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

11 In re
12 PEOPLE'S CHOICE HOME LOAN, INC.,
13 *et al.*,¹

14 Debtors

Case No.: SA-07-10765-RK

Chapter 11

**DEBTORS' JOINT LIQUIDATING
PLAN OF REORGANIZATION
UNDER CHAPTER 11 OF THE
BANKRUPTCY CODE DATED
MARCH 3, 2008**

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27 ¹ 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
28 Corporation, a Maryland corporation, Fed. Tax I.D. No.: 20-1157100.



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I.

DEFINITIONS

The following terms (which appear in this Plan as capitalized terms), when used in this Plan, have the meanings set forth below:

"Administrative Claim" means a Claim for administrative costs or expenses that is allowable under Bankruptcy Code §§ 503(b) and 507(a)(2) or 28 U.S.C. § 1930, including, without limitation, (a) Ordinary Course Administrative Claims; (b) Professional Fee Claims; (c) Administrative Tax Claims; (d) Administrative Intercompany Claims; and (d) U.S. Trustee Fees.

"Administrative Intercompany Claims" means an Administrative Claim held by a Debtor against another Debtor allocated in accordance with the Intercompany Claims Settlement.

"Administrative Claim Bar Date" means, with respect to Administrative Claims other than Ordinary Course Administrative Claims, Professional Fee Claims and U.S. Trustee Fees, the date that is thirty (30) days after the Effective Date.

"Administrative Claim Objection Deadline" means the date that is sixty (60) days after the Administrative Claim Bar Date; provided however, the Administrative Claims Objection Deadline may be initially extended for sixty (60) days by the Liquidating Trustee filing a notice of the extended Administrative Claim Objection Deadline with the Bankruptcy Court, subject to further extension. Thereafter, the Administrative Claim Objection Deadline may be further extended only by an order of the Bankruptcy Court.

"Administrative Tax Claim" means a Claim other than an Allowed Secured Claim that a government unit asserts against any of the Debtors for taxes or related interest or penalties, which Claim is entitled to priority and allowable under Bankruptcy Code section 503(b).

"Allowed Administrative Claim" means an Allowed Claim that is an Administrative Claim.

"Allowed Claim" or **"Allowed Interest"** means (a) a Claim, as to which no proof of claim has been filed, that is (i) listed in the Schedules in an amount greater than zero and (ii) not listed as disputed, contingent or unliquidated; (b) a Claim or Interest as to which a timely proof of claim or interest has been filed in a sum certain and (i) no objection or motion to estimate, equitably

1 subordinate, reclassify, set off, or otherwise limit the recovery thereon has been asserted before the
2 expiration of the time period to object to such claim as set forth in this Plan or order of the
3 Bankruptcy Court or (ii) any objection or motion to estimate, equitably subordinate, reclassify, set
4 off or otherwise the recovery thereon has been resolved by agreement between the Claimant and the
5 Liquidating Trustee or by Final Order of the Bankruptcy Court; or (c) a Claim or Interest that has
6 been allowed by agreement between the Claimant and the Liquidating Trustee or by Final Order.

7 **"Allowed Class '***' Claim"** means an Allowed Claim classified in the specified Class.

8 **"Allowed Priority Tax Claim"** means an Allowed Claim that is a Priority Tax Claim.

9 **"Allowed Unclassified Claim"** means an allowed Administrative Claim or Allowed Priority
10 Tax Claim.

11 **"Assets"** means all assets of the Debtors' Estates and each of them including "property of
12 the estate" as described in section 541 of the Bankruptcy Code and shall, without limitation, include
13 Cash, Causes of Action, securities, proceeds of insurance and insurance policies, all rights and
14 interests, all real and personal property, including all files, books and records of the Estates.

15 **"Available Cash"** means the Cash in each of the Liquidating Trusts that is not otherwise
16 designated by the Liquidating Trustee as Cash to be used to satisfy Allowed Administrative Claims,
17 Allowed Priority Tax Claims, Allowed Secured Claims, Allowed Priority Non-Tax Claims, and
18 expenses of the respective Liquidating Trust or otherwise subject to a reserve established by the
19 Liquidating Trustee.

20 **"Avoidance Action"** means an adversary proceeding, lawsuit or other proceeding with
21 respect to Causes of Action arising under, relating to, or similar to Bankruptcy Code sections 502(d),
22 506, 510, 542, 543, 544, 545, 547, 548, 549, 550, 551, 552 or 553, or any fraudulent conveyance,
23 fraudulent transfer or preference laws, or any Cause of Action arising under, or relating to, any
24 similar state law or federal law that constitutes property of the Estate under Bankruptcy Code section
25 541, whether or not an action is initiated before or after the Effective Date.

26 **"Ballot"** means the Ballot for accepting or rejecting the Plan.

27 **"Ballot Date"** means the date set by the Bankruptcy Court by which all Ballots with respect
28 to the Plan must be received.

1 **"Bankruptcy Code"** means the Bankruptcy Reform Act of 1978, as amended and codified
2 in title 11 of the United States Code, §§ 101 et seq.

3 **"Bankruptcy Court"** means the United States Bankruptcy Court for the Central District of
4 California, Santa Ana Division.

5 **"Bankruptcy Rules"** means, collectively, (a) the Federal Rules of Bankruptcy Procedure, as
6 amended from time to time, and (b) the Local Bankruptcy Rules applicable to cases pending before
7 the Bankruptcy Court, as now in effect or hereafter amended.

8 **"Beneficiaries"** means the Creditors and Holders of Interests who are the beneficiaries of the
9 Liquidating Trusts.

10 **"Business Day"** means any day other than a Saturday, Sunday or a "legal holiday" (as
11 defined in Bankruptcy Rule 9006(a)).

