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Liquidating Trusts of PCHLI, PCFI and PCFC

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9 **UNITED STATES BANKRUPTCY COURT**  
10 **CENTRAL DISTRICT OF CALIFORNIA**  
11 **LOS ANGELES DIVISION**

Winston & Strawn LLP  
333 S. Grand Avenue  
Los Angeles, CA 90071-1543

12 In re:  
13 PEOPLE'S CHOICE HOME LOAN, INC.,  
*et al.*,<sup>1</sup>  
14 Debtors.

**Case No. 2:12-bk-15811-RK**

(Jointly Administered with 2:12-bk-16200-RK and  
2:12-bk-16201-RK)  
(Transferred from 8:07-bk-10765-RK and Jointly  
Administered with Case Nos. 8:07-bk-10767-RK  
and 8:07-bk-10772-RK)

Chapter 11

**LIQUIDATING TRUSTS' MOTION FOR  
ORDER DISALLOWING PROOF OF CLAIM  
OF MARTIN L. BONANNO; DECLARATION  
OF TAMARA D. MCGRATH**

Date: April 8, 2014  
Time: 2:30 p.m.  
Place: Courtroom 1675,  
255 East Temple Street  
Los Angeles, CA 90012  
Judge: Hon. Robert N. Kwan

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<sup>1</sup> The Debtors were People's Choice Home Loan, Inc., People's Choi  
Corporation.



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1 The Liquidating Trust of People’s Choice Home Loan, Inc. (“PCHLI Trust”), by and  
2 through Ronald F. Greenspan, solely in his capacity as the duly authorized and acting Liquidating  
3 Trustee (the “Liquidating Trustee”), hereby objects (the “Objection”) to the claims asserted by  
4 Martin L. Bonanno (“Bonanno”) against People’s Choice Home Loan, Inc. (“PCHLI”). A true and  
5 correct copy of Bonanno’s Proof of Claim No. 416 (the “Claim”) is attached hereto as Exhibit A.  
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7 The Liquidating Trustee objects to the Claim on the basis that it fails to allege an  
8 enforceable general unsecured claim against PCHLI since: (a) it is not supported by the Debtors’  
9 books and records and (b) fails to assert a legal or factual basis showing that Bonanno is entitled to  
10 an allowable claim in these proceedings.  
11

12 In support of the Objection, the Liquidating Trustee submits the Declaration of  
13 Tamara D. McGrath (the “McGrath Declaration”), which is filed concurrently herewith, and  
14 respectfully represents as follows:  
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16 **I.**

17 **BACKGROUND**

18 **A. The Debtors’ Cases**

19 1. Each of People’s Choice Home Loan, Inc., People’s Choice Financial  
20 Corporation, and People’s Choice Funding, Inc. (collectively, the “Debtors”) filed a voluntary  
21 petition for relief under chapter 11 of the Bankruptcy Code in this Court on March 20, 2007 (the  
22 “Petition Date”), commencing these bankruptcy cases (collectively, the “Cases”).

23 2. On August 6, 2008, the Court entered its order (the “Confirmation Order”) confirming the Committee’s First Amended Liquidating Plan under Chapter 11 of the Bankruptcy  
24 Code (the “Plan”). The “Effective Date” under and as defined in the Plan occurred on August 12,  
25 2008.  
26

27 3. On the Effective Date of the Plan, and subject to the terms and conditions of  
28 the Plan and Confirmation Order, among other things, (i) the Liquidating Trust Agreements for each  
of the PC Trusts became effective, and the Liquidating Trustee for each of the PC Trusts began to

1 manage and administer the PC Trusts subject to the terms and conditions of the Liquidating Trust  
2 Agreements, (ii) the Official Committee of Unsecured Creditors appointed in the Cases by the Office  
3 of the United States Trustee was dissolved and discharged from any further duties and obligations in  
4 the Cases, and the Post-Effective Date Committees for each of the PC Trusts became operative,  
5 (iii) except as provided in the Plan, all of the assets and property of the Debtors, including any and  
6 all affirmative claims for relief, were transferred into the PC Trusts, and (iv) except as otherwise  
7 provided in the Plan, each of the Debtors was deemed dissolved or directed to be dissolved as soon  
8 as practicable following the Effective Date.

9 4. Pursuant to the Plan, and subject to the terms and conditions of the Plan, the  
10 Confirmation Order and the Liquidating Trust Agreements, the Liquidating Trustee is directed to  
11 administer the PC Trusts by, among other things, (i) reducing remaining property to cash,  
12 (ii) evaluating claims against the Debtors and objecting to, allowing or otherwise resolving such  
13 claims, (iii) evaluating and pursuing, releasing or otherwise resolving affirmative relief against third-  
14 parties, and (iv) making distributions of cash to Beneficiaries under and as defined in the Liquidating  
15 Trust Agreements.

16 5. The Plan provides that the Liquidating Trustee is the representative of the  
17 estates under 11 U.S.C. §1123(b)(3)(B), and is a liquidator of the assets of the estates.

18 **B. The Claims Review Process**

19 6. The Liquidating Trustee continues to review and analyze claims that have  
20 been scheduled, filed, or otherwise asserted against the Debtors. In the course of that analysis, the  
21 Liquidating Trustee has determined that various claims are objectionable on one or more legal or  
22 factual grounds. In connection with the claim review process, the Liquidating Trustee has  
23 determined that the Claim should be disallowed in its entirety on a full and final basis.

24 **C. The Bonanno Proof of Claim**

25 7. On August 30, 2007, Bonanno filed his Claim against PCHLI asserting a  
26 \$77,500.00 general unsecured claim for the alleged breach of Bonanno's employment agreement. A  
27 true and correct copy of the Employment Agreement (the "Employment Agreement") dated as of  
28 May 1, 2005 between PCHLI and Bonanno is attached hereto as Exhibit B.

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1           8.       The Employment Agreement provides that upon PCHLI's termination of  
2 Bonanno other than for death, disability, or cause, PCHLI "shall pay to [Bonanno] as severance pay  
3 (a) an aggregate amount equal to one-half of the Executive's annualized rate of Base Salary in effect  
4 as of the date of termination, such aggregate amount to be paid in a series of substantially equal  
5 installments (not less frequently than monthly) over a period of six months following the Date of  
6 Termination. Any amounts earned by [Bonanno] from any source during the period following  
7 termination will offset the payment obligations set forth in [this Section]." See Employment  
8 Agreement ¶ 8(d)(ii).

9           9.       According to the Debtors' books and records, Bonanno was terminated from  
10 PCHLI during the month of July 2007 (the "Termination Date") and his Base Salary in effect as of  
11 the date of termination was \$155,000. Therefore, pursuant to paragraph 8(d)(ii) of the Employment  
12 Agreement, Bonanno would have been entitled to \$77,500 upon termination, to be paid over the six  
13 month period following the Termination Date. This is consistent with the amount of the Claim.

14           10.      However, according to the letter dated July 9, 2007 from UBS AG, Tampa  
15 Branch ("UBS") setting forth terms of the employment offer from UBS to Bonanno (the "UBS  
16 Employment Letter"), which was accepted and agreed by Bonanno on July 9, 2007, Bonanno's start  
17 date as an Executive Director with UBS was to be on or about July 10, 2007 (the "Start Date"), with  
18 a base salary at an annual rate of \$165,000, payable semi-monthly. A true and correct copy of the  
19 UBS Employment Letter is attached hereto as Exhibit C.

20           11.      According to the Debtors' books and records, Bonanno was employed by  
21 UBS from the Start Date and continued to be employed by UBS for at least 6 months following the  
22 Termination Date.

23           12.      Therefore, the amounts earned by Bonanno from UBS during the six-month  
24 period following the Termination Date in the approximate amount of \$82,500 completely offset the  
25 payment obligations of PCHLI in the amount of \$77,500 pursuant to paragraph 8(d)(ii) of the  
26 Employment Agreement.

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**II.**

**RELIEF REQUESTED**

13. By this Objection, the Liquidating Trustee requests, pursuant to section 502 of the Bankruptcy Code, Bankruptcy Rule 3007, and Local Bankruptcy Rule 3007-1, that the Court sustain this Objection and disallow the Claim, in full and on a final basis, as more particularly set forth herein.

**III.**

**LEGAL STANDARD**

14. Bankruptcy Code section 502 authorizes a “party in interest,” such as the Liquidating Trustee, to object to claims. 11 U.S.C. §502(a). Once the objector raises “facts tending to defeat the claim by probative force equal to that of the allegations of the proofs of claim themselves,” then the burden reverts to the claimant to prove the validity of the claim by a preponderance of the evidence. Wright v. Holm (In re Holm), 931 F.2d 620, 23 (9th Cir. 1991); Ashford v. Consol. Pioneer Mortgage (In re Consol. Pioneer Mortgage), 178 B.R. 222, 226 (B.A.P. 9th Cir. 1995), aff’d sub nom. Ashford v. Naimco, Inc. (In re Consol. Pioneer Mortgage Entities), No. 95-55491, 1996 WL 393533 (9th Cir. July 15, 1996). Indeed, “the ultimate burden of persuasion is always on the claimant.” Holm, 931 F.2d at 623.

