims of all kinds, as well as all claims based on any federal, state, or local law, statute, or regulation, excepting only claims under applicable workers' compensation law and unemployment insurance claims. By way of example and not in limitation of the foregoing, Arbitrable Claims shall include any claims arising under Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Americans with Disabilities Act, and the California Fair Employment and Housing Act, as well as any claims asserting wrongful termination, breach of contract, breach of the covenant of good faith and fair dealing, negligent or intentional infliction of emotional distress, negligent or intentional misrepresentation, negligent or intentional interference with contract or prospective economic advantage, defamation, invasion of privacy, and claims related to disability. Arbitration shall be final and binding upon the parties and shall be the exclusive remedy for all Arbitrable Claims, except that the Company may, at its option, seek interim injunctive relief and other provisional remedies in court as set forth in Section 15 (vi) of this Agreement. The parties hereby waive any rights they may have to trial by jury in regard to Arbitrable Claims.

(ii) Procedure. Arbitration of Arbitrable Claims shall be in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association, as amended ("AAA Employment Rules"), as augmented in this Agreement. Arbitration shall be initiated as provided by the AAA Employment Rules, although the written notice to the other party initiating arbitration shall also include a statement of the claim(s) asserted and all the facts upon which the claim(s) are based. Either party may bring an action in court to compel arbitration under this Agreement and to enforce an arbitration award. Otherwise, neither party shall initiate or prosecute any lawsuit or administrative action in any way related to any Arbitrable Claim. All arbitration hearings under this Agreement shall be conducted in Orange County, California. The Federal Arbitration Act shall govern the interpretation and enforcement of this Section 15.

(iii) Arbitrator Selection and Authority. All disputes involving Arbitrable Claims shall be decided by a single arbitrator. The arbitrator shall be selected by mutual agreement of the parties within thirty (30) days of the effective date of the notice initiating the arbitration. If the parties cannot agree on an arbitrator, then the complaining party shall notify the AAA and request selection of an arbitrator in accordance with the AAA Employment Rules. The arbitrator shall have only such authority to award equitable relief, damages, costs, and fees as a court would have for the particular claim(s) asserted and any action of the arbitrator in contravention of this limitation may be the subject of court appeal by the aggrieved party. No other aspect of any ruling by the arbitrator shall be appealable, and, except for being limited to relief that would be available in a court proceeding, all other aspects of the arbitrator's ruling shall be final and non-appealable. The expenses of arbitration shall be borne by the Company. The arbitrator shall have exclusive authority to resolve all Arbitrable Claims, including, but not limited to, whether any particular claim is arbitrable and whether all or any part of this Agreement is void or unenforceable.

(iv) Confidentiality. All proceedings and all documents prepared in connection with any Arbitrable Claim shall be confidential and, unless otherwise required by law, the subject matter thereof shall not be disclosed to any person other than the parties to the proceedings, their counsel, witnesses and experts, the arbitrator, and, if involved, the court and court staff. All documents filed with the arbitrator or with a court shall be filed under seal. The parties shall stipulate to all arbitration and court orders necessary to effectuate fully the provisions of this subsection concerning confidentiality.

(v) Continuing Obligations. The rights and obligations of Executive and the Company set forth in this Section 15 shall survive the termination of Executive's employment and the expiration of this Agreement.

(vi) Exceptions for Injunctive Relief. Notwithstanding the foregoing, in order to provide for interim relief pending the finalization of arbitration proceedings hereunder, nothing in this Section 15 shall prohibit the Company from pursuing a claim for interim injunctive relief, for other applicable provisional remedies, and for related attorneys' fees in a court of competent jurisdiction from Executive's breach of Executive's obligations set forth in this Agreement including, without limitation, Sections 3, 9, 10 and 15 of this Agreement.

(d) Executive's Legal Expenses. ~~In the event~~ that the Executive institutes any proceeding to enforce his rights under, or to recover damages for breach of this Agreement, the Executive, if he is the prevailing party, shall be entitled to recover from the Company any actual expenses for attorney's fees and disbursements incurred by him.

(c) Indemnification. The Company shall indemnify and hold the Executive harmless to the maximum extent permitted by the laws of the State of Maryland (and the law of any other appropriate jurisdiction after any reincorporation of the Company) against judgments, fines, amounts paid in settlement and reasonable expenses, including attorneys' fees incurred by Executive, in connection with the defense of, or as a result of any action or proceeding (or any appeal from any action or proceeding) in which Executive is made or is threatened to be made a party by reason of the fact that he is or was an officer or director of the Company, regardless of whether such action or proceeding is one brought by or in the right of the Company to procure a judgment in its favor (or other than by or in the right of the Company); *provided, however,* that this indemnification provision shall not apply to any action or proceeding relating to a dispute between the Company and the Executive based on any alleged breach or violation of this Agreement.

(d) Entire Agreement. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto; and any prior agreement of the parties hereto in respect of the subject matter contained herein.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

PEOPLE'S CHOICE FINANCIAL CORPORATION

Attest:

By: 

By: 

Name:

Title: CEO

NEIL B. KORNSWIET

Attest:

By: 

By: 

Name:

Title:

AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT

This Amendment No. 1 is made this 19th day of March, 2007, to that certain Employment Agreement (the "Employment Agreement") dated January 1, 2006 between People's Choice Financial Corporation, a Maryland Corporation (the "Company") and Neil Kornswiet (the "Executive").

The Company and Executive hereby agree that Employee's services would better serve the Company as an employee of the Company's wholly-owned subsidiary, People's Choice Home Loan, Inc., a Wyoming corporation ("PCHLI"), and therefore agree that the Employment Agreement is hereby amended as follows:

The first paragraph is hereby amended to replace "People's Choice Financial Corporation, a Maryland Corporation" with "People's Choice Home Loan, Inc., a Wyoming corporation"

IN WITNESS WHEREOF, the parties have executed this Agreement on the date and year first above written.