12 **"Cases"** means the cases under chapter 11 of the Bankruptcy Code commenced by the
13 Debtors and bearing Case Numbers SA-07-10765, SA-07-10767, and SA-07-10772, being jointly
14 administered under Case Number SA-07-10765.

15 **"Cash"** means cash or cash equivalents including, but not limited to, bank deposits, checks
16 or other similar items.

17 **"Cash Collateral"** means Cash that secures an Allowed Secured Claim.

18 **"Causes of Action"** means any and all Claims, demands, rights, actions, suits, causes of
19 action, third-party claims, counterclaims and crossclaims (including, but not limited to, those matters
20 described herein and in the Disclosure Statement) of or liabilities or obligations owing to any of the
21 Debtors or any of the Estates, of any kind or character whatsoever, known or unknown, suspected or
22 unsuspected, whether arising prior to, on or after the Petition Date, in contract or in tort or otherwise,
23 at law or in equity or under any other theory, that any of the Debtors or any of the Estates have or
24 assert or may have or assert, whether or not brought as of the Effective Date, and which have not
25 been settled or otherwise resolved by Final Order as of the Effective Date, including but not limited
26 to (1) rights of setoff, counterclaim or recoupment, and claims on contracts or for breaches of duties
27 imposed by law, (2) the right to object to claims or interests, (3) such claims and defenses as fraud,
28 mistake, duress and usury, (4) Avoidance Actions, (5) claims for tax refunds, (6) claims to recover

1 outstanding accounts receivable, (7) such claims and defenses as alter ego, and (8) any other claims
2 which may be asserted against third parties.

3 **"Claim"** means a claim—as the term "claim" is defined in Bankruptcy Code
4 section 101(5)—against any of the Debtors.

5 **"Claims Bar Date"** means August 31, 2007, the date set pursuant to an order entered by the
6 Bankruptcy Court on June 20, 2007, as the deadline for all Persons other than governmental units to
7 file proofs of Claim or Interest arising prior to the Petition Date, except that counterparties to
8 executory contracts or unexpired leases rejected upon the Effective Date or prior to the Effective
9 Date shall have until the later of (a) the date(s) set forth in the applicable Order(s) rejecting such
10 lease or contract, (b) the Claims Bar Date, or (c) thirty (30) days from the Effective Date.

11 **"Claims Objection Deadline"** means the deadline for the Liquidating Trustee and parties in
12 interest to file objections to Claims as set forth in Section VII.B.2 hereof.

13 **"Class"** means a group of Claims or Interests as classified in Article IV.

14 **"Collateral"** means any property or interest in property of any of the Estates subject to a lien
15 or security interest that is not subject to avoidance under the Bankruptcy Code or otherwise invalid
16 or unenforceable under the Bankruptcy Code or applicable federal and/or state law.

17 **"Committee"** means the Official Committee of Unsecured Creditors appointed in the Cases
18 by the Office of the U.S. Trustee for the Central District of California.

19 **"Committee Standing Order"** means the Court's order dated September 14, 2007
20 authorizing the Committee to pursue and prosecute claims and causes of action against the Debtors'
21 directors, officers and shareholders.

22 **"Confirmation"** means the entry of the Order by the Bankruptcy Court confirming the Plan
23 pursuant to section 1129 of the Bankruptcy Code.

24 **"Confirmation Date"** means the date on which the Bankruptcy Court enters the
25 Confirmation Order on its docket.

26 **"Confirmation Hearing"** means the hearing before the Court to consider the confirmation
27 of the Plan pursuant to Bankruptcy Code section 1128(a), as such hearing may be continued from
28 time to time.

1 **"Confirmation Hearing Date"** means the first date on which the Bankruptcy Court holds
2 the Confirmation Hearing.

3 **"Confirmation Order"** means the order of the Bankruptcy Court confirming this Plan under
4 Bankruptcy Code section 1129.

5 **"Court"** means the United States Bankruptcy Court for the Central District of California,
6 Santa Ana Division or any other court that exercises proper jurisdiction over the Case.

7 **"Creditor"** means "creditor," as the term is defined in Bankruptcy Code § 101(10).

8 **"Debtors"** means People's Choice Home Loan, Inc., a Wyoming corporation, People's
9 Choice Funding, Inc., a Delaware corporation, and People's Choice Financial Corporation, a
10 Maryland corporation.

11 **"Deficiency Claim"** means the portion of a Claim arising under a master repurchase
12 agreement governing the sale and repurchase of mortgage loans or similar warehouse facility to the
13 extent the Claim exceeds the value of the Holder's interest in the Estate's interest in the Collateral as
14 determined by the Court, including pursuant to sections 506(a), 553 and 1129(b)(2)(A)(i)(II).
15 Nothing in this definition shall imply that a claim under a master repurchase agreement constitutes a
16 secured claim.

17 **"Disallowed Claim"** means a Claim or any portion thereof that (i) has been disallowed by
18 agreement between the Claimant and the Liquidating Trustee or by Final Order, (ii) is Scheduled as
19 zero or as contingent, disputed, or unliquidated and as to which no Proof of Claim or Administrative
20 Claim has been timely filed or deemed timely filed with the Bankruptcy Court pursuant to either the
21 Bankruptcy Code or any Final Order of the Bankruptcy Court or otherwise deemed timely filed
22 under applicable law or this Plan, (iii) is not Scheduled and as to which no Proof of Claim or
23 Administrative Claim has been timely filed or deemed timely filed with the Bankruptcy Court
24 pursuant to either the Bankruptcy Code or any order of the Bankruptcy Court or otherwise deemed
25 timely filed under applicable law or this Plan, (iv) has been withdrawn by agreement of the Debtors
26 and the Holder thereof, or (v) has been withdrawn by the Holder thereof, subject to a determination
27 of the right to withdraw such claim unilaterally.