15. Once an objection to a claim is made, the Court, after notice and a hearing, must determine the proper claim amount, if any, of the claim at issue. See 11 U.S.C. §502(b).

**IV.**

**OBJECTION**

16. The Liquidating Trustee objects to the Claim on the basis that it fails to allege an enforceable general unsecured claim against PCHLI since: (a) it is not supported by the Debtors’ books and records and (b) fails to assert a legal or factual basis showing that Bonanno is entitled to an allowable claim in these proceedings.

17. Section 502(b)(1) of the Bankruptcy Code provides that a proof of claim shall be disallowed to the extent that “such claim is unenforceable against the debtor and property of the debtor, under any agreement or applicable law for a reason other than because such claim is

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1 contingent or unmatured.” 11 U.S.C. § 502(b)(1) (2010). Although a filed proof of claim  
2 constitutes prima facie evidence of the claim’s validity, “[i]f [an] objector produces sufficient  
3 evidence to negate one or more of the sworn facts in the proof of claim, the burden reverts to the  
4 claimant to prove the validity of the claim by a preponderance of the evidence.’ The ultimate burden  
5 of persuasion remains at all times upon the claimant.” *Lundell v. Anchor Constr. Specialists, Inc.*  
6 (*In re Lundell*), 223 F.3d 1035, 1039 (9th Cir. 2000) (quoting *Ashford v. Consol. Pioneer Mortgage*  
7 (*In re Consol. Pioneer Mortgage*), 178 B.R. 222, 226 (9th Cir. BAP 1995)). *See also In re*  
8 *Allegheny Int’l., Inc.*, 954 F.2d 167, 174 (3d Cir. 1992); *Wright v. Holm (In re Holm)*, 931 F.2d 620,  
9 623 (9th Cir. 1991).

10 18. The Employment Agreement provides that upon PCHLI’s termination of  
11 Bonanno other than for death, disability, or cause, PCHLI “shall pay to [Bonanno] as severance pay  
12 (a) an aggregate amount equal to one-half of the Executive’s annualized rate of Base Salary in effect  
13 as of the date of termination, such aggregate amount to be paid in a series of substantially equal  
14 installments (not less frequently than monthly) over a period of six months following the Date of  
15 Termination. Any amounts earned by [Bonanno] from any source during the period following  
16 termination will offset the payment obligations set forth in [this Section].” See Employment  
17 Agreement ¶ 8(d)(ii).

18 19. According to the Debtors’ books and records, Bonanno was terminated from  
19 PCHLI during the month of July 2007 and his Base Salary in effect as of the date of termination was  
20 \$155,000. Therefore, pursuant to paragraph 8(d)(ii) of the Employment Agreement, Bonanno would  
21 have been entitled to \$77,500 upon termination, to be paid over the six month period following the  
22 Termination Date.

23 20. However, according to the Employment Letter dated July 9, 2007 from UBS,  
24 which was accepted and agreed by Bonanno on July 9, 2007, Bonanno’s start date as an Executive  
25 Director with UBS was to be on or about July 10, 2007, with a base salary at an annual rate of  
26 \$165,000, payable semi-monthly.

27 21. According to the Debtors’ books and records, Bonanno was employed by  
28 UBS from the Start Date and continued to be employed by UBS for at least 6 months following the

1 Termination Date.

2 22. Therefore, the amounts earned by Bonanno from UBS during the six-month  
3 period following the Termination Date in the approximate amount of \$82,500 exceed and thus  
4 completely offset the payment obligations of PCHLI in the amount of \$77,500 pursuant to paragraph  
5 8(d)(ii) of the Employment Agreement.

6 23. Accordingly, the Claim must be disallowed and expunged in its entirety  
7 because (a) it is not supported by the Debtors' books and records and (b) fails to assert a legal or  
8 factual basis showing that Bonanno is entitled to an allowable claim in these proceedings.

9 **V.**

10 **RESERVATION OF RIGHTS**

11 24. Nothing contained in this Objection shall be deemed an admission by the  
12 Liquidating Trustee of liability on any claims against the Debtors' estates or the Liquidating Trust,  
13 and the Liquidating Trustee does not waive any rights against any party. The Liquidating Trustee  
14 reserves all rights, including, without limitation: (a) the right to amend, modify, or supplement this  
15 Objection and to bring further and separate objections to claims, including amended claims or any  
16 other claim now or hereafter asserted; (b) the right to bring avoidance actions under applicable  
17 sections of the Bankruptcy Code or other applicable law; and (c) to enforce any rights of setoff and  
18 recoupment against holders of claims. Separate notice and a hearing will be scheduled for any such  
19 objection.

20 **VI.**

21 **NOTICE**

22 25. The Liquidating Trustee will serve copies of this Objection (together with all  
23 exhibits) on: (a) Martin L. Bonanno at the address listed on the Claim; (b) the Office of the United  
24 States Trustee; and (c) each person or entity who requested service of notices pursuant to  
25 Bankruptcy Rule 2002(i). The Liquidating Trustee submits that such service is consistent with  
26 Rule 7004 of the Federal Rules of Bankruptcy Procedure and that, in light of the nature of the relief  
27 requested, no further notice is required.

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**VII.**

**CONCLUSION**

WHEREFORE, based upon the foregoing, the Liquidating Trustee respectfully requests that the Court enter an order (a) sustaining the Objection; (b) disallowing the Claim on a full and final basis; (c) preserving other and further objections and affirmative claims of the Liquidating Trust, (d) approving the form and scope of notice given of the relief requested; and (e) granting such other and further relief as this Court may deem just and proper under the circumstances of this Case.

Dated: February 28, 2014

WINSTON & STRAWN LLP

By: /s/ Rolf S. Woolner  
Rolf S. Woolner  
Counsel for Ronald Greenspan, as Trustee of the  
Liquidating Trusts of PCHLI and PCFC

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**DECLARATION OF TAMARA D. MCGRATH**

I, Tamara D. McGrath, declare and state as follows:

1. I am a Managing Director of Corporate Finance at FTI Consulting Inc. (“FTI”), financial advisor in these chapter 11 cases to (a) the Committee prior to plan confirmation and (b) the Liquidating Trustee since plan confirmation. In that capacity, I am custodian of and have become personally familiar with the Debtors’ books, records, and files (the “Records”). I am informed that the Records were created and updated by the Debtors’ employees in the ordinary course of business at or near the time of the events recorded. Those Records are now in the possession of the Liquidating Trustee, and as to the following facts, I know them to be true from my review of the Debtors’ business records. My business address is 633 West Fifth Street, 16th Floor, Los Angeles, CA 90071-2027.

2. I make this declaration in support of the Liquidating Trustee’s *Motion for Order Disallowing Proof of Claim of Martin L. Bonanno* (the “Objection”). Capitalized terms not defined in this declaration shall have the same meanings ascribed to them in the Objection.

3. A true and correct copy of the Claim is attached to the Objection as Exhibit A.

4. A true and correct copy of the Employment Agreement (the “Employment Agreement”) dated as of May 1, 2005 between PCHLI and Bonanno is attached to the Objection as Exhibit B.

5. During my review of the Records, I discovered that Bonanno was terminated from PCHLI during the month of July 2007 (the “Termination Date”) and his Base Salary in effect of the date of termination was \$155,000.

6. Pursuant to paragraph 8(d)(ii) of the Employment Agreement, Bonanno would have been entitled to \$77,500 upon termination, to be paid over the six month period following the Termination Date.

7. According to the letter dated July 9, 2007 from UBS AG, Tampa Branch (“UBS”) setting forth terms of the employment offer from UBS to Bonanno (the “UBS Employment Letter”), which was accepted and agreed by Bonanno on July 9, 2007, Bonanno’s start date as an Executive Director with UBS was to be on or about July 10, 2007 (the “Start Date”), with a base

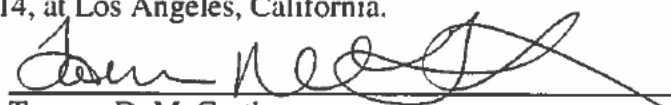
1 salary at an annual rate of \$165,000, payable semi-monthly. A true and correct copy of the UBS  
2 Employment Letter is attached to the Objection as Exhibit C.

3 8. According to the Debtors' books and records, and based on my own personal  
4 interactions with him following his termination by PCHLI, Bonanno was employed by UBS from  
5 the Start Date and continued to be employed by UBS for at least 6 months following the Termination  
6 Date.

7 9. Therefore, the amounts earned by Bonanno from UBS during the six-month  
8 period following the Termination Date in the approximate amount of \$82,500 completely offset the  
9 payment obligations of PCHLI in the amount of \$77,500 pursuant to paragraph 8(d)(ii) of the  
10 Employment Agreement.

11 I declare under penalty of perjury under the laws of the United States of America that  
12 the foregoing is true and correct. If called upon as a witness, I could and would testify competently  
13 to the foregoing.