PEOPLE'S CHOICE FINANCIAL CORPORATION

By: Brad Plantiko
Brad Plantiko
Executive Vice President

NEIL KORNSWIET

Neil Kornswiet

The following content is redacted.

July 18, 2007

Neil Kornswiet
108 Emerald Bay
Laguna Beach, CA 92651

RE: Change of Employment Status Confirmation

Dear Neil:

This letter confirms that you terminated your employment for good cause pursuant to your employment contract with People's Choice Home Loan, Inc., effective July 17, 2007.

Please find enclosed a pamphlet from the Employment Development Department (EDD) for your reference. The pamphlet provides useful information regarding the various programs offered by the EDD for the benefits of unemployed individuals including job service, one-stop services, unemployment insurance, and disability insurance. Please contact the EDD directly with any questions regarding any programs that they offer.

Your medical, dental and vision benefits coverage will continue through July 31, 2007. Information on continuing your benefits coverage at your own expense (COBRA) will be mailed to your home directly from our vendor, Conexis, within a few weeks.

If you were enrolled in the group life and/or voluntary life coverage's for five years or longer, you may be eligible to convert to an individual policy. Please contact Standard Insurance at 1 (800) 378-4668 ext. 6785 for information regarding converting to an individual policy within 31 days.

Should you have an address change, please notify the Human Resources Department. This will ensure the receipt of any future mailings.

Please contact me should you have any questions at (949) 265-1816.

Sincerely,


Tammy Carter
Regional Manager, Human Resources

7515 IRVINE CENTER DRIVE, IRVINE, CA 92618
phone (949) 265-1816 fax (949) 453-1609

Neil Kornswiet

From: Johnson, Sven [sjohnson@alvarezandmarsal.com]
Sent: Tuesday, August 28, 2007 10:43 AM
To: Neil Kornswiet
Subject: Accruals

Below should give you the information you are looking for;

Prepetition wages - \$13,961.54
3/16 Vacation accrual - \$116,346.15

Sven

Alvarez & Marsal
633 West Fifth Street, Suite 2560
Los Angeles, CA 90071
P: 213.330.2382
C: 678.644.0535
F: 213.330.2133

This message is intended only for the use of the Addressee and may contain information that is privileged and confidential. If you are not the intended recipient, you are hereby notified that any dissemination of this communication is strictly prohibited. If you have received this communication in error, please erase all copies of the message and its attachments and notify us immediately. Thank you.

This message is intended only for the use of the addressee(s) and may contain information that is PRIVILEGED and CONFIDENTIAL. If you are not the intended recipient(s), you are hereby notified that any dissemination of this communication is strictly prohibited. If you have received this communication in error, please erase all copies of the message and its attachments and notify us immediately.

This email has been scanned by the MessageLabs Email Security System.

JP TECH

Insurance Services, Inc.

10000 WEST 10TH AVENUE, SUITE 1000
DENVER, COLORADO 80202
TEL: 303.733.1000 FAX: 303.733.1001
WWW.JPTECHINSURANCE.COM

August 28, 2007

Neil Kornswiet
People's Choice Financial Corporation
7515 Irvine Center Drive
Irvine, CA 92618


RE: Directors & Officers Liability - 3 Year Run-Off Proposal
Policy Periods: October 3, 2007 to October 3, 2010

Dear Neil:

The total premium for the 3 year run-off option extending your current \$90 Million in D&O limits is \$2,074,000. A complete breakdown of coverage terms and premiums of individual policies is available upon request.

Please feel free to contact us if you have any questions or concerns.

Best Regards,


Joseph Plascencia
Director

John Hancock Life Insurance Company (U.S.A.)

A LIFE INSURANCE POLICY ILLUSTRATION

A Whole Life Insurance Policy

Protection Whole Life Form: 07PROWL

Guaranteed Detailed Policy Values

Presented By: Chris Lapple

Illustration Assumptions

Neil Kornswiet

Total Initial Death Benefit \$3,630,000

Male - Preferred NonSmoker

Initial Premium: \$1,140,981.60

Age: 50

State: California

Modified Endowment Contract Under TAMRA Starting In Year 1

Policy Year	EOY Age	Guaranteed Values					
		Total Annual Premium	Net Outlay	Total Cash Surrender Value	IRR Cash Surrender Value	Total Death Benefit	IRR Death Benefit
1	51	1,140,982	1,140,982	998,032	-12.53%	3,630,000	218.15%
2	52	0	0	1,038,652	-4.59%	3,630,000	78.37%
3	53	0	0	1,080,470	-1.80%	3,630,000	47.08%
4	54	0	0	1,123,558	-0.38%	3,630,000	33.55%
5	55	0	0	1,167,735	0.46%	3,630,000	26.04%
6	56	0	0	1,212,856	1.02%	3,630,000	21.28%
7	57	0	0	1,258,920	1.42%	3,630,000	17.98%
8	58	0	0	1,306,001	1.70%	3,630,000	15.57%
9	59	0	0	1,354,426	1.92%	3,630,000	13.72%
10	60	0	0	1,404,120	2.10%	3,630,000	12.27%
Totals:		1,140,982	1,140,982				
11	61	0	0	1,454,904	2.23%	3,630,000	11.09%
12	62	0	0	1,506,595	2.34%	3,630,000	10.12%
13	63	0	0	1,558,831	2.43%	3,630,000	9.31%
14	64	0	0	1,611,539	2.50%	3,630,000	8.62%
15	65	0	0	1,664,682	2.55%	3,630,000	8.02%
16	66	0	0	1,718,333	2.59%	3,630,000	7.50%
17	67	0	0	1,772,674	2.63%	3,630,000	7.04%
18	68	0	0	1,827,850	2.65%	3,630,000	6.64%
19	69	0	0	1,883,861	2.67%	3,630,000	6.28%
20	70	0	0	1,940,925	2.69%	3,630,000	5.96%
Totals:		1,140,982	1,140,982				
21	71	0	0	1,998,642	2.71%	3,630,000	5.67%
22	72	0	0	2,056,976	2.72%	3,630,000	5.40%
23	73	0	0	2,115,020	2.72%	3,630,000	5.16%
24	74	0	0	2,172,954	2.72%	3,630,000	4.94%
25	75	0	0	2,230,853	2.72%	3,630,000	4.74%
26	76	0	0	2,288,679	2.71%	3,630,000	4.55%
27	77	0	0	2,346,468	2.71%	3,630,000	4.38%
28	78	0	0	2,403,859	2.70%	3,630,000	4.22%
29	79	0	0	2,460,341	2.69%	3,630,000	4.07%
30	80	0	0	2,515,517	2.67%	3,630,000	3.93%
Totals:		1,140,982	1,140,982				