28 **"Disbursing Agent"** means the Liquidating Trustee or any entity selected by the Liquidating

1 Trustee to act as its agent in conducting the disbursements to Holders of Allowed Claims pursuant to
2 the Liquidating Trusts Agreements.

3 **"Disclosure Statement"** means the disclosure statement relating to the Plan, including,
4 without limitation, all exhibits thereto, as approved by the Bankruptcy Court pursuant to Bankruptcy
5 Code section 1125, as such Disclosure Statement may be amended, modified, or supplemented from
6 time to time.

7 **"Disclosure Statement Order"** means the Order entered by the Bankruptcy Court approving
8 the Disclosure Statement.

9 **"Disputed Claim"** means any Claim that is not an Allowed Claim or a Disallowed Claim.

10 **"Disputed Claim Reserve"** means the Cash reserves, established pursuant to Section VII.B.1
11 of the Plan, for each Liquidating Trust by the Liquidating Trustee in the estimated amount necessary
12 to satisfy all distributions under the Plan on account of Disputed Claims that are General Unsecured
13 Claims that will be obligations of the particular Liquidating Trust, if such Disputed Claims become
14 Allowed Claims.

15 **"Distribution(s)"** means any transfer under the Plan of Cash or other property or
16 instruments to a Holder of an Allowed Claim.

17 **"Distribution Date(s)"** means the date(s) selected by the Liquidating Trustee for making
18 Distributions to Holders of Allowed Unsecured Claims in accordance with Section VI.G.3 hereof.

19 **"D&O and Shareholder Claims"** means any and all Causes of Action or Claims, whether
20 known or unknown, liquidated or unliquidated, disputed or undisputed, fixed or contingent, against
21 present and/or former officers, directors and shareholders of the Debtors relating to any matter, fact,
22 circumstance, act, omission or other thing including but not limited to all such items raised by the
23 Committee in the September 27 Letter.

24 **"Effective Date"** means the first Business Day after the date when all of the following have
25 occurred: (a) the Confirmation Order shall have become a Final Order; (b) the Debtors, Committee
26 and the Liquidating Agent have executed the Trust Agreements; and (c) all other actions, including
27 the establishment of the Trusts and all accounts thereof, and documents necessary to implement the
28 Plan shall have been executed or have become effective. However, at the option of the Debtors, a

1 Confirmation Order that is subject to a pending appeal or certiorari proceeding may be considered a
2 Final Order provided no court of competent jurisdiction has entered an order staying the effect of the
3 Confirmation Order.

4 **"EPD/Breach Claim"** means a Claim arising under a master purchase and warranty
5 agreement or similar agreement between one or more of the Debtors and a loan purchaser or its
6 assignee for (i) breach of a representation and/or warranty under such agreement made by one or
7 more of the Debtors and/or (ii) a right under such an agreement to resell a loan to one or more of the
8 Debtors based on a payment default by the borrower on such loan.

9 **"Estate"** means, with respect to each of the Cases, the estate created under Bankruptcy Code
10 § 541.

11 **"Final Order"** means an order or judgment of the Court or other applicable court, as entered
12 on the applicable docket, that has not been reversed, stayed, modified or amended, and as to which
13 the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to
14 which no appeal, petition for certiorari, or other proceedings for reargument or rehearing shall then
15 be pending or as to which any right to appeal, petition for certiorari, reargue, or rehear shall have
16 been waived in writing in form and substance satisfactory to the Debtor, after consultation with the
17 Committee prior to the Effective Date, or the Liquidating Trustee after the Effective Date, as
18 applicable, or, in the event that an appeal, writ of certiorari, or reargument or rehearing thereof has
19 been sought, such order or judgment of the Court or other applicable court shall have been affirmed
20 by the highest court to which such order or judgment was appealed, or certiorari has been denied, or
21 from which reargument or rehearing was sought, and the time to take any further appeal, petition for
22 certiorari or move for reargument or rehearing shall have expired.

23 **"Funding"** means People's Choice Funding, Inc., a Delaware corporation.

24 **"Funding Liquidating Trust"** means the Liquidating Trust established for the benefit of the
25 Creditors and Holders of Interests of Funding.

26 **"General Unsecured Claim"** or **"Unsecured Claim"** means any Claim that is not an
27 Administrative Claim, a Priority Tax Claim, a Priority Non-Tax Claim, or a Secured Claim, provided
28 that the definition of Unsecured Claim shall include, without limitation (a) any Deficiency Claim

1 and (b) any EPD/Breach Claim.

2 **"Holder"** means the owner of a Claim or Interest against any of the Debtors.

3 **"Impaired"** means the legal, equitable, and contractual rights to which a Claim or Interest
4 entitles the holder of such Claim or Interest is altered pursuant to the Plan.

5 **"Intercompany Claims Settlement"** shall have the meaning ascribed to it in the Disclosure
6 Statement.

7 **"Intercompany Non-Administrative Claim"** means a Claim held by a Debtor against
8 another Debtor, excluding Administrative Intercompany Claims.

9 **"Interest"** means, with respect to any Debtor, any "equity interest," as such term is defined
10 in Bankruptcy Code § 101(16) and shall include, without limitation, all stock, partnership,
11 membership interest, warrants, options, or other rights to purchase or acquire any shares of stock or
12 evidence of equity or interests in the Debtors.

13 **"Interest Holder(s)"** means the record holder of an Interest.

14 **"Late Filed Claim"** means any Claim (including without limitation any Administrative
15 Claim, Priority Tax Claim, Priority Non-Tax Claim, Secured Claim or Unsecured Claim) that is not
16 filed by the applicable Administrative Bar Date, Claims Bar Date or any other applicable date as
17 specified by order of the Bankruptcy Court or other court of competent jurisdiction.