14 Executed on February 28, 2014, at Los Angeles, California.

15   
16 Tamara D. McGrath

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Los Angeles, CA 90071-1543

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**EXHIBIT A**

ORIGINAL

B 10 (Official Form 10) (04/07)

UNITED STATES BANKRUPTCY COURT <u>CENTRAL</u> DISTRICT OF <u>CALIFORNIA</u>		PROOF OF CLAIM
Name of Debtor <b>People's Choice Home Loan, Inc</b>		Case Number <b>07-10765</b>
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.		
Name of Creditor (The person or other entity to whom the debtor owes money or property): <b>Martin L. Bonanno</b>	<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.	<div style="border: 2px solid black; padding: 5px; display: inline-block;"> <b>FILED</b>  <i>2007</i>  <b>AUG 30 2007</b> </div> <small>CLERK U.S. BANKRUPTCY COURT CENTRAL DISTRICT OF CALIFORNIA</small>
Name and address where notices should be sent: <b>Martin L. Bonanno 27526 Capricho Mission Viejo, CA. 92692 Telephone number: (949) 374-2163</b>	<input type="checkbox"/> Check box if you have never received any notices from the bankruptcy court in this case.  <input type="checkbox"/> Check box if the address differs from the address on the envelope sent to you by the court.	
Last four digits of account or other number by which creditor identifies debtor: <b>5975</b>	Check here <input type="checkbox"/> replaces if this claim <input type="checkbox"/> amends a previously filed claim, dated: _____	
<b>1. Basis for Claim</b> <input type="checkbox"/> Goods sold <input type="checkbox"/> Services performed <input type="checkbox"/> Money loaned <input type="checkbox"/> Personal injury/wrongful death <input type="checkbox"/> Taxes <input type="checkbox"/> Retiree benefits as defined in 11 U.S.C. § 1114(a) <input checked="" type="checkbox"/> Other <b>Breach of employment contract</b> From _____ to _____ (date) (date) <input checked="" type="checkbox"/> Wages, salaries, and compensation (fill out below) Last four digits of your SS #: <b>5975</b> Unpaid compensation for services performed		
<b>2. Date debt was incurred:</b> <u>07/16/2007</u>		<b>3. If court judgment, date obtained:</b>
<b>4. Classification of Claim.</b> Check the appropriate box or boxes that best describe your claim and state the amount of the claim at the time the case was filed. See reverse side for important explanations.		
<b>Unsecured Nonpriority Claim</b> \$ <u>77,500.00</u> <input 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.		<b>Secured Claim</b> <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"/> Other _____ <input type="checkbox"/> Motor Vehicle Value of Collateral: \$ _____ Amount of arrearage and other charges at time case filed included in secured claim, if any: \$ _____
<b>Unsecured Priority Claim</b> <input type="checkbox"/> Check this box if you have an unsecured claim, all or part of which is entitled to priority. Amount entitled to priority \$ _____ Specify the priority of the claim: <input type="checkbox"/> Domestic support obligations under 11 U.S.C. § 507(a)(1)(A) or (a)(1)(B). <input type="checkbox"/> Wages, salaries, or commissions (up to \$10,950),* 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)(4). <input type="checkbox"/> Contributions to an employee benefit plan - 11 U.S.C. § 507(a)(5).		<input type="checkbox"/> Up to \$2,425* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 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)(____). *Amounts are subject to adjustment on 4/1/10 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.
<b>5. Total Amount of Claim at Time Case Filed:</b> \$ _____ (unsecured) _____ (secured) _____ (priority) _____ (total) <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.		
<b>6. Credits:</b> The amount of all payments on this claim has been credited and deducted for the purpose of making this proof of claim.		THIS SPACE IS FOR COURT USE ONLY
<b>7. Supporting Documents:</b> 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.		
<b>8. Date-Stamped Copy:</b> To receive an acknowledgment of the filing of your claim, enclose a stamped, self-addressed envelope and copy of this proof of claim.		
Date <b>8/28/07</b>	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): <b>Martin Bonanno</b>	

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.

## EMPLOYMENT AGREEMENT

AGREEMENT made as of the 1st day of May 2005, between People's Choice Home Loan, Inc., a Wyoming corporation (the "Company"), and Martin Bonanno (the "Executive").

The Executive is presently employed as the Director of Loan Servicing of the Company. The Company recognizes that the Executive's contribution to the growth and success of the Company has been substantial. The Company 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 Company 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. Any and all employment contracts, bonus plans and agreements, and all amendments to such employment contracts, bonus plans and agreements between Executive and the Company shall be superseded in their entirety and rendered null and void upon the commencement date of this Agreement as provided in Section 2 below.

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 (the "Agreement"). 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 May 1, 2005, and end on April 30, 2008, unless further extended or sooner terminated as hereinafter provided. Commencing on May 1, 2006, and on each May 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 to the other 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 Director of Loan Servicing, 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. 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 on Committees. During the Term, the Executive agrees to continue to serve on committees specified by the Chief Executive Officer ("CEO").

5. Place of Performance. In connection with the Executive's employment by the Company, the Executive shall initially 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 \$120,000. For purposes of this Agreement, the term "Base Salary" shall mean the amount established and adjusted annually on each Anniversary Date pursuant to this Section 6(a).

(b) Annual Cash Incentive Awards. The Executive shall be eligible to participate in the annual cash incentive bonus plan adopted by the Compensation Committee of the Board of Directors (the "Compensation Committee" and the "Board", respectively) of People's Choice Financial Corporation ("PCFC") 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, subject to a maximum Incentive Bonus of fifty percent (50%) 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. 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, but in no event later than April 15 of the following fiscal year. For purposes of this Agreement, the term "Incentive Bonus" shall mean the amount established pursuant to this Section 6(b).

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

(i) 2004 Stock Incentive Plan Option Grants. Option awards under the Stock Incentive Plan will have an exercise price per share equal to the closing price of PCFC'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 PCFC common stock not later than 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 Stock Incentive Plan Restricted Stock Awards. The Stock Incentive Plan provides for the issuance of shares of PCFC 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 PCFC'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 PCFC'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 PCFC 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 PCFC, the closing of such an agreement) that involves the transfer of all or substantially all of PCFC's total assets on a consolidated basis, as reported in PCFC's consolidated financial statements filed with the Securities and Exchange Commission; (iii) holders of the securities of PCFC entitled to vote thereon approve a transaction (or, if such approval is not required by applicable law and is not solicited by PCFC, the closing of such a transaction) pursuant to which PCFC will undergo a merger, consolidation, or statutory share exchange with a Person, regardless of whether PCFC 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 PCFC's voting securities carrying the right to vote in elections of persons to the 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 PCFC entitled to vote thereon approve a plan of complete liquidation of PCFC or an agreement for the sale or liquidation by PCFC of all or substantially all of PCFC's assets (or, if such approval is not required by applicable law and is not solicited by PCFC, 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 PCFC 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 PCFC or any Related Entity, and the term Person does not include any employee-benefit plan maintained by PCFC or any Related Entity, or any person or entity organized, appointed, or established by PCFC 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 PCFC 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 three (3) 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, shall be entitled to participate in all benefit plans from time to time in effect for senior executives of the Company generally and will be eligible for and entitled to participate in all other 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.

(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) Reasonable Business Expenses. The Executive shall be entitled to reimbursement of all reasonable, ordinary and necessary business expenses, in accordance with the Company's policy as in effect from time to time.

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 if 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, (iii) has 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 CEO or 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, (v) has breached any non-competition, non-disclosure or non-solicitation agreement between Executive and the Company, (vi) fails to follow any policy or procedure of the Company or fails to maintain a license required to perform the duties contemplated by this Agreement, (vii) fails to achieve timely implementation and acceptable performance of loan servicing projects assigned to the Executive, or fails to achieve and maintain average or better servicer ratings from the major rating agencies within the time period established by Company management, or fails to operate Servicing Department in accordance with prudent industry servicing standards, or obtains unacceptable collection results on loans serviced, each as determined by the CEO in his sole and absolute discretion, or (viii) breaches any material provision of this Agreement. Any such termination for cause shall be immediately effective upon oral or written notification to Executive.

(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 (B) below) which has not been cured within thirty (30) days after notice of such noncompliance has been given by the Executive to the Company, or (B) 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.

(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 13.

(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 following the expiration of 180 days of the Executive's disability, (iii) if the Executive's employment is terminated pursuant to subsections (c) or (d) 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 vested PCFC stock options, Restricted Stock Grants and any other equity awards granted by PCFC to the Executive shall become fully exercisable as of the Date of Termination, pursuant to the terms of the Stock Incentive Plan.

(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 vested PCFC stock options, Restricted Stock Grants and any other equity awards granted by PCFC to the Executive shall become fully exercisable as of the Date of Termination, pursuant to the terms of the Stock Incentive Plan.