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This is your Basic Illustration and is valid only if all illustration pages are included.

John Hancock Life Insurance Company (U.S.A.)

A LIFE INSURANCE POLICY ILLUSTRATION

A Whole Life Insurance Policy

Protection Whole Life Form: 07PROWL

Guaranteed Detailed Policy Values (cont'd)

Presented By: Chris Lapple

Illustration Assumptions

Neil Kornswiet

Total Initial Death Benefit \$3,630,000

Male - Preferred NonSmoker

Initial Premium: \$1,140,981.60

Age: 50

State: California

Modified Endowment Contract Under TAMRA Starting In Year 1

Policy Year	EOY Age	Guaranteed Values					
		Total Annual Premium	Net Outlay	Total Cash Surrender Value	IRR Cash Surrender Value	Total Death Benefit	IRR Death Benefit
31	81	0	0	2,569,314	2.65%	3,630,000	3.80%
32	82	0	0	2,621,259	2.63%	3,630,000	3.68%
33	83	0	0	2,671,716	2.61%	3,630,000	3.57%
34	84	0	0	2,720,649	2.59%	3,630,000	3.46%
35	85	0	0	2,767,875	2.56%	3,630,000	3.36%
36	86	0	0	2,813,069	2.54%	3,630,000	3.27%
37	87	0	0	2,855,939	2.51%	3,630,000	3.18%
38	88	0	0	2,896,159	2.48%	3,630,000	3.09%
39	89	0	0	2,933,657	2.45%	3,630,000	3.01%
40	90	0	0	2,968,360	2.42%	3,630,000	2.94%
Totals:		1,140,982	1,140,982				
41	91	0	0	3,000,231	2.39%	3,630,000	2.86%
42	92	0	0	3,030,360	2.35%	3,630,000	2.79%
43	93	0	0	3,058,820	2.32%	3,630,000	2.73%
44	94	0	0	3,085,573	2.29%	3,630,000	2.67%
45	95	0	0	3,110,474	2.25%	3,630,000	2.61%
46	96	0	0	3,133,235	2.22%	3,630,000	2.55%
47	97	0	0	3,155,160	2.19%	3,630,000	2.49%
48	98	0	0	3,176,032	2.16%	3,630,000	2.44%
49	99	0	0	3,195,671	2.12%	3,630,000	2.39%
50	100	0	0	3,213,675	2.09%	3,630,000	2.34%
Totals:		1,140,982	1,140,982				
51	101	0	0	3,229,248	2.06%	3,630,000	2.30%
52	102	0	0	3,244,530	2.03%	3,630,000	2.25%
53	103	0	0	3,259,450	2.00%	3,630,000	2.21%
54	104	0	0	3,274,079	1.97%	3,630,000	2.17%
55	105	0	0	3,288,236	1.94%	3,630,000	2.13%
56	106	0	0	3,302,102	1.92%	3,630,000	2.09%
57	107	0	0	3,315,606	1.89%	3,630,000	2.05%
58	108	0	0	3,328,746	1.86%	3,630,000	2.02%
59	109	0	0	3,341,560	1.84%	3,630,000	1.98%
60	110	0	0	3,353,975	1.81%	3,630,000	1.95%
Totals:		1,140,982	1,140,982				

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John Hancock Life Insurance Company (U.S.A.)

A LIFE INSURANCE POLICY ILLUSTRATION

A Whole Life Insurance Policy

Protection Whole Life Form: 07PROWL

Guaranteed Detailed Policy Values (cont'd)

Presented By: Chris Lapple

Illustration Assumptions

Neil Kornswiet

Total Initial Death Benefit \$3,630,000

Male - Preferred NonSmoker

Initial Premium: \$1,140,981.60

Age: 50

State: California

Modified Endowment Contract Under TAMRA Starting In Year 1

Policy Year	EOY Age	Guaranteed Values					
		Total Annual Premium	Net Outlay	Total Cash Surrender Value	IRR Cash Surrender Value	Total Death Benefit	IRR Death Benefit
61	111	0	0	3,366,026	1.79%	3,630,000	1.92%
62	112	0	0	3,377,679	1.77%	3,630,000	1.88%
63	113	0	0	3,388,968	1.74%	3,630,000	1.85%
64	114	0	0	3,399,894	1.72%	3,630,000	1.82%
65	115	0	0	3,410,421	1.70%	3,630,000	1.80%
66	116	0	0	3,420,585	1.68%	3,630,000	1.77%
67	117	0	0	3,430,350	1.66%	3,630,000	1.74%
68	118	0	0	3,439,752	1.64%	3,630,000	1.72%
69	119	0	0	3,448,790	1.62%	3,630,000	1.69%
70	120	0	0	3,457,176	1.60%	3,630,000	1.67%
Totals:		1,140,982	1,140,982				
71	121	0	0	3,630,000	1.64%	3,630,000	1.64%
Totals:		1,140,982	1,140,982				