18 **"Liquidating Trustee"** means the trustee of the Liquidating Trusts, or any successor trustee
19 appointed pursuant to the Liquidating Trust Agreements, that has the powers and responsibilities set
20 forth in the Plan, the Confirmation Order and the Liquidating Trust Agreements and in such capacity
21 shall act as a liquidator of the Debtors and their assets for the benefit of Holders of Allowed Claims
22 and Allowed Interests.

23 **"Liquidating Trustee Disclosure"** means a written disclosure, to be filed with the
24 Bankruptcy Court at least ten (10) Business Days prior to the Confirmation Hearing, disclosing the
25 identity of the Liquidating Trustee, its credentials, any and all relevant affiliations, connections or
26 actual or potential conflicts of interest and an engagement letter setting forth the terms of the
27 Liquidating Trustee's retention.

28 **"Liquidating Trusts"** means the certain trusts, one each for PCHLI, Funding and PCFC, as

1 described in Section VI. F of the Plan, created pursuant to the Plan, Confirmation Order, and
2 Liquidating Trust Agreements, and created for the benefit of Holders of Allowed General Unsecured
3 Claims and Allowed Interests against each of the respective Debtors under the Plan. Except as
4 otherwise expressly provided in the Plan, all of the Assets of each of the Debtors will be transferred
5 to the respective Liquidating Trust on the Effective Date of the Plan. The Liquidating Trusts will
6 continue and conclude the liquidation of such assets and Debtors, including the resolution of all
7 Causes of Action, and make Distributions to the Holders of Allowed Claims and pay the expenses of
8 the Liquidating Trusts, all as provided in the Plan.

9 **"Liquidating Trust Agreements"** means those certain liquidating trust agreements by and
10 between each of the Debtors and the Liquidating Trustee to be entered into pursuant to the Plan and
11 the Confirmation Order, substantially in the form included in the Plan Supplement as Exhibit "1", as
12 may be amended from time to time.

13 **"Liquidating Trust Assets"** means any and all Assets of each of the Debtors' Estates,
14 including Cash, Causes of Action, certain newly issued stock of PCFC as described herein and other
15 personal and real property, all of which shall be transferred or assigned to the Liquidating Trusts on
16 the Effective Date of the Plan, free and clear of any liens or claims that might otherwise have existed
17 in favor of any party; provided, however, that, in the case of the PCFC Liquidating Trust, the
18 Liquidating Trust Assets shall include the New Common Stock, but shall initially exclude
19 \$2,282,449.69 (or such other amount as is finally determined by the Debtors, Liquidating Trustee or
20 Court) of Cash, which, pursuant to the Intercompany Claims Settlement, will be distributed by
21 PCHLI and Funding to PCFC on or before the Effective Date for the purpose of paying a dividend
22 with respect to the New Common Stock after the Effective Date.

23 **"Liquidating Trust Interest"** means a beneficial interest in any of the Liquidating Trusts
24 entitling the holder thereof to the distribution from that Liquidating Trust as provided for in the Plan
25 and in the applicable Liquidating Trust Agreement.

26 **"Liquidating Trust Proceeds"** means any and all Cash, property and other rents, profits
27 and/or proceeds derived from the Liquidating Trust Assets.

28 **"Local Bankruptcy Rules"** means the Local Bankruptcy Rules for the United States

1 Bankruptcy Court for the Central District of California, effective as of January 22, 2008, as now in
2 effect or hereafter amended.

3 **"New Common Stock"** means the 100 shares of common voting stock of PCFC to be issued
4 by PCFC to the Liquidating Trustee in its capacity as Liquidating Trustee of the PCHLI Liquidating
5 Trust and the Funding Liquidating Trust on the Effective Date.

6 **"New Common Stock Dividend"** means the dividend in the amount of \$2,282,499.69 (or
7 such other amount as is finally determined by the Debtors, Liquidating Trustee or the Court) to be
8 paid by PCFC to the Liquidating Trustee in its capacity as the Liquidating Trustee of the PCHLI
9 Liquidating Trust and the Funding Liquidating Trust on account of the 30 shares of New Common
10 Stock issued the Liquidating Trustee in its capacity as Liquidating Trustee of the PCHLI Liquidating
11 Trust and the 70 shares of New Common Stock issued to the Liquidating Trustee in its capacity as
12 Liquidating Trustee of the Funding Liquidating Trust.

13 **"Ordinary Course Administrative Claim"** means a claim for administrative costs or
14 expenses that are allowable under Bankruptcy Code section 503(b) that are incurred in the ordinary
15 course of any of the Debtor's operations.

16 **"PCFC"** means People's Choice Financial Corporation, a Maryland Corporation and the
17 parent of PCHLI and Funding.

18 **"PCFC Liquidating Trust"** means the Liquidating Trust created for the benefit of the
19 Creditors and Holders of Interests of PCFC.

20 **"PCHLI"** means People's Choice Home Loan, Inc., a Wyoming corporation.

21 **"PCHLI Liquidating Trust"** means the Liquidating Trust created for the benefit of the
22 Creditors and Holders of Interests of PCHLI.

23 **"Penalty"** means any Claim for any fine, penalty, or forfeiture, or for multiple, exemplary,
24 or punitive damages, arising before the Petition Date, to the extent that such fine, penalty, forfeiture,
25 or damages are not compensation for actual pecuniary loss suffered by the holder of such claim as
26 set forth in Bankruptcy Code section 726(a)(4).

27 **"Person"** means any natural person or entity.