(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) the Company shall pay to the Executive as severance pay (a) an aggregate amount equal to one-half of the Executive's annualized rate of Base Salary in effect as of 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 six months following the Date of Termination. Any amounts earned by Executive from any source during the period following termination will offset the payment obligations set forth in this Section 8; and

(iii) 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 later of (a) Executive's Date of Termination or (b) the date on which payments from the Company to Executive pursuant to Section 8 hereof cease, 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"), (i) 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, (ii) divert or attempt to directly or indirectly divert or defray from the Company or any affiliate any business of any kind, or (iii) solicit or do business with any Person who does business with the Company or any affiliate 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 later of (i) Executive's Date of Termination or (ii) the date on which payments from the Company to Executive pursuant to Section 8 hereof cease, 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 or employer 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. 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.

13. 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 HOME LOAN, INC.  
7515 Irvine Center Drive  
Irvine, California 92618  
Attention: Chief Executive Officer  
FAX: (949) 341-2220

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.

14. Termination Obligations.

(a) Executive agrees that all property, including, without limitation, all equipment, tangible Proprietary Information (as defined below), documents, books, records, reports, notes, contracts, lists, customer lists (which are defined to include, without limitation, broker lists), contact lists, appraiser lists, servicing lists, employee lists, computer disks (and other computer-generated files and data), and copies thereof, created on any medium and furnished to, obtained by, or prepared by Executive in the course of or incident to Executive's employment, belongs to the Company and shall be returned with all copies and partial copies thereof promptly to the Company upon termination of the period of employment.

(b) All benefits to which Executive is otherwise entitled shall cease upon Executive's termination, unless explicitly continued either under this Agreement or under any specific written policy or benefit plan of the Company.

(c) Upon termination of the period of employment, Executive shall be deemed to have resigned from all offices and directorships then held with the Company or any affiliate.

(d) Following any termination of the period of employment, Executive shall fully cooperate with the Company in all matters relating to the winding up of pending work on behalf of the Company and the orderly transfer of work to other employees of the Company. Executive shall

also cooperate in the defense of any action brought by any third party against the Company that relates in any way to Executive's acts or omissions while employed by the Company.

(f) Prior to beginning any employment within six (6) months following any termination of the period of employment, Executive shall first provide the Company with the name and address of Executive's prospective employer so that the Company may provide the new employer with a copy of this Agreement.

#### 15. Proprietary Information.

(a) Defined. "Proprietary Information" is all information and any idea in whatever form, tangible or intangible, pertaining in any manner to the business of the Company, or any affiliate, or its employees, clients, consultants, or business associates, which was produced by any employee of the Company in the course of Executive's employment or otherwise produced or acquired by or on behalf of the Company. All Proprietary Information not generally known outside of the Company's organization, and all Proprietary Information so known only through improper means, shall be deemed "Confidential Information." Without limiting the foregoing definition, Proprietary and Confidential Information shall include, but not be limited to: (i) formulas, development techniques, processes, trade secrets, computer programs, electronic codes, research projects, forms, contracts, broker lists, appraiser lists, business practices, policies and procedures, and sales aids and techniques; (ii) information about costs, profits, markets, sales, and lists of other customers or clients; (iii) business, marketing, and strategic plans; (iv) employee personnel files and compensation information; and (v) all other material and information directly or indirectly given to or received by Executive that relate in any manner to any business or operation the Company is engaged in or any time intends to become engaged in. Executive should consult the Company procedures instituted to identify and protect certain types of Confidential Information, which are considered by the Company to be safeguards in addition to the protection provided by this Agreement. Nothing contained in those procedures or in this Agreement is intended to limit the effect of the other.

(b) General Restrictions on Use. Executive acknowledges that the Company has expended substantial time and money to create, acquire, gather and maintain the secrecy of Confidential Information and that the Company would suffer economic and other harm if its Confidential Information were used or disclosed in violation of this Agreement. Executive therefore agrees that Executive shall use Proprietary Information, and shall disclose Confidential Information, only for the benefit of the Company and as is necessary to carry out Executive's responsibilities under this Agreement. Following termination, Executive shall neither, directly or indirectly, use any Proprietary Information nor disclose any Confidential Information, except as expressly and specifically authorized in writing by the Company. Executive shall immediately deliver to the Company all Confidential and Proprietary Information upon termination of this Agreement for any reason. The publication of any Proprietary Information through literature or speeches must be approved in advance in writing by the Company's President.

(c) Location and Reproduction. Executive shall maintain at Executive's work station and/or any other place under Executive's control only such Confidential Information as Executive has a current "need to know." Executive shall return to the appropriate person or location or



otherwise properly dispose of Confidential Information once that need to know no longer exists. Executive shall not make copies of or otherwise reproduce Confidential Information without the prior written consent of the Company's President.

(d) Prior Actions and Knowledge. Executive represents and warrants that from the time of Executive's first contact with the Company, Executive has held in strict confidence all Confidential Information and has not disclosed any Confidential Information, directly or indirectly, to anyone outside of the Company, or used, copied, published, or summarized any Confidential Information, except to the extent otherwise permitted in this Agreement.

(e) Third-Party Information. Executive acknowledges that the Company has received and in the future will receive from third parties their confidential information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. Executive agrees that Executive owes the Company and such third parties, during the period of employment and thereafter, a duty to hold all such confidential information in the strictest confidence and not to disclose or use it, except as necessary to perform Executive's obligations hereunder and as is consistent with the Company's agreement with such third parties.

16. 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 heirs, beneficiaries, executors, administrators 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 16. 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 16 (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 16.

(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 16 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 16 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, 14, 15 and 16 of this Agreement.

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


(e) Indemnification. The Company shall indemnify and hold the Executive harmless to the maximum extent permitted by the laws of the State of Wyoming (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 or a subsidiary or affiliate thereof, regardless of whether such action or proceeding is one brought by or in the right of the Company or a subsidiary or affiliate thereof to procure a judgment in its favor (or other than by or in the right of the Company or a subsidiary or affiliate thereof); *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.

17. 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. Further, it is agreed that if

Executive does not commence employment pursuant to Section 2 of this Agreement, this Agreement shall be void and of no force or effect.

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

PEOPLE'S CHOICE HOME LOAN, INC.

By:   
Name:  
Title: CEO

MARTIN BONANNO



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7  
8 **UNITED STATES BANKRUPTCY COURT**  
9 **CENTRAL DISTRICT OF CALIFORNIA**  
10 **SANTA ANA DIVISION**

11 In re:  
12 **PEOPLE'S CHOICE HOME LOAN,**  
**INC., et al.,<sup>1</sup>**  
13  
14 Debtors.

Case No.: SA 07-10765-RK

Chapter 11

(Jointly Administered with Case Nos.  
SA 07-10767-RK and 07-10772-RK)

15 **NOTICE OF DEADLINE FOR FILING**  
16 **PROOFS OF CLAIM OR INTEREST IN**  
17 **THESE CASES**

18 **Claims Bar Date: August 31, 2007**

19 **Governmental Unit Bar Date: October 1, 2007**

20 **TO ALL CREDITORS, SHAREHOLDERS, AND PARTIES REQUESTING SPECIAL**  
21 **NOTICE:**

22 On or about June 18, 2007 the United States Bankruptcy Court for the Central District of  
23 California entered an Order (the "Bar Date Order") in the chapter 11 cases (the "Cases") of the  
24 above-captioned debtors and debtors in possession (the "Debtors") in accordance with Bankruptcy  
25 Rule 3003(c) setting **August 31, 2007** (the "Claims Bar Date") as the **last day** for the **filing of**  
26 **proofs of claim or interest** in these Cases for all claims against the Debtors arising prior to March

<sup>1</sup> The Debtors are People's Choice Home Loan, Inc., a Wyoming corporation, Fed. Tax I.D. No.: 94-3348277; People's Choice Funding, Inc., a Delaware corporation, Fed. Tax I.D. No.: 20-1156865; and People's Choice Financial Corporation, a Maryland corporation, Fed. Tax ID No.: 20-1157100.

1 20, 2007 (the "Petition Date") and **October 1, 2007** (the "Governmental Unit Bar Date") as the **last**  
2 **day** for all governmental units, as defined in section 101(27) of the Bankruptcy Code, to assert  
3 claims arising before the Petition Date.

4 The following claims are excepted from the provisions of the Bar Date Order and are **not**  
5 required to be filed on or before the Claims Bar Date or the Governmental Unit Bar Date:

- 6 1) claims already duly filed in these Cases with the Clerk of the Bankruptcy Court for  
7 the Central District of California;
- 8 2) claims listed in the Debtors' schedules of assets and liabilities, or as listed in any  
9 supplements or amendments thereto (the "Schedules"), if the claimant does not  
10 dispute the amount or manner in which its claim is listed in the Schedules or the  
11 nature of the claim and if such claim is not designated therein as "contingent,"  
12 "unliquidated," "disputed," or "unknown" (or assigned a zero amount); and
- 13 3) claims arising on or after the Petition Date;
- 14 4) claims for cure payments if the Debtors assume a contract pursuant to 11 U.S.C.  
15 section 365.