Applicant's signature

By signing here, you acknowledge that:

- you have received a copy of this illustration
- you understand that the risk classification, premiums and values shown in this illustration may change as a result of the underwriting of your application

Representative's signature

By signing here, the representative certifies that:

- this illustration has been presented to the applicant unaltered
- no statements have been made that are inconsistent with the illustration

Applicant's signature

Date(mm/dd/yyyy)

Representative's signature

Date(mm/dd/yyyy)

for The John Hancock Life Insurance Company (U.S.A.)

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Individual/Family Plan Proposal

Prepared For: Neil Korswiel
 Prepared By: Adrienne Emmons
 Coverage: Family (Subscriber Age 50, Spouse Age 39)

Blue Shield PPO Aetna PPO Aetna PPO Blue Shield PPO

Prepared On: August 15, 2007
 Effective Date: September 01, 2007

	Spectrum \$750	MC 1500	MC 500	Spectrum \$500		
Deductible						
In Network	\$750	\$1,500	\$500	\$500		
Out Network	\$750	\$3,000	\$1,000	\$500		
Family Deductible						
In Network	\$1,500	\$3,000	\$1,000	\$1,000		
Out Network	\$1,500	\$6,000	\$2,000	\$1,000		
Copay						
In Network	\$35	\$30/\$40 Spec	\$30/\$40 Spec	\$30		
Out Network	50%	50%	50%	50%		
Subscriber Max Out of Pocket						
In Network	\$4,000(Excluding Ded)	\$6,000	\$5,000	\$3,500(Excluding Ded)		
Out Network	\$8,000(Excluding Ded)	\$12,000	\$10,000	\$7,000(Excluding Ded)		
Family Max Out of Pocket						
In Network	\$8,000(Excluding Ded)	\$12,000	\$10,000	\$7,000(Excluding Ded)		
Out Network	\$18,000(Excluding Ded)	\$24,000	\$20,000	\$14,000(Excluding Ded)		
Hospital Copay						
In Network	30%	30%	20%	25%		
Out Network	50%	50%	50%	50%		
Rx Generic						
In Network	\$10	\$15	\$15	\$10		
Out Network	N/A	\$15 + 50%	\$15 + 50%	See Schedule		
Rx Brand						
In Network	\$250+\$35	\$250 + \$30	\$250 + \$30	\$250+\$35		
Out Network	N/A	\$250 + \$30 + 50%	\$250 + \$30 + 50%	See Schedule		
Non-Formulary						
In Network	\$50 or 50% (Max \$150)	\$250 + \$50	\$250 + \$50	\$50 or 50%(Max \$150)		
Out Network	N/A	\$250 + \$50 + 50%	\$250 + \$50 + 50%	See Schedule		
Lifetime Max						
In Network	\$6,000,000	\$5,000,000	\$5,000,000	\$6,000,000		
Out Network	\$6,000,000	\$5,000,000	\$5,000,000	\$6,000,000		
Subscriber	\$318.00	\$413.00	\$553.00	\$472.00		
Dependent(s)	\$640.00	\$611.00	\$850.00	\$990.00		
Total	\$958.00	\$1,024.00	\$1,403.00	\$1,432.00		

The above rates and benefits are for general information and discussion purposes only and not valid unless approved by the carrier. Final rates are determined by the carrier's underwriting guidelines and final enrollment. The insurance policy, not general rates and descriptions in this website or printed output, will form the contract between the insured and the carrier.

CARRIER PLAN NAME	PREM RANK	PREMIUMS	DEDUCTIBLE & COPAYMENTS [Ⓞ]								ORTHO COPAY	
		TOTAL BASIC PREM	DED	OFFICE VISIT	CLEANING	X-RAYS	SINGLE AMALGAM	SINGLE ROOT CANAL	PORCELAIN WITH METAL CROWN [Ⓞ]	WAIT FOR MAJOR	CHILD	ADULT
BLUE CROSS DENTAL												
SAVER SELECT	3	\$31	NONE	\$ 5	NONE	NONE	\$ 54	\$341	\$432	NONE	\$ 2970	\$ 3045
SELECT HMO	7	\$45	NONE	\$ 5	NONE	NONE	NONE	\$341	\$432	NONE	\$ 2870	\$ 3045
DENTAL PPO	12	\$132	\$ 50	NONE	NONE	NONE	\$ 38 [Ⓞ]	\$164 [Ⓞ]	\$264 [Ⓞ]	12 MO	NA	NA
DELTA DENTAL W/D												
DELTA PPO	11	\$126	\$ 50	80% [Ⓞ]	80% [Ⓞ]	80% [Ⓞ]	80% [Ⓞ]	0% [Ⓞ]	0% [Ⓞ]	12 MO [Ⓞ]	0% [Ⓞ]	\$ N/A
DELTA PREMIER	13	\$180	\$ 50	80% [Ⓞ]	80% [Ⓞ]	80% [Ⓞ]	50% [Ⓞ]	0% [Ⓞ]	0% [Ⓞ]	12 MO [Ⓞ]	0% [Ⓞ]	\$ N/A
FIDELITY SEC.												
THE ONE DENTAL	10	\$108	\$ 50	\$ 10	100%	80%	80%	50%	50%	24 MO	NA	NA
GOLDEN WEST												
SMILECHOICE 1	1	\$13	NONE	NONE	\$20	NONE	\$33	\$215	\$380	6 MO	\$1,795	\$1,795 [Ⓞ]
SMILECHOICE 2	4	\$34	NONE	NONE	NONE	NONE	\$ 8	\$ 80	\$170	6 MO	\$1,795	\$1,795 [Ⓞ]
NATIONWIDE DENTAL												
HMO DENTAL	8	\$87	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 75	\$195	NONE	\$1,800	\$1,800
SCHED REIMBURS	8	\$89	\$ 50 [Ⓞ]	\$ 24 [Ⓞ]	\$ 80 [Ⓞ]	\$ 62 [Ⓞ]	\$ 38 [Ⓞ]	\$183 [Ⓞ]	\$220 [Ⓞ]	12 MO	NA	NA
PACIFICARE DENTAL												
PLAN 150	5	\$35	NONE	NONE	NONE	NONE	\$15	\$109	\$165	NONE	\$ 1895	\$ 1895
SMILESAVER DENTAL												
SM 800 SOUTH	2	\$14	NONE	NONE	\$22	\$ 5	\$38	\$230	\$400	NONE	\$ 2200	\$ 2400
SM 400 SOUTH	6	\$36	NONE	NONE	NONE	\$ 5	\$10	\$110	\$190	6 MO	\$ 2000	\$ 2150