28 **"Petition Date"** means March 20, 2007, the date on which each Debtor filed its voluntary

1 petition for relief commencing its Case.

2 **"Plan"** means this liquidating plan of reorganization under chapter 11 of the Bankruptcy
3 Code, including, without limitation, all exhibits, supplements, appendices, and schedules hereto,
4 either in its present form or as it may be altered, amended, or modified from time to time.

5 **"Post-Effective Date Committees"** means the committees of Creditors of PCHLI, Funding
6 and PCFC as they shall be constituted and function after the Effective Date in accordance with
7 Section VI.F.7 hereof.

8 **"Post-Effective Date Expense(s)"** means all voluntary and involuntary, costs, expenses,
9 charges, obligations, or liabilities of any kind or nature, whether unmatured, contingent, or
10 unliquidated (collectively, the **"Expenses"**) incurred by the Liquidating Trusts or the Liquidating
11 Trustee after the Effective Date of or related to the implementation of the Plan, the administration of
12 the post-confirmation estates, and the implementation of the Liquidating Trusts, including, but not
13 limited to: (i) the Expenses of the Liquidating Trustee in connection with administering and
14 implementing the Plan, including any taxes incurred by the Liquidating Trusts or on the Liquidating
15 Trust Assets and accrued on or after the Effective Date; (ii) all fees which accrue after the Effective
16 Date which are payable to the U.S. Trustee under 28 U.S.C. § 1930(a)(6); (iii) the Expenses of the
17 Liquidating Trustee in making the Distributions required by the Plan, including paying taxes and
18 filing tax returns and paying professionals' fees; (iv) any Expenses incurred by the Liquidating
19 Trusts, the Liquidating Trustee, and the members of the Post-Effective Date Committees, but
20 excluding the attorneys' fees or other professional fees, if any, incurred by members of the
21 Committee; (v) the Expenses of independent contractors and professionals (including, without
22 limitation, attorneys, advisors, accountants, brokers, consultants, experts, professionals and other
23 Persons) providing services to the Liquidating Trustee; and (vi) the fees and expenses of any
24 Disbursing Agent selected by the Liquidating Trustee to act as its agent in making the disbursements
25 under the Plan; provided, however, the Expenses of each of the Liquidating Trusts shall be paid from
26 the Liquidating Trust Assets of that particular Liquidating Trust.

27 **"Post-Effective Date Notice List"** means the list of Persons who have requested notice in
28 accordance with Article VIII.V of the Plan, from and after the Effective Date, of Court filings,

1 hearings and other matters as to which the Bankruptcy Code requires that notice be given.

2 **"Postpetition"** means the time from and after the filing of the voluntary chapter 11 petitions
3 in the Debtors' Cases on March 20, 2007.

4 **"Priority Non-Tax Claim"** means a Claim, other than an Administrative Claim or Priority
5 Tax Claim, entitled to priority in right of payment under section 507(a) of the Bankruptcy Code.

6 **"Priority Tax Claim"** means a Claim entitled to priority against the Estate under
7 Bankruptcy Code section 507(a)(8).

8 **"Professionals"** means those Persons providing advisory or consulting services (i) retained
9 pursuant to an order of the Bankruptcy Court in accordance with sections 327, 1103 and/or 1106 of
10 the Bankruptcy Code and to be compensated for services rendered prior to the Effective Date
11 pursuant to sections 327, 328, 329, 330 and 331 of the Bankruptcy Code or (ii) for which
12 compensation and reimbursement has been allowed by the Bankruptcy Court pursuant to sections
13 330 and 503(b)(2) of the Bankruptcy Code.

14 **"Professional Fee Claim"** means:

15 (a) A claim under Bankruptcy Code sections 327, 328, 330, 331, 503(b), 1103 or
16 1106 for compensation for professional services rendered or expenses
17 incurred after the Petition Date and prior to the Effective Date on the
18 applicable Estate's behalf by a Professional duly employed and authorized by
19 an Order of the Bankruptcy Court; or

20 (b) A claim under Bankruptcy Code section 503(b)(4) for reasonable
21 compensation for professional services rendered by an attorney or accountant
22 of an entity whose expense is allowable under Section 503(b)(3)(D) for
23 making a substantial contribution to the Estate.

24 **"Pro Rata"** means proportionate so that the ratio of (a) the amount of consideration
25 distributed on account of an Allowed Claim to (b) the amount of the Allowed Claim is the same as
26 the ratio of (x) the amount of consideration available for distribution on account of all Allowed
27 Claims in the Class in which that Allowed Claim is included to (y) the amount of all Allowed
28 Claims in that Class.

The Pro Rata ratio or formula is illustrated as follows:

(a) Amount of consideration distributed to Holder of Allowed Claim _____	=	(x) Total consideration available for distribution to Holders of Allowed Claims, as applicable, of that Class _____
(b) Amount of such Allowed Claim		(y) Amount of all Allowed Claims, as applicable, in that Class or group of Classes

For purposes of the application of this definition, the amount of any Disputed Claim shall be the stated liquidated "face amount" of such claim, unless such claim is estimated by order of the Bankruptcy Court. If a Disputed Claim does not set forth a stated liquidated "face amount" of such claim, then the "face amount" of such Disputed Claim shall be (i) zero or (ii) as estimated by the Bankruptcy Court if timely requested by the Holder. If the Disputed Claim is estimated, the amount of such Disputed Claim shall be the estimated amount and such estimated amount shall set the maximum amount of the distribution on account of such Disputed Claim.

"Schedules" means the Schedules of Assets and Liabilities and the Statement of Financial Affairs filed by the Debtors with the Bankruptcy Court, pursuant to section 521(a) of the Bankruptcy Code, Bankruptcy Rule 1007(b), and the Official Bankruptcy Forms, as may be amended from time to time.