16 If your claim is not listed on the schedules or is scheduled as disputed, contingent,  
17 unliquidated or unknown, or you disagree with the amount or description scheduled for your claim  
18 or interest, **you must file a proof of claim or interest.**

19 Holders of claims against the Debtors arising from the rejection by the Debtors of an  
20 executory contract or unexpired lease must file a proof of claim for such claim before thirty (30)  
21 days after the date of entry of the order authorizing rejection, unless the order authorizing rejection  
22 of such executory contract or unexpired lease or an other order of the Court provides for an earlier  
23 date in which case such earlier date shall govern in all respects.

24 **Failure of a creditor or interest holder to timely file a proof of claim or interest on or**  
25 **before the Claims Bar Date or the Governmental Unit Bar Date, as the case may be, shall be**  
26 **forever barred from assertion of such claim against the Debtors and the property of the**  
**Debtors, and the holder of such claim shall be forever barred from voting on any plan of**

1 **reorganization filed in these Cases or participating in any distribution in these Cases.**

2 **Creditors and interest holders may wish to consult an attorney to protect their rights.**

3 The Debtors' Schedules and/or the Bar Date Order may be examined and inspected by  
4 interested parties during regular business hours at the office of the Clerk of the Bankruptcy Court,  
5 Ronald Reagan Federal Building, 411 Fourth Street, Santa Ana, California 92701 or viewed at  
6 [www.xroadsCMS.net/peopleschoice](http://www.xroadsCMS.net/peopleschoice). Creditors who wish to rely on the Schedules shall have the  
7 responsibility for determining that their claims are accurately listed therein.

8 Your claim(s) should be filed against the specific Debtor(s) against whom you hold a  
9 claim(s).

10 Claims must be filed **IN DUPLICATE** (2 copies) by delivering them on or before the  
11 Claims Bar Date or Governmental Unit Bar Date, as the case may be, at:

12 UNITED STATES BANKRUPTCY COURT  
13 SANTA ANA DIVISION  
14 P. O. BOX 22026  
15 SANTA ANA, CA 92702-2026

16 This notice may have been sent inadvertently to persons or entities that may not actually have  
17 a Claim against the Debtors. The fact that you have received this notice does not mean that you have  
18 a Claim, or that the Debtors or the Bankruptcy Court concedes that you have a Claim.

19 Any questions regarding this notice should be directed to Debtors' counsel at the address set  
20 forth in the upper left-hand corner of the first page hereof.

21 Dated: June 20, 2007

PACHULSKI STANG ZIEHL YOUNG  
JONES & WEINTRAUB LLP

22 By /s/ Jeffrey W. Dulberg

23  
24 Jeremy V. Richards  
25 Jeffrey W. Dulberg  
26 Scotta E. McFarland  
J. Rudy Freeman  
Attorneys Debtors and Debtors in Possession

Mailing Date: June 25, 2007

**EXHIBIT B**



## EMPLOYMENT AGREEMENT

AGREEMENT made as of the 1st day of May 2005, between People's Choice Home Loan, Inc., a Wyoming corporation (the "Company"), and Martin Bonanno (the "Executive").

The Executive is presently employed as the Director of Loan Servicing of the Company. The Company recognizes that the Executive's contribution to the growth and success of the Company has been substantial. The Company 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 Company 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. Any and all employment contracts, bonus plans and agreements, and all amendments to such employment contracts, bonus plans and agreements between Executive and the Company shall be superseded in their entirety and rendered null and void upon the commencement date of this Agreement as provided in Section 2 below.

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 (the "Agreement"). 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 May 1, 2005, and end on April 30, 2008, unless further extended or sooner terminated as hereinafter provided. Commencing on May 1, 2006, and on each May 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 to the other 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 Director of Loan Servicing, 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. 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 on Committees. During the Term, the Executive agrees to continue to serve on committees specified by the Chief Executive Officer ("CEO").

5. Place of Performance. In connection with the Executive's employment by the Company, the Executive shall initially 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 \$120,000. For purposes of this Agreement, the term "Base Salary" shall mean the amount established and adjusted annually on each Anniversary Date pursuant to this Section 6(a).

(b) Annual Cash Incentive Awards. The Executive shall be eligible to participate in the annual cash incentive bonus plan adopted by the Compensation Committee of the Board of Directors (the "Compensation Committee" and the "Board", respectively) of People's Choice Financial Corporation ("PCFC") 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, subject to a maximum Incentive Bonus of fifty percent (50%) 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. 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, but in no event later than April 15 of the following fiscal year. For purposes of this Agreement, the term "Incentive Bonus" shall mean the amount established pursuant to this Section 6(b).

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

(i) 2004 Stock Incentive Plan Option Grants. Option awards under the Stock Incentive Plan will have an exercise price per share equal to the closing price of PCFC'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 PCFC common stock not later than 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 Stock Incentive Plan Restricted Stock Awards. The Stock Incentive Plan provides for the issuance of shares of PCFC 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 PCFC'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 PCFC'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 PCFC 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 PCFC, the closing of such an agreement) that involves the transfer of all or substantially all of PCFC's total assets on a consolidated basis, as reported in PCFC's consolidated financial statements filed with the Securities and Exchange Commission; (iii) holders of the securities of PCFC entitled to vote thereon approve a transaction (or, if such approval is not required by applicable law and is not solicited by PCFC, the closing of such a transaction) pursuant to which PCFC will undergo a merger, consolidation, or statutory share exchange with a Person, regardless of whether PCFC 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 PCFC's voting securities carrying the right to vote in elections of persons to the 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 PCFC entitled to vote thereon approve a plan of complete liquidation of PCFC or an agreement for the sale or liquidation by PCFC of all or substantially all of PCFC's assets (or, if such approval is not required by applicable law and is not solicited by PCFC, 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 PCFC 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 PCFC or any Related Entity, and the term Person does not include any employee-benefit plan maintained by PCFC or any Related Entity, or any person or entity organized, appointed, or established by PCFC 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 PCFC 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 three (3) 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, shall be entitled to participate in all benefit plans from time to time in effect for senior executives of the Company generally and will be eligible for and entitled to participate in all other 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.

(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) Reasonable Business Expenses. The Executive shall be entitled to reimbursement of all reasonable, ordinary and necessary business expenses, in accordance with the Company's policy as in effect from time to time.

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 if 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, (iii) has 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 CEO or 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, (v) has breached any non-competition, non-disclosure or non-solicitation agreement between Executive and the Company, (vi) fails to follow any policy or procedure of the Company or fails to maintain a license required to perform the duties contemplated by this Agreement, (vii) fails to achieve timely implementation and acceptable performance of loan servicing projects assigned to the Executive, or fails to achieve and maintain average or better servicer ratings from the major rating agencies within the time period established by Company management, or fails to operate Servicing Department in accordance with prudent industry servicing standards, or obtains unacceptable collection results on loans serviced, each as determined by the CEO in his sole and absolute discretion, or (viii) breaches any material provision of this Agreement. Any such termination for cause shall be immediately effective upon oral or written notification to Executive.

(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 (B) below) which has not been cured within thirty (30) days after notice of such noncompliance has been given by the Executive to the Company, or (B) 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.

(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 13.

(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 following the expiration of 180 days of the Executive's disability, (iii) if the Executive's employment is terminated pursuant to subsections (c) or (d) 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 vested PCFC stock options, Restricted Stock Grants and any other equity awards granted by PCFC to the Executive shall become fully exercisable as of the Date of Termination, pursuant to the terms of the Stock Incentive Plan.

(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 vested PCFC stock options, Restricted Stock Grants and any other equity awards granted by PCFC to the Executive shall become fully exercisable as of the Date of Termination, pursuant to the terms of the Stock Incentive Plan.

(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) the Company shall pay to the Executive as severance pay (a) an aggregate amount equal to one-half of the Executive's annualized rate of Base Salary in effect as of 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 six months following the Date of Termination. Any amounts earned by Executive from any source during the period following termination will offset the payment obligations set forth in this Section 8; and

(iii) 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 later of (a) Executive's Date of Termination or (b) the date on which payments from the Company to Executive pursuant to Section 8 hereof cease, 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"), (i) 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, (ii) divert or attempt to directly or indirectly divert or defray from the Company or any affiliate any business of any kind, or (iii) solicit or do business with any Person who does business with the Company or any affiliate 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 later of (i) Executive's Date of Termination or (ii) the date on which payments from the Company to Executive pursuant to Section 8 hereof cease, 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 or employer 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. 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.

13. 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 HOME LOAN, INC.  
7515 Irvine Center Drive  
Irvine, California 92618  
Attention: Chief Executive Officer  
FAX: (949) 341-2220

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.

14. Termination Obligations.

(a) Executive agrees that all property, including, without limitation, all equipment, tangible Proprietary Information (as defined below), documents, books, records, reports, notes, contracts, lists, customer lists (which are defined to include, without limitation, broker lists), contact lists, appraiser lists, servicing lists, employee lists, computer disks (and other computer-generated files and data), and copies thereof, created on any medium and furnished to, obtained by, or prepared by Executive in the course of or incident to Executive's employment, belongs to the Company and shall be returned with all copies and partial copies thereof promptly to the Company upon termination of the period of employment.