[Ⓞ] See Plan Brochure for full disclosure of all applicable copayment amounts.
[Ⓞ] This is the amount that the plan pays. The Member is responsible for the portion of the Dentist's fee that is over this amount.
[Ⓞ] BENEFITS QUOTED ARE 1ST YEAR ONLY SEE PLAN BROCHURE FOR 2ND AND 3RD YEAR BENEFIT INFORMATION AND ONLINE ENROLLMENT REQUIREMENTS.
[Ⓞ] Some Golden West orthodontic offices limit their practice to children. Please refer to your Golden West Network Directory for more information.
[Ⓞ] \$150 Family Deductible
[Ⓞ] Member pays all costs in excess of amount shown.

Quote 97640A August 9, 2007

EXHIBIT D

1 GARY E. KLAUSNER (STATE BAR NO. 69077) and
2 H. ALEXANDER FISCH (STATE BAR NO. 223211)
3 STUTMAN, TREISTER & GLATT
4 PROFESSIONAL CORPORATION
5 1901 Avenue of the Stars, 12th Floor
6 Los Angeles, CA 90067
7 Telephone: (310) 228-5600
8 Telecopy: (310) 228-5788
9 Email: gklausner@stutman.com
10 Email: afisch@stutman.com
11 Attorneys for Neil Kornswiet

12 **UNITED STATES BANKRUPTCY COURT**
13 **CENTRAL DISTRICT OF CALIFORNIA**
14 **SANTA ANA DIVISION**

15 In re) Case No. 8:07-10765-RK
16)
17 PEOPLE'S CHOICE HOME LOAN,) Chapter 11
18 INC., et al)
19) (Jointly Administered with
20 Debtor.,) Case Nos. 8:07-10767-RK and
21) 8:07-10772-RK)
22 Fed. Tax I.D. No.: 94-3348277)

23 **MOTION FOR ALLOWANCE OF**
24 **ADMINISTRATIVE EXPENSE CLAIM OF**
25 **NEIL B. KORNSWIET**

26 [Hearing to be set, if necessary]
27)
28)



1 Pursuant to the "Notice of (I) Entry of Order Confirming Committee's First Amended
2 Liquidating Plan under Chapter 11 of the Bankruptcy Code Dated May 28, 2008; (II) Occurrence of
3 Effective Date; and (III) Related Deadlines for the Filing of Rejection Claims, Administrative
4 Claims, and Professional Fee Claims" filed August 13, 2008, Neil Kornswiet ("Kornswiet") hereby
5 moves for allowance of his administrative expense claim seeking reimbursement of Kornswiet's
6 advance (the "Advance") to the above-captioned Debtors (the "Debtors") of the cost of the premium
7 to obtain "tail" coverage for the Debtors' directors' and officers' liability insurance policies (the
8 "D&O Policies"). Kornswiet requests reimbursement of the Advance as an administrative expense
9 claim in the amount of \$2,106,110.70 pursuant to 11 U.S.C. § 503(b)(1)(A) & (3)(D), and
10 respectfully represents as follows:

11 Pursuant to the motion entitled "Emergency Motion of Neil B. Kornswiet (1) for An
12 Order Authorizing the Debtors to Extend the Debtors' Directors' And Officers' Liability Insurance
13 Policy, or, in the Alternative, (2) Authorizing Neil B. Kornswiet and other Officers and Directors to
14 Extend the Liability Policy Using their Own Funds," dated October 4, 2007 (the "Motion") (Docket
15 No. 1078), which is incorporated herein by this reference, and the order thereon entered November
16 9, 2007 (the "Order") (Docket No. 723), which is attached here as Exhibit "A," Kornswiet made the
17 Advance, on behalf of the Debtors' chapter 11 estates, to purchase "tail" coverage to extend the
18 reporting period for claims made under the D&O Policies.

19 "Under Ninth Circuit law, bankruptcy courts have broad discretion in determining
20 whether to award administrative expense priority." *In re Lazar*, 207 B.R. 668, 674 (Bankr. C.D. Cal.
21 1997). As set forth above, Kornswiet's claim (1) arises from a transaction with the debtor in
22 possession and (2) directly and substantially benefited the estate. *See Microsoft Corp. v. DAK Indus.*
23 (*In re DAK Indus.*), 66 F.3d 1091, 1094 (9th Cir. Cal. 1995).