"Secured Claim" means a Claim that is secured by a valid, enforceable and unavoidable lien against property in which at least one of the Estates has an interest or that is subject to recoupment or setoff under Bankruptcy Code section 553. A Claim is a Secured Claim only to the extent of the value of the Holder's interest in the Debtors' interest in the Collateral securing the Claim or to the extent of the amount subject to recoupment or setoff, as applicable, as determined by the Bankruptcy Court under section 506(a), 553, and/or 1129(b)(2)(A)(i)(II) of the Bankruptcy Code, as applicable.

"September 27 Letter" means the letter dated September 27, 2007 from Winston & Strawn LLP, on behalf of the Committee, to the Debtors and the Debtors' various D&O insurers, a copy of which is attached to the Disclosure Statement as Exhibit "C."

1 (vi) Any reference to the “PCHLI, Funding or PCFC
2 Liquidating Trust” refers to the PCHLI Liquidating Trust, the PCFC Liquidating Trust or the
Funding Liquidating Trust.

3 (vii) Any reference to an existing document means the
4 document as it has been, or may be, amended or supplemented.

5 (viii) Unless otherwise indicated, the phrase "under the Plan"
and similar words or phrases refer to this Plan in its entirety rather than to only a portion of the Plan.

6 (ix) Unless otherwise specified, all references to Sections or
7 Exhibits are references to this Plan's Sections or Exhibits.

8 (x) Section captions and headings are used only as
convenient references and do not affect this Plan's meaning.

9 **III.**

10 **PLAN OBJECTIVES**

11 The Plan's objective is to transfer all Assets of the Debtors, including the Causes of Action,
12 to the PCHLI, Funding or PCFC Liquidating Trusts as set forth in Exhibit “B” to the Disclosure
13 Statement. The Liquidating Trustee will administer the Liquidating Trusts and liquidate such
14 Assets, including the resolution of any Causes of Action held by the Liquidating Trusts. The Plan
15 divides Creditors and Holders of Interests into Classes based on their legal rights and interests and
16 the Liquidating Trustee will distribute the proceeds of the Debtors’ Assets to Holders of Allowed
17 Claims and Allowed Unclassified Claims in satisfaction of the Debtors’ obligations as provided in
18 this Plan. The Holders of Interests will not receive or retain anything on account of their Interests.

19 **IV.**

20 **CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS**

21 This Section classifies Claims—except for Administrative Claims and Priority Tax Claims,
22 which are not classified—for all purposes, including voting, Confirmation, and distribution under the
23 Plan. A Claim or Interest is classified in a particular Class only to the extent that the Claim or
24 Interest falls within the Class description. To the extent that part of the Claim or Interest falls within
25 a different Class description, that part of the Claim or Interest is classified in that different Class.
26 The following table summarizes the Classes of Claims and Interests under this Plan:
27
28

<u>CLASS DESCRIPTION</u>	<u>DESCRIPTION OF CLAIMS OR INTERESTS IN CLASS</u>	<u>IMPAIRED/ UNIMPAIRED</u>	<u>VOTING STATUS</u>
Class 1A Secured Claims against PCHLI	All claims to the extent secured by a lien on PCHLI's interest in Collateral	Unimpaired	Deemed to Accept Plan
Class 1B Secured Claims against Funding	All claims to the extent secured by a lien on PCHLI's interest in Collateral	Unimpaired	Deemed to Accept Plan
Class 1C Secured Claims against PCFC	All claims to the extent secured by a lien on PCHLI's interest in Collateral	Unimpaired	Deemed to Accept Plan
Class 2A Priority Non-Tax Claims against PCHLI	All Claims against PCHLI entitled to priority under section 507(a)(3), (4), (5), (6) or (7) of the Bankruptcy Code	Unimpaired	Deemed to Accept Plan
Class 2B Priority Non-Tax Claims against Funding	All Claims against Funding entitled to priority under section 507(a)(3), (4), (5), (6) or (7) of the Bankruptcy Code	Unimpaired	Deemed to Accept Plan
Class 2C Priority Non-Tax Claim against PCFC	All Claims against PCFC entitled to priority under section 507(a)(3), (4), (5), (6) or (7) of the Bankruptcy Code	Unimpaired	Deemed to Accept Plan
Class 3A WARN Act Claims against PCHLI	Claims against PCHLI based on alleged violations of the WARN Act	Impaired	Entitled to Vote on the Plan
Class 3B WARN Act Claims against Funding	Claims against Funding based on alleged violations of the WARN Act	Impaired	Entitled to Vote on the Plan

<u>CLASS DESCRIPTION</u>	<u>DESCRIPTION OF CLAIMS OR INTERESTS IN CLASS</u>	<u>IMPAIRED/ UNIMPAIRED</u>	<u>VOTING STATUS</u>
Class 3C WARN Act Claims against PCFC	Claims against PCFC based on alleged violations of the WARN Act	Impaired	Entitled to Vote on the Plan
Class 4A General Unsecured Claims against PCHLI	All Claims against PCHLI that are not Secured Claims, Administrative Claims, Priority Tax Claims, Priority Non-Tax Claims or Claims or Interests in another Class herein	Impaired	Entitled to Vote on the Plan
Class 4B General Unsecured Claims against Funding	All Claims against Funding that are not Secured Claims, Administrative Claims, Priority Tax Claims, Priority Non-Tax Claims or Claims or Interests in another Class herein	Impaired	Entitled to Vote on the Plan
Class 4C General Unsecured Claims against PCFC	All Claims against PCFC that are not Secured Claims, Administrative Claims, Priority Tax Claims, Priority Non-Tax Claims or Claims or Interests in another Class herein	Impaired	Entitled to Vote on the Plan
Class 5A Intercompany Non- Administrative Claims against PCHLI	All Intercompany Non- Administrative Claims against PCHLI shall be treated in accordance with the Intercompany Claims Settlement. In effect, all Intercompany Non-Administrative Claims against PCHLI are subject to a covenant not to sue.	Impaired	Deemed to Reject the Plan
Class 5B Intercompany Non- Administrative Claims against Funding	All Intercompany Non- Administrative Claims against Funding shall be treated in accordance with the Intercompany Claims Settlement. Under the settlement, PCHLI will hold a Claim in the amount of \$18,844,703.54 that will be treated the same as Class 4B Claims and	Impaired	PCHLI Is Entitled to Vote and PCFC is Deemed to Reject the Plan