(b) All benefits to which Executive is otherwise entitled shall cease upon Executive's termination, unless explicitly continued either under this Agreement or under any specific written policy or benefit plan of the Company.

(c) Upon termination of the period of employment, Executive shall be deemed to have resigned from all offices and directorships then held with the Company or any affiliate.

(d) Following any termination of the period of employment, Executive shall fully cooperate with the Company in all matters relating to the winding up of pending work on behalf of the Company and the orderly transfer of work to other employees of the Company. Executive shall

also cooperate in the defense of any action brought by any third party against the Company that relates in any way to Executive's acts or omissions while employed by the Company.

(f) Prior to beginning any employment within six (6) months following any termination of the period of employment, Executive shall first provide the Company with the name and address of Executive's prospective employer so that the Company may provide the new employer with a copy of this Agreement.

15. Proprietary Information.

(a) Defined. "Proprietary Information" is all information and any idea in whatever form, tangible or intangible, pertaining in any manner to the business of the Company, or any affiliate, or its employees, clients, consultants, or business associates, which was produced by any employee of the Company in the course of Executive's employment or otherwise produced or acquired by or on behalf of the Company. All Proprietary Information not generally known outside of the Company's organization, and all Proprietary Information so known only through improper means, shall be deemed "Confidential Information." Without limiting the foregoing definition, Proprietary and Confidential Information shall include, but not be limited to: (i) formulas, development techniques, processes, trade secrets, computer programs, electronic codes, research projects, forms, contracts, broker lists, appraiser lists, business practices, policies and procedures, and sales aids and techniques; (ii) information about costs, profits, markets, sales, and lists of other customers or clients; (iii) business, marketing, and strategic plans; (iv) employee personnel files and compensation information; and (v) all other material and information directly or indirectly given to or received by Executive that relate in any manner to any business or operation the Company is engaged in or any time intends to become engaged in. Executive should consult the Company procedures instituted to identify and protect certain types of Confidential Information, which are considered by the Company to be safeguards in addition to the protection provided by this Agreement. Nothing contained in those procedures or in this Agreement is intended to limit the effect of the other.

(b) General Restrictions on Use. Executive acknowledges that the Company has expended substantial time and money to create, acquire, gather and maintain the secrecy of Confidential Information and that the Company would suffer economic and other harm if its Confidential Information were used or disclosed in violation of this Agreement. Executive therefore agrees that Executive shall use Proprietary Information, and shall disclose Confidential Information, only for the benefit of the Company and as is necessary to carry out Executive's responsibilities under this Agreement. Following termination, Executive shall neither, directly or indirectly, use any Proprietary Information nor disclose any Confidential Information, except as expressly and specifically authorized in writing by the Company. Executive shall immediately deliver to the Company all Confidential and Proprietary Information upon termination of this Agreement for any reason. The publication of any Proprietary Information through literature or speeches must be approved in advance in writing by the Company's President.

(c) Location and Reproduction. Executive shall maintain at Executive's work station and/or any other place under Executive's control only such Confidential Information as Executive has a current "need to know." Executive shall return to the appropriate person or location or

otherwise properly dispose of Confidential Information once that need to know no longer exists. Executive shall not make copies of or otherwise reproduce Confidential Information without the prior written consent of the Company's President.

(d) Prior Actions and Knowledge. Executive represents and warrants that from the time of Executive's first contact with the Company, Executive has held in strict confidence all Confidential Information and has not disclosed any Confidential Information, directly or indirectly, to anyone outside of the Company, or used, copied, published, or summarized any Confidential Information, except to the extent otherwise permitted in this Agreement.

(e) Third-Party Information. Executive acknowledges that the Company has received and in the future will receive from third parties their confidential information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. Executive agrees that Executive owes the Company and such third parties, during the period of employment and thereafter, a duty to hold all such confidential information in the strictest confidence and not to disclose or use it, except as necessary to perform Executive's obligations hereunder and as is consistent with the Company's agreement with such third parties.

16. 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 heirs, beneficiaries, executors, administrators 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 16. 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 16 (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 16.

(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 16 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 16 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, 14, 15 and 16 of this Agreement.

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



(e) Indemnification. The Company shall indemnify and hold the Executive harmless to the maximum extent permitted by the laws of the State of Wyoming (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 or a subsidiary or affiliate thereof, regardless of whether such action or proceeding is one brought by or in the right of the Company or a subsidiary or affiliate thereof to procure a judgment in its favor (or other than by or in the right of the Company or a subsidiary or affiliate thereof); *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.

17. 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. Further, it is agreed that if

Executive does not commence employment pursuant to Section 2 of this Agreement, this Agreement shall be void and of no force or effect.

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

PEOPLE'S CHOICE HOME LOAN, INC.

By:   
Name:  
Title: 

MARTIN BONANNO





**EXHIBIT C**

UBS AG  
677 Washington Boulevard  
Stamford, CT 06901

www.ubs.com

July 9, 2007

Martin Bonanno  
27526 Capricho  
Mission Viejo, CA 92692

Dear Martin:

This letter sets forth the terms of the employment offer to you by UBS AG, Tampa Branch, or its successor in interest or assign (the "Firm"), which is conditioned on the consummation of the transaction (the "Transaction") in which the Firm will acquire certain assets associated with People's Choice Home Loan, Inc., and/or its affiliates ("PCHL") through the sale of those assets in conjunction with matters relating to PCHL's Chapter 11 Petition filed with the United States Bankruptcy Court. Your employment shall become effective on the Closing Date, as defined in the Purchase Agreement between the Firm and PCHL dated as of July 9, 2007 (the "Purchase Agreement").

We are pleased to offer you a position as a Director, Loan Servicing within the Fixed Income Area. Your official title will be Executive Director. You will initially report to George Mangiaracina, Managing Director, and be located in our Irvine, CA office. We look forward to having you start work as soon as the Transaction closes, which we anticipate to be on or about July 10, 2007 ('Start Date'). In the event that your employment does not become effective on or before July 10, 2007 for any reason, the Firm may declare the terms of this document to be considered null and void, and this letter thereupon shall have no further force and effect.

This letter sets forth the terms of our offer and describes your compensation and benefits package. All compensation payments set forth herein and during your employment will be subject to any necessary withholdings and authorized and/or required deductions.

#### **Base Salary Compensation**

Your base salary will be at an annual rate of \$165,000, and will be payable semi-monthly.

#### **Incentive Compensation Award Overview**

In addition to a salary, you may be eligible for a discretionary incentive compensation award which may take into account such factors as (1) the overall performance of UBS AG; (2) the performance of your division/business group and department; and (3) your individual performance (as determined in the sole and exclusive judgment of the Firm). The payment and the amount, if any, of any incentive compensation award is at the sole and exclusive discretion of the Firm.

Subject to applicable law, incentive compensation awards are contingent upon your continued employment with the Firm on the incentive compensation award payment date ('Payment Date'), which is generally in or around mid-February, but not later than March 15th of each subsequent calendar year. You will not be considered 'employed' if you have given notice of termination prior to the Payment Date.

If you receive an incentive award in excess of the threshold amount stated in the UBS Equity Ownership Plan ('EOP') (for example, US\$150,000 for 2006 incentive compensation awards), a portion of the incentive award will be granted in the form of an EOP award, subject to the terms and conditions of the EOP. EOP awards are granted 100% in the form of UBS AG Shares, and are subject to a three-year vesting requirement, with one-third of the award vesting and payable each year, assuming all terms and conditions under the applicable EOP Plan Rules and EOP Award Agreement are met. UBS AG reserves the right to modify or discontinue the



terms or design of EOP in the future. If you have any questions regarding EOP, please contact the Compensation Team at 203-719-8877.

### **Special EOP Retention Award**

We have agreed that you will receive a Retention EOP Award in the amount of \$25,000. The equivalent value in UBS AG Shares will be granted to you based on the average of the high and low UBS Share price on the fifth trading day of the month following your Start Date. This award will be granted through the Off-Cycle Equity Ownership Plan ('Off-Cycle EOP') in the form of UBS AG Shares, and is subject to all terms and conditions of the Off-Cycle EOP plan documents.

The Retention EOP award is subject to a three-year vesting requirement, with one-third of the award vesting and distributed on the following schedule, assuming all terms and conditions under the Off-Cycle EOP Plan Rules and EOP Award Agreement are met:

34% on March 1, 2008  
33% on March 1, 2009  
33% on March 1, 2010

You must accept your award within thirty (30) days of the grant date, or the award will not vest and will be made subject to forfeiture. Please note that your Retention EOP Award is governed by the terms and conditions of the applicable plan rules.

### **Benefits & Policies**

You will be eligible to participate in UBS Investment Bank's employee benefit plans generally available to employees subject to the terms and conditions of those plans. Detailed information about the benefit plans and about our Human Resources policies and programs will be provided to you.

Your credited service date with UBS shall reflect any prior continuous service with PCHL for purposes of vesting credit in benefits, policies and programs. For purposes of accrual of benefits for the Retirement Contribution under the UBS Savings and Investment Plan (SIP) and the Plan match, benefits will accrue in accordance with the terms of the Plan using your Start Date.