24 Kornswiet is entitled to be reimbursed for the Advance under 11 U.S.C.
25 § 503(b)(1)(A) & (3)(D) because the postpetition Advance directly benefited the estates and their
26 creditors, and, as set forth in the Motion, this benefit was only obtained through Kornswiet's
27 extraordinary efforts. By extending the reporting period under the D&O Policies, the tail provided
28 access to D&O insurance for the insureds with respect to claims asserted after what would have

1 otherwise been a deadline for asserting covered claims. Had such claims been asserted after the
2 deadline, and had they not been subject to insurance coverage, then the Debtors' estates would have
3 been subjected to substantially greater claims by officers and directors for indemnification. By
4 extending the reporting period, Kornswiet's Advance reduced the potential indemnity claims against
5 the estates and thereby saved the estates payment on claims that would have otherwise been covered
6 by insurance. In addition, to the extent that any party acting on behalf of the Debtors' estates could
7 assert claims during the tail period which had not been asserted previously, the acquisition of tail
8 coverage provided the estates with potential insurance coverage for claims which might not have
9 otherwise been covered.

10 The services of the Debtors' directors continued following the commencement of the
11 Debtors' chapter 11 cases; accordingly, claims against directors and officers could possibly include
12 claims relating to postpetition conduct, which in turn could result in administrative priority claims
13 for indemnification. To the extent that the Advance protected the estates from indemnification
14 claims arising out of the *postpetition* conduct of officers and directors, the Advance is entitled to
15 administrative priority. *See, e.g., Gill v. Tishman Constr. Corp. (In re Santa Monica Beach Hotel,*
16 *Ltd.)*, 209 B.R. 722 (B.A.P. 9th Cir. 1997) (holding that because contractor had been asked by debtor
17 in possession to continue services, contractor held administrative claim for value of services
18 *including* the benefit of an indemnity provision).

19 The fact that Kornswiet and other directors and officers may also benefit from the
20 Advance is of no consequence. *See, e.g., In re Women First Healthcare, Inc.*, 332 B.R. 115, 122
21 (Bankr. D. Del. 2005) ("The relevant inquiry is not the motivation of the actor, but whether the estate
22 benefited by the actions taken."). What is important is that Kornswiet made the Advance
23 postpetition to confer a tangible benefit to the estates.

24 **PLEASE TAKE NOTICE** that, pursuant to Local Bankruptcy Rule 9013-1(a)(7),
25 any response to this motion must be in writing, must be accompanied by a memorandum of points
26 and authorities and supporting evidence, must otherwise comply with Local Bankruptcy Rule 9013.
27 Pursuant to Local Bankruptcy Rule 9013-1(a)(11), failure to timely file and serve an appropriate
28

1 response to this motion may be deemed by the Court to be consent to the granting of the relief
2 requested herein.

3 **WHEREFORE**, Kornswiet respectfully submits an administrative claim in the
4 amount of \$2,106,110.70 on account of the Advance.

5

6 Dated: September 11, 2008

7

By: /s/ H. Alexander Fisch
Gary E. Klausner and
H. Alexander Fisch, Members of
Stutman, Treister & Glatt Professional Corporation
Attorneys for Neil M. Kornswiet

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Exhibit "A"

STAMPED

FILED
NOV - 7 2007
CLERK, U.S. BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
BY Deputy Clerk

ENTERED
NOV - 9 2007
CLERK, U.S. BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
BY Deputy Clerk

Howard J. Weg (State Bar No. 91057)
David B. Shemano (State Bar No. 176020)
PEITZMAN, WEG & KEMPINSKY LLP
10100 Santa Monica Blvd., Suite 1450
Los Angeles, CA 90067
Telephone: (310) 552-3100
Telecopier: (310) 552-3101

Attorneys for Neil B. Kornswiet

LODGED
NOV - 1 2007
CLERK, U.S. BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
BY

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
SANTA ANA DIVISION

In re
PEOPLE'S CHOICE HOME LOAN, INC., et al.,
Debtors.

Case No.: SA 07-10765-RK
(Jointly administered with Case Nos. SA 07-10767-RK and SA 07-10772-RK)

Chapter 11

ORDER RE: EMERGENCY MOTION OF NEIL B. KORNSWIET (1) FOR AN ORDER AUTHORIZING THE DEBTORS TO EXTEND THE DEBTORS' DIRECTORS' AND OFFICERS' LIABILITY INSURANCE POLICY, OR, IN THE ALTERNATIVE, (2) AUTHORIZING NEIL B. KORNSWIET AND OTHER OFFICERS AND DIRECTORS TO EXTEND THE LIABILITY POLICY USING THEIR OWN FUNDS

Date: October 5, 2007
Time: 2:00 p.m.
Place: Courtroom 5D
Ronald Reagan Federal Building
411 West Fourth Street
Santa Ana, CA 92701-4593

The Emergency Motion Of Neil B. Kornswiet (1) For An Order Authorizing The Debtors To Extend The Debtors' Directors' And Officers' Liability Insurance Policy, Or, In The Alternative, (2) Authorizing Neil B. Kornswiet And Other Officers And Directors To Extend The Liability Policy Using Their Own Funds (the "Motion"), filed by Neil B. Kornswiet

1 (“Kornswiet”), came on for hearing before the Honorable Robert Kwan, United States
2 Bankruptcy Judge, on October 5, 2007, at 2:00 p.m. (the “Hearing”). Appearances were made as
3 reflected in the Bankruptcy Court’s record.

4 Pursuant to the Motion, Kornswiet moved on emergency basis for an Order (1)
5 authorizing the above-captioned debtors’ (the “Debtors”) to extend the Debtors’ directors’ and
6 officers’ liability insurance policies (the “Policy”), or, in the alternative, (2) authorizing
7 Kornswiet and other officers and directors to extend the Policy using their own funds. At the
8 Hearing, the Official Committee of Unsecured Creditors (the “Committee”) opposed the Motion.