<u>CLASS DESCRIPTION</u>	<u>DESCRIPTION OF CLAIMS OR INTERESTS IN CLASS</u>	<u>IMPAIRED/ UNIMPAIRED</u>	<u>VOTING STATUS</u>
	all other Intercompany Non-Administrative Claims against Funding shall be subject to a covenant not to sue.		
Class 5C Intercompany Non-Administrative Claims against PCFC	All Intercompany Non-Administrative Claims against PCFC shall be treated in accordance with the Intercompany Claims Settlement. In effect, all Intercompany Non-Administrative Claims against PCFC are subject to a covenant not to sue.	Impaired	Deemed to Reject the Plan
Class 6A Interests in PCHLI	All existing Interests in PCHLI shall be cancelled on the Effective Date.	Impaired	Deemed to Reject the Plan
Class 6B Interests in Funding	All existing Interests in Funding shall be cancelled on the Effective Date.	Impaired	Deemed to Reject the Plan
Class 6C Interests in PCFC	All existing Interests in PCFC shall be cancelled on the Effective Date.	Impaired	Deemed to Reject the Plan

As set forth above, Classes 1A-1C and 2A-2C are Unimpaired by the Plan and Holders of Claims in these Classes are conclusively presumed to have accepted the Plan. Classes 3A-3C, 4A-4B, and the Claim of PCHLI in Class 5B are Impaired by the Plan and Holders of Claims in these Classes shall be entitled to vote to accept or reject this Plan. Classes 4C, 5A, 5C, and 6A-6C are Impaired by the Plan as Holders of Claims and Interests in these Classes are not expected to retain or receive any property under the Plan on account of these Claims and Interests and, therefore, are conclusively presumed to have rejected the Plan.

The treatment in this Plan is in full and complete satisfaction of the legal, contractual, and equitable rights that each entity holding an Allowed Claim or an Allowed Interest may have in or

1 against the applicable Debtor or its property. This treatment supersedes and replaces any
2 agreements or rights those entities have in or against the applicable Debtor or its property. All
3 Distributions under the Plan will be tendered to the Person holding the Allowed Claim or Allowed
4 Interest. **EXCEPT AS SPECIFICALLY SET FORTH IN THIS PLAN, NO**
5 **DISTRIBUTIONS WILL BE MADE AND NO RIGHTS WILL BE RETAINED ON**
6 **ACCOUNT OF ANY CLAIM OR INTEREST THAT IS NOT AN ALLOWED CLAIM OR**
7 **ALLOWED INTEREST.**

8 **A. Allowance and Treatment of Unclassified Claims (Administrative Claims and Priority**
9 **Tax Claims).**

10 Certain types of Claims are not placed into Classes; instead, such Claims are Unclassified
11 Claims. Such Unclassified Claims are not considered impaired and they do not vote on the Plan
12 because they are automatically entitled to specific treatment provided for them in the Bankruptcy
13 Code. As such, the Debtors have not placed the following Claims in a Class. The respective
14 treatments for these Claims are provided below.

15 1. Administrative Claims.

16 Administrative Claims are Claims for administrative costs or expenses that are allowable
17 under Bankruptcy Code §§ 503(b) and 507(a)(2) or 28 U.S.C. § 1930, including, without limitation,
18 (a) Ordinary Course Administrative Claims; (b) Professional Fee Claims; (c) Administrative Tax
19 Claims; (d) Administrative Intercompany Claims; and (e) U.S. Trustee Fees. Except to the extent
20 that any entity entitled to payment of any Allowed Administrative Claim agrees to a less favorable
21 treatment or unless otherwise ordered by the Bankruptcy Court, each Holder of an Allowed
22 Administrative Claim will receive in full satisfaction, discharge, exchange and release thereof, Cash
23 in an amount equal to such Allowed Administrative Claim on the later of (i) the Effective Date, and
24 (ii) the fifteenth (15th) Business Day after such Administrative Claim becomes an Allowed
25 Administrative Claim, or, in either case, as soon thereafter as is practicable; provided, however, that
26 Allowed Ordinary Course Administrative Claims (i.e., claims for administrative costs or expenses
27 that are allowable under Bankruptcy Code section 503(b) that are incurred in the ordinary course of
28 the Debtors' operations or the Cases, or are provided for in an order of the Bankruptcy Court) will

1 be paid in full in accordance with the terms and conditions of the particular transactions and any
2 applicable agreements or as otherwise authorized by the Bankruptcy Court.

3 a. Administrative Claim Bar Date

4 The Plan provides that requests for payment of Administrative Claims must be filed and
5 served on the Liquidating Trustee, counsel for the Liquidating Trustee, and the Office of the United
6 States Trustee no later than thirty (30) days following the Effective Date. Excluded from this
7 requirement are Professional Fee Claims (except for Professional Fee Claims falling under clause (b)
8 of the definition of Professional Fee Claim, which are not excluded), U.S. Trustee Fees, and
9 Administrative Intercompany Claims (the latter of which is allowed pursuant to the Intercompany
10 Claims Settlement). Holders of Administrative Claims that are subject to the Administrative Claim
11 Bar Date that do not file such requests by this bar date will be forever barred from asserting such
12 Claims against the Debtors, the Debtors' Estates, the Liquidating Trusts or the property of the
13 Liquidating Trusts.