You agree that you will abide by and adhere to all federal laws and rules and regulations of the various exchanges or other regulatory and/or self-regulatory organizations of which the Firm or any of its affiliates or related entities are members, as well as all internal rules, regulations, policies and codes of conduct that the Firm has established. Without limiting the generality of the foregoing, you further agree that your employment is contingent upon your signing and adhering to the Firm's Agreement Concerning the Handling of Confidential Information and the Assignment of Employee Inventions. In addition, you will be required to complete all training mandated by the Firm, including but not limited to Workplace Sexual Harassment, Discrimination and Retaliation Prevention Training (to be completed within the first six (6) months of your employment), and Confidentiality and Anti-Money Laundering Computer Based Training (to be completed within the first ninety (90) days of your employment).

### **Compliance**

All employees must follow UBS Investment Bank's Personal Account Dealing Policy located on the Legal and Compliance Intranet web site in the Policies and Guidance section. Generally, the policy requires you to: 1) disclose to the Compliance Department all of your and your immediate family's personal securities accounts, including accounts where you have a beneficial interest or the ability to influence or control investment decisions; 2) transfer accounts to UBS Financial Services, Inc. (unless the account falls within an exception); and 3) obtain trade pre-clearance on all securities transactions (prior to placing the order with your broker) through the Firm's online system, ETWeb, and, in some instances, approval from your manager. To centralize your securities accounts, call the UBS Financial Services Employee Investor Branch at (800) 253-0709. Please contact the Employee Trading Hotline with questions at (203) 719-5590.



For additional information on UBS Investment Bank's Personal Account Dealing Policies, see the Compliance Manual included in your Welcome Packet CD.

### **Notice of Termination**

You understand and agree that you have access to the Firm's confidential and proprietary information and valued client relationships (collectively the 'Information'). You recognize and agree that it is reasonable and necessary to protect the Firm's Information and to provide a smooth transition if you choose to leave the Firm. Consequently, you agree to provide the Firm with 60 days prior written notice of your intent to terminate your employment with the Firm (the 'Notice Period'). The Firm may elect in its sole discretion to waive or place you on paid leave for all or any part of such Notice Period, subject to applicable law. If such notice is provided to the Firm prior to the Payment Date, you shall not be entitled to receive any incentive compensation award that you may have otherwise been eligible for on the Payment Date.

During your employment (including the Notice Period), you will: (i) perform any reasonable duties and responsibilities the Firm requests; (ii) devote all of your working time, labor, skill and energies to the business and affairs of the Firm; (iii) be paid your base salary; and (iv) be entitled to continue to participate in the Firm's employee benefit plans as provided for herein.

If the Firm does not require you to work during the Notice Period, you agree that you will not provide services for any Competitive Enterprise including, without limitation, engaging in, directly or indirectly, or managing or supervising personnel engaged in, any activity (i) which is similar or substantially related to any activity in which you were engaged, in whole or in part, at the Firm; (ii) for which you had direct or indirect managerial or supervisory responsibility at the Firm; or (iii) which calls for the application of the same or similar specialized knowledge or skills as those used by you in your activities with the Firm.

'Competitive Enterprise' means a business enterprise that (i) engages in any activity, or (ii) owns or controls a significant interest in any entity, that, in either case, competes with any activity in which the Firm or UBS AG is engaged in any place in the world. The activities covered by the previous sentence include, without limitation, financial services such as investment banking, public or private finance, lending, financial advisory services, private investing (for anyone other than you or members of your family), merchant banking, asset or hedge fund management, insurance or reinsurance underwriting or brokerage, property management, or securities, futures, commodities, energy, derivatives or currency brokerage, sales, lending, custody, clearance, settlement or trading.

### **Non-Solicitation**

You agree that during your employment, and for a period of six (6) months from the termination date of your employment, you will not, directly or indirectly, for yourself or for any third party, solicit, influence, induce, recruit or cause any employee of UBS AG, its subsidiaries or affiliates (hereafter referred to in this section collectively as 'UBS') to terminate his or her employment with UBS for the purpose of joining, associating or becoming employed with any business wherever located or which you are or anticipate becoming an employee, owner, partner, investor, member, agent, director, consultant, independent contractor or otherwise associated in any way whatsoever.

You agree that during your employment, and for a period of six (6) months after your employment is terminated, you will not directly or indirectly solicit or interfere with any of the UBS clients or client relationships for whom UBS either performed or actively solicited work from during the six (6) months prior to the termination of your employment.

You acknowledge and agree that UBS is global and includes offices throughout the world. You therefore acknowledge and agree that the foregoing provisions are not overly broad, and that they are reasonable and fair.

You understand that the terms of this section are material to UBS and, therefore, if a court or arbitration panel of competent jurisdiction rules that you have breached the terms of this section, you agree that damages in the event of breach of this section would not be possible to ascertain. Therefore, you further



agree that in addition to and without limiting any other remedy or right UBS may have, it shall have a right to an injunction or other equitable relief enjoining any such breach or prospective breach. The existence of this right shall not preclude any other rights and remedies at law or in equity. UBS shall not be required to post any bond in connection with the foregoing.

You agree that if any restriction set forth in this section is found by any court or arbitrator of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic areas to which it may be enforceable.

The restrictions contained in this section are necessary for the protection of the business and goodwill of UBS and are considered by you to be reasonable for this purpose.

#### **Protection of Confidential Information**

You agree that certain information you obtain during your employment with the Firm which relates to intellectual property, financial information, personnel, projections, strategic planning, client information, or any other work product not readily available to the public is considered by the Firm to be trade secret and confidential information and that the Firm takes reasonable steps to maintain the confidentiality of such information (hereafter collectively 'Confidential Information'). During your employment with the Firm and thereafter upon your termination of employment with the Firm you agree, whether or not requested, to return any and all copies of such Confidential Information, in whatever medium and form, and further to refrain forever from using or disclosing the Firm's Confidential Information for any reason, except as may be required by law.

You will give immediate written notice to the Firm of any disclosure of the Firm's Confidential Information required by a court, government agency, or regulatory authority in order to allow the Firm the opportunity to respond to such a request. Your obligations under this section will survive the termination of your employment.

#### **Arbitration of Disputes**

You and the Firm hereby knowingly and voluntarily agree that any dispute, controversy or claim (including but not limited to those arising out of or relating to this Agreement, the employment relationship between you and the Firm or the termination thereof) will be settled by final and binding arbitration. The parties' agreement to arbitrate disputes includes, but is not limited to, any claims of unlawful discrimination, harassment or retaliation under Title VII of the Civil Rights Act of 1964, the Civil Rights Acts of 1866 and 1991, the Age Discrimination in Employment Act of 1967, the Older Workers Benefit Protection Act of 1990, the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, the Family and Medical Leave Act of 1993, the Fair Labor Standards Act of 1938, the Equal Pay Act of 1963, the Worker Adjustment and Retraining Notification Act, the Sarbanes-Oxley Act of 2002, and all amendments thereto, or any other federal, state or local law relating to discrimination in employment, any claims relating to wage and hour disputes, compensation or remuneration, any claims arising under the UBS Separation Program, any claims for breach of contract and any other statutory or common law claims. Arbitration under this agreement will be conducted pursuant to the Firm's employment arbitration procedures in effect at the time of the filing of a claim. A copy of the employment arbitration procedures as currently in effect is attached hereto as Exhibit A.

#### **Immigration Compliance**

Federal law requires U.S. employers to verify that all new employees are eligible to work in the United States pursuant to the Immigration Reform and Control Act of 1986. As a condition of your employment, as set forth by the Act, you will be required to provide proof of identity and employment authorization within three (3) days of your Start Date.

If your employment authorization is based upon a non-immigrant visa status, the Firm may file an employment-based non-immigrant visa petition and request for a change of or an extension of visa status on your behalf. There is no guarantee and/or assurance that such petition will be sought or filed or that such



application will be granted and, accordingly, your continued employment is subject to a determination of your eligibility for such status by the U.S. Citizenship and Immigration Service ('USCIS'). By accepting this offer, you represent you are not aware of any circumstances that would restrict your eligibility for such immigration status.

### **References and Background Check**

Your employment will be contingent upon satisfactory completion of all pre-employment and post-employment processing, including, but not limited to, the employment application; background screening, involving the verification of work history and education; fingerprinting and a pre-employment drug screen. Please note that you may be required to provide the Firm with written documentation (such as tax and/or payroll records) confirming your current and/or prior compensation, including base salary and/or incentive bonus amounts.

### **Drug Screen Instructions**

You have previously received a chain of custody form. If you have not already completed your drug screening, you must take this form with you to the screening center. The screening must be completed at least seven (7) business days prior to, but not more than thirty (30) days in advance of, your Start Date. Your screening results must be received and approved by Human Resources BEFORE your Start Date.