9 After consideration of the Motion and accompanying supporting papers, the arguments of
10 counsel and the statements made on the record, the files and records in these chapter 11 cases,
11 and sufficient cause appearing, the Bankruptcy Court finds that this is a core proceeding, that
12 notice of the Hearing was appropriate in the circumstances, and that the terms and conditions for
13 the purchase of an extension of the Policy as set forth herein are fair and reasonable, and it is
14 hereby

15 **ORDERED THAT:**

16 A. The Debtors are authorized, using funds to be supplied by Kornswiet and other
17 officers and directors, to purchase an extension of the Policy (*i.e.* runoff or tail coverage) on the
18 terms and conditions set forth herein (the “Extension”). The decision of whether or not to purchase
19 the Extension shall be made by Kornswiet in his sole and absolute discretion. Further, Kornswiet
20 shall have the right in his sole and absolute discretion to negotiate the premium, dollar amount and
21 time period of the Extension. The terms and conditions of the Extension shall not be modified or
22 cancelled without the prior written consent of Kornswiet and the Committee, provided that if
23 Kornswiet or the Committee requests that the other party consent to a modification and the other
24 party refuses, the requesting party may request relief from the Court if the refusing party is refusing
25 unreasonably to consent to the modification.
26

27 B. The following claims made shall be subordinated in priority and right to the payment
28 of other claims made under the Policy: any new claim made on and after October 3, 2007, that gives

1 a right to payment under the Policy that would not have a right to payment under the Policy in the
2 absence of the Extension. This subordination under the provisions of the Policy shall not include
3 payments of insurance proceeds made on account of defense costs or claims made by the Committee,
4 any liquidating trustee appointed under a chapter 11 plan of liquidation, or any assignee of claims
5 made by the Committee or liquidating trustee regardless of when such claims are made. The
6 extension obtained shall comply with this order.

7 C. If Kornswiet determines in his sole and absolute discretion that the Debtors shall
8 purchase the Extension, Kornswiet shall advance to the Debtors the cost of the premium for the
9 Policy (the "Advance"), and the Debtors, using funds supplied by Kornswiet and other officers and
10 directors, shall then pay the premium of the Policy.

11 D. Nothing herein shall prejudice or otherwise affect the right of Kornswiet, if any, to
12 seek reimbursement of the Advance as an administrative expense claim pursuant to section
13 503(b)(3)(D) of the Bankruptcy Code or other applicable law, or as a general unsecured claim, and
14 nothing herein shall prejudice or otherwise affect any right of the Committee or any other party to
15 oppose any such claim asserted by Kornswiet.

16
17 Dated: **NOV 7 2007**



United States Bankruptcy Judge

18
19 SUBMITTED BY:

20 PEITZMAN, WEG & KEMPINSKY LLP

21
22 By: 

23 David B. Shemano
Attorneys for Neil B. Kornswiet

1 APPROVED AS TO FORM:

2 WINSTON & STRAWN LLP

3 By: 
4 Eric Sagerman

5 Attorneys for the Official Committee of Unsecured Creditors

6 PACHULSKI STANG ZIEHL & JONES LLP

7
8 By: _____
9 Jeremy Richards

10 Attorneys for the Debtors
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1 APPROVED AS TO FORM:

2 WINSTON & STRAWN LLP

3
4 By: _____

Eric Sagerman
5 Attorneys for the Official Committee of Unsecured Creditors

6 PACHULSKI STANG ZIEHL & JONES LLP

7
8 By: _____

Jeremy Richards
9 Attorneys for the Debtors

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PROOF OF SERVICE

1
2 STATE OF CALIFORNIA)
3 COUNTY OF LOS ANGELES)

4 I am employed in the County of Los Angeles, State of California. I am over the age of 18 and not a
5 party to the within action; my business address is 10100 Santa Monica Boulevard, Suite 1450, Los Angeles,
6 California 90067.

7 On October 30, 2007, I served the foregoing message described as **ORDER RE: EMERGENCY**
8 **MOTION OF NEIL B. KORNSWIET (1) FOR AN ORDER AUTHORIZING THE DEBTORS TO**
9 **EXTEND THE DEBTORS' DIRECTORS' AND OFFICERS' LIABILITY INSURANCE POLICY,**
10 **OR, IN THE ALTERNATIVE, (2) AUTHORIZING NEIL B. KORNSWIET AND OTHER**
11 **OFFICERS AND DIRECTORS TO EXTEND THE LIABILITY POLICY USING THEIR OWN**
12 **FUNDS,** on the parties listed on the attached service list.

13 **BY MAIL.** By placing a true copy thereof in a sealed envelope and addressed to the parties with
14 postage thereon fully prepaid at Los Angeles, California and delivering it to the U.S. Postal Service at 10100
15 Santa Monica Boulevard, Los Angeles, California 90067.

16 **BY OVERNIGHT COURIER.** I caused an overnight courier service to deliver such envelopes to the
17 addresses of the parties indicated on the attached service list on the next business day.

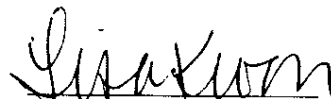
18 **BY PERSONAL SERVICE.** I delivered such envelope by hand to the following:

19 **BY PERSONAL TELEPHONE CALL.** I delivered notice of the emergency hearing to the parties
20 listed on the attached service list.

21 **BY ELECTRONIC MAIL.** I caused said document to be sent via electronic mail to the officers of the
22 addressees as indicated on the attached service list. Executed on October 3, 2007, at Los Angeles, California.

23 Executed on October 30, 2007, at Los Angeles, California.

24 I declare under penalty of perjury that the foregoing is true and correct.

25
26
27
28

Lisa Kwon

People's Choice Home Loan, Inc.
Case No.: SA 07-10765-RK
(Jointly administered with Case
Nos. SA 07-10767-RK and 07-
10772-RK)

U.S. Trustee's Office
Nancy S. Goldenberg, Esq.
Office of the U. S. Trustee
411 W. fourth Street, Ste. 9041
Santa Ana, CA 92701

Neil Kornswiet
108 Emerald Bay
Laguna Beach, CA 92651

Eric E. Sagerman
Justin E. Rawlins
Winston & Strawn LLP
Telephone: 213-615-17

D.M. ("Chip") Rawlings
Quinn Emanuel Urquhart Oliver &
Hedges, LLP
865 South Figueroa St, 10th Fl.
Los Angeles, CA 90017

Jeremy V. Richards
Pachulski, Stang Ziehl & Jones LLP
10100 Santa Monica Blvd., 11th
Floor
Los Angeles, CA 90067

Randy Hess
Adleson, Hess & Kelly, APC
577 Salmar Avenue, Second FL
Campbell, CA 95008

NOTE TO USERS OF THIS FORM:

*Physically attach this form as the last page of the proposed Order or Judgment.
Do not file this form as a separate document.*

In re People's Choice Home Loan, Inc., et al.	CHAPTER <u>11</u>
Debtor.	CASE NUMBER 07-10765

**NOTICE OF ENTRY OF JUDGMENT OR ORDER
AND CERTIFICATE OF MAILING**

TO ALL PARTIES IN INTEREST ON THE ATTACHED SERVICE LIST:

1. You are hereby notified, pursuant to Local Bankruptcy Rule 9021-1(a)(1)(E), that a judgment or order entitled (*specify*): ORDER RE: EMERGENCY MOTION OF NEIL B. KORNSWIET (1) FOR AN ORDER AUTHORIZING THE DEBTORS TO EXTEND THE DEBTORS' DIRECTORS' AND OFFICERS' LIABILITY INSURANCE POLICY, OR, IN THE ALTERNATIVE, (2) AUTHORIZING NEIL B. KORNSWIET AND OTHER OFFICERS AND DIRECTORS TO EXTEND THE LIABILITY POLICY USING THEIR OWN FUNDS

was entered on (*specify date*): **NOV - 9 2007.**

2. I hereby certify that I mailed a copy of this notice and a true copy of the order or judgment to the persons and entities on the attached service list on (*specify date*):

NOV - 9 2007.

Dated: **NOV - 9 2007**

JON D. CERETTO
Clerk of the Bankruptcy Court

By: 
Deputy Clerk

People's Choice Home Loan, Inc.
Case No.: SA 07-10765-RK
(Jointly administered with Case
Nos. SA 07-10767-RK and 07-
10772-RK)

U.S. Trustee's Office
Nancy S. Goldenberg, Esq.
Office of the U. S. Trustee
411 W. fourth Street, Ste. 9041
Santa Ana, CA 92701

Eric E. Sagerman
Justin E. Rawlins
Winston & Strawn LLP
Telephone: 213-615-17

Jeremy V. Richards
Pachulski, Stang Ziehl & Jones LLP
10100 Santa Monica Blvd., 11th Floor
Los Angeles, CA 90067

Neil Kornswiet
108 Emerald Bay
Laguna Beach, CA 92651

D.M. ("Chip") Rawlings
Quinn Emanuel Urquhart Oliver &
Hedges, LLP
865 South Figueroa St, 10th Fl.
Los Angeles, CA 90017

Randy Hess
Adleson, Hess & Kelly, APC
577 Salmar Avenue, Second FL
Campbell, CA 95008

David Shemano
Peitzman, Weg & Kempinsky LLP
10100 Santa Monica Blvd., Ste. 1450
Los Angeles, CA 90067

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DECLARATION OF SERVICE

I am over the age of 18 years and not a party to the within action. I am a member of the bar of this court and my business address is Stutman, Treister, & Glatt Professional Corporation, 1901 Avenue of the Stars, 12th Floor, Los Angeles, CA 90067.

On September 10, 2008, I caused the following pleadings (the "Pleading") to be served:

ADMINISTRATIVE EXPENSE CLAIM OF NEIL B. KORNSWIET

as follows:

1. Via the CM/ECF system, as reflected in the Notice of Electronic Filing generated by the CM/ECF system upon the filing of the Pleading.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on September 11, 2008 at Los Angeles, California.

/s/ H. Alexander Fisch
H. Alexander Fisch, Declarant

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:

A true and correct copy of the foregoing document entitled: **CREDITOR NEIL KORNSWIET'S WITHDRAWAL OF PCHLI PROOF OF CLAIM NOS. 437, 20003, PCFI PROOF OF CLAIM NO. 109, AND PCFC PROOF OF CLAIM NO. 116** will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On September 4, 2012, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:

On September 4, 2012, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on (date) September 5, 2012, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

VIA PERSONAL DELIVERY

Hon. Robert Kwan
United States Bankruptcy Court
411 West Fourth Street, Suite 5165
Santa Ana, CA 92701

Service information continued on attached page

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct.

September 4, 2012 Terry Ellis
Date Printed Name

/s/ Terry Ellis
Signature

I. SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (“NEF”):

- Jose D Alarcon jalarcon@bettzedek.org
- Daniel L Alexander daniel@colemanfrost.com
- Todd M Arnold tma@lnbyb.com
- Alvin M Ashley mashley@irell.com
- Daniel I Barness daniel@spiromoss.com
- Henkie F Barron hfbarron@gmail.com
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