To find a screening center, please logon to the LabCorp website (<http://www.labcorp.com/psc/index.html>). At the top of the webpage it reads: "To locate the Patient Service Center closest to you, click here." You will be prompted to enter your address information, including your city, state and zip code. For type of service required, please choose "Occupational Urine Drug Screen Collections", then click on "Find PSC". The address and telephone number of the screening site will be provided; please note that some sites may require you to contact them to schedule an appointment.

If you have any questions, please contact the HR Advisory Service Center (203-719-4787).

### **Representations and Warranties**

You represent and warrant that (1) you will not possess as of your Start Date and during your employment with the Firm, any material, tangible, confidential or proprietary information, including documents, files, disks, or other materials, belonging to your former employer or its affiliates; (2) as of your Start Date, you have not solicited any employees or clients of your former employer or its affiliates to change their association with your former employer or its affiliates; (3) you are not subject to any restrictive covenant, notice of termination requirement, non-competition or non-solicitation provision with any former employer or any agreement that prevents your entering into employment by the Firm and that you conducted a due diligence review of copies of all agreements you may have entered into with your former employer to ensure that this is correct; (4) you have not made any material misrepresentation or omission in the course of your application to the Firm regarding employment or your ability to perform the position offered; and (5) no representations were made to you concerning this offer or the terms or conditions of your anticipated employment except as expressly set out in this letter.

Due to the diverse and sensitive nature of UBS's business relationships with certain state governments, including the State of Illinois, you further represent and warrant that you have not been employed by the State of Illinois at any time during the period from January 1, 2003, to present.

### **At-Will Employment**

Your employment remains 'at will', and this letter shall not be construed as a contract of employment for a fixed period of time. The Firm reserves the right to terminate your employment at any time for any reason whatsoever and with or without notice. Subject to the terms of this letter, you are free to terminate your employment at any time for any reason. The terms of this letter may not be amended unless such amendment is agreed to in writing and signed by you and two authorized officers of the Firm.



This letter contains the entire understanding and agreement between the parties concerning the subject matter hereof, and supersedes all prior agreements, understandings, discussions, negotiations, and undertakings, whether written or oral, between the parties with respect thereof. No waiver by either party of any breach by the other party of any condition or provision contained in this letter to be performed by such other party shall be deemed a waiver of a similar or dissimilar condition or provision at the same or any prior or subsequent time. Any waiver must be in writing and signed by two authorized officers of the Firm.

This offer letter shall be governed, construed and enforced in accordance with the laws of the State of Connecticut without regard to conflict of law principles. In the event that any provision or portion of this letter shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this letter shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

**Confidentiality**

You agree to keep secret, strictly confidential in whole and in part, the terms of this letter, and further agree not to disclose the terms of this letter to any person or entity except as permitted by law or legal process, and except for disclosure to your attorneys, accountants and/or immediate family, provided that those individuals are advised of the confidential nature of such disclosure. Notwithstanding the foregoing, if you disclose the contents of this letter other than as permitted by this paragraph without prior authorization, the Firm reserves the right to rescind all of the terms of this letter and subject you to disciplinary action, including termination of your employment. You may disclose the terms of the paragraphs entitled Notice of Termination, Non-Solicitation and Protection of Confidential Information to any prospective or future employer.

If the foregoing accurately reflects our understanding, please sign the enclosed duplicate original of this letter and return one fully executed copy and the completed data form by Wednesday, July 11, 2007 to:

HR ASC - Stamford  
UBS Investment Bank  
201 Tresser Blvd.  
4th Floor  
Stamford, CT 06901

In addition, please immediately fax a copy of your signed letter (including the completed data form) to the HR ASC - Stamford at 203-719-8692. Please note that you will not be entered on payroll until we have received both of these documents.

All new employees are required to attend the Firm's New Hire Orientation Program. Further details regarding your Orientation session will be communicated to you separately. Please contact HR ASC - Stamford (203-719-4787) with any questions regarding the Orientation Program.

Martin, we are all looking forward to working with you.

Sincerely,

**UBS AG**

Marc Montanaro  
Director  
Human Resources

George Mangiaracina  
Managing Director  
Fixed Income



Accepted and agreed to this

9 day of July, 2007

A handwritten signature in black ink, appearing to read "Martin Bonanno", written over a horizontal line.

Martin Bonanno





**Exhibit A**  
**Employment Arbitration Procedures**

The following employment arbitration procedures shall govern the resolution of any employment-related disputes between you and the Firm. Such disputes include, but are not limited to, any claims of unlawful discrimination, harassment or retaliation under Title VII of the Civil Rights Act of 1964, the Civil Rights Acts of 1866 and 1991, the Age Discrimination in Employment Act of 1967, the Older Workers Benefit Protection Act of 1990, the Rehabilitation Act of 1973, the Americans with Disabilities Act of 1990, the Family and Medical Leave Act of 1993, the Fair Labor Standards Act of 1938, the Equal Pay Act of 1963, the Worker Adjustment and Retraining Notification Act, the Sarbanes-Oxley Act of 2002, and all amendments pertaining to any of them, or any other federal, state or local law relating to discrimination in employment, any claims relating to wage and hour disputes, compensation or remuneration, any claims arising under the UBS Separation Program, any claims for breach of contract and any other statutory or common law claims.

Claims arising under the National Labor Relations Act, claims for workers' compensation and claims for unemployment benefits are not covered by these procedures and will continue to be addressed in accordance with applicable law. In addition, neither you nor the Firm may submit a class action, collective action, or other representative action for arbitration, except to the extent that this provision is unenforceable under applicable law. These procedures do not affect your right to pursue, in accordance with applicable law, any Equal Employment Opportunity Commission or state and local human rights agency process that may be available to you.

The arbitration, as well as any voluntary mediation, will be conducted by an independent service provider, JAMS (or its successor), in the city and county where you work or last worked for the Firm, or if JAMS has no office there, in the city of the closest JAMS office. The arbitration will be conducted pursuant to the JAMS Employment Arbitration Rules & Procedures (including those related to discovery) then in effect. Any arbitration request must be filed with JAMS within the statute of limitations period applicable to the employment-related claim(s) set forth in the request. To initiate arbitration, you must send a written request for arbitration to JAMS, together with a filing fee of \$150, and to your Human Resources Client Relationship Manager ('CRM'). You may obtain a copy of the request form, together with the JAMS Employment Arbitration Rules & Procedures then in effect, from the Human Resources department.

The Firm, with your consent, will bear all of the expenses charged by JAMS (except for the initial filing fee); however, each party will be responsible for the fees and disbursements of its own counsel and the expenses relating to the production of witnesses or other evidence (except to the extent that by statute fees and other expenses may be shifted to the prevailing party following a final judgment).

In the course of any arbitration pursuant to this Agreement, you and the Firm agree: (a) to request that a written award be issued by the arbitration panel, and (b) that each party is entitled to receive any and all relief to which it otherwise would be entitled to receive in a court proceeding. You and the Firm hereby knowingly and voluntarily agree to waive any rights that might otherwise exist to request a jury trial or other court proceeding, except that you agree that any party has the right to seek temporary injunctive relief in aid of arbitration, with the final decision on the merits (including any issue of permanent injunctive relief) to be made by the arbitrator. Judgment on an arbitral award, if one is made, may be entered by any court having competent jurisdiction.

## 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:  
Winston & Strawn, LLP, 333 S. Grand Avenue, 38th Floor, Los Angeles, CA 90071

A true and correct copy of the foregoing document entitled (*specify*): **LIQUIDATING TRUSTS' MOTION FOR ORDER (1) DISALLOWING PROOF OF CLAIM OF MARTIN L. BONANNO; DECLARATION OF TAMARA D. MCGRATH** 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 **February 28, 2014**, 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 **February 28, 2014** 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 **February 28, 2014**, 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.

PRESIDING JUDGE'S COPY - Service by Overnight Mail  
Hon. Robert Kwan  
United States Bankruptcy Court  
255 E. Temple Street, Suite 1682  
Los Angeles, CA 90012  
Via overnight mail with Fedex  
Tracking Number: 798071267967

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.

February 28, 2014

Lucy Fera

Date

Printed Name

  
Signature

**1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):**

- Jose D Alarcon jalarcon@bettzedek.org
- Daniel L Alexander daniel@colemanfrost.com
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- D Edward Hays ehays@marshackhays.com, ecfmarshackhays@gmail.com

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This form is mandatory. It has been approved for use by the United States Bankruptcy Court for the Central District of California.

- Daniel L Hembree ecfcacbsfv@piteduncan.com
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- Les A Zieve bankruptcy@zievelaw.com

**2. SERVED BY UNITED STATES MAIL:**

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Nancy S. Goldenberg, Esq.  
The Office of the United States Trustee  
411 W. Fourth Street, Suite 9041  
Santa Ana, CA 92701

Office of U.S. Trustee  
The Office of the United States Trustee  
725 S. Figueroa Street, 26th Floor  
Los Angeles, CA 90017

**Martin L. Bonanno**  
**Proof of Claim #416 (People's Choice Home Loan, Inc.)**

Martin L. Bonanno  
27526 Capricho  
Mission Viejo, CA 92692