14 b. Deadline for Objections

15 All objections to allowance of Administrative Claims (excluding Professional Fee Claims
16 under clause (a) of the definition of Professional Fee Claim) must be filed by any parties in interest
17 no later than sixty (60) days after the Administrative Claims Bar Date. The Administrative Claims
18 Objection Deadline may be initially extended for sixty (60) days by the Liquidating Trustee upon the
19 filing of a notice of the extended Administrative Claim Objection Deadline with the Bankruptcy
20 Court. Thereafter, the Administrative Claim Objection Deadline may be further extended only by an
21 order of the Bankruptcy Court. If no objection to the applicable Administrative Claim is filed on or
22 before the applicable date, such Administrative Claim will be deemed Allowed, subject to the
23 Court's equitable discretion to retroactively extend such bar date.

24 c. Professional Fees Bar Date

25 Each Holder of a Professional Fee Claim (except for Professional Fee claims falling under
26 clause (b) of the definition of Professional Fee Claim, which claims are subject to the Administrative
27
28

1 Claims Bar Date) seeking an award by the Bankruptcy Court of compensation for services rendered
2 or reimbursement of expenses incurred through and including the Effective Date must (i) file its final
3 application for allowances of compensation for services rendered and reimbursement of expenses
4 incurred through the Effective Date by no later than the sixtieth (60th) day following the Effective
5 Date. Any objection to such Professionals Fee Claims shall be filed on or before the date specified
6 in the application for final compensation. All such requests for payment of such Professional Fee
7 Claims will be subject to the authorization and approval of the Bankruptcy Court. Such Professional
8 Fee Claims, to the extent approved by the Bankruptcy Court, are to be paid, in full satisfaction,
9 discharge, exchange and release thereof, Cash in such amounts as are Allowed by the Bankruptcy
10 Court on the date such Professional Fee Claim becomes an Allowed Claim, or as soon thereafter as
11 is practicable.

12 d. U.S. Trustee Fees

13 Quarterly fees owed to the Office of the U.S. Trustee that accrue prior to the Effective Date
14 will be paid by the Debtors and U.S. Trustee Fees that accrue after the Effective Date will be paid
15 for each Debtor from the assets of the respective Liquidating Trust when due in accordance with
16 applicable law. The Debtors will continue to file the Post-Confirmation Quarterly Reports as
17 required until the Effective Date and the Liquidating Trustee will file such reports from the
18 Effective Date until each Case is closed under Bankruptcy Code section 350.

19 2. Priority Tax Claims.

20 Priority Tax Claims are Claims entitled to priority against the Estates under Bankruptcy
21 Code section 507(a)(8). Except to the extent that a Holder of an Allowed Priority Tax Claim has
22 been paid by the Debtors before the Effective Date or agrees to a less favorable treatment, each
23 Holder of an Allowed Priority Tax Claim will receive in full satisfaction, discharge, exchange and
24 release thereof, Cash in an amount equal to such Allowed Priority Tax Claim on the later of (i) the
25 Effective Date, or as soon thereafter as is practicable, (ii) the fifteenth (15th) Business Day after
26 such Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon thereafter as is
27 practicable, or (iii) the time period permitted for payment under 11 U.S.C. § 1129(a)(9)(C) and (D).
28

1 **B. Classification and Treatment of Secured Claims (Classes 1A-1C) – Unimpaired.**

2 **Classification:** Classes 1A, 1B and 1C consist of all Secured Claims, if any, against
3 PCHLI, Funding and PCFC, respectively. Secured Claims are those Claims that are secured with
4 liens against certain assets of the Debtors, including Cash Collateral. Because the assets of the
5 Debtors have been or will be converted to cash, the liens that attached to assets of the Debtors other
6 than Cash Collateral will attach to the proceeds of the sale of the assets to the same extent and
7 validity as they attached to the original collateral.

8 **Treatment:** To the extent any Secured Claims exist, each Holder of an Allowed Class 1A,
9 1B or 1C Secured Claim shall, on the later of (i) the Effective Date or as soon thereafter as
10 practicable or (ii) the date such Secured Claim becomes an Allowed Secured Claim pursuant to a
11 Final Order or as soon thereafter as is practicable, (a) receive the Cash Collateral that secures such
12 Secured Claim in full and complete satisfaction of such Secured Claim, (b) retain a lien or security
13 interests on the Assets securing the Allowed Secured Claim, or (c) receive the indubitable
14 equivalent of such Claim.² A Claim is a Secured Claim only to the extent of the value of the
15 Holder's interest in the Debtors' interest in the Collateral securing the Claim or to the extent of the
16 amount subject to recoupment or setoff, as applicable, as determined by the Bankruptcy Court
17 under section 506(a), 553, and/or 1129(b)(2)(A)(i)(II) of the Bankruptcy Code, as applicable.

18 Class 1 is unimpaired, and the Holders of Claims in Class 1 are presumed to have accepted
19 the Plan.

20 **C. Classification and Treatment of Priority Non-Tax Claims (Classes 2A-2C) –
21 Unimpaired.**

22 **Classification:** Classes 2A, 2B and 2C consist of all Priority Non-Tax Claims against
23 PCHLI, Funding and PCFC, respectively. Priority Non-Tax Claims are Unsecured Claims which are
24 entitled to priority in payment pursuant to section 507(a) of the Bankruptcy Code other than Priority

25 ² To the extent a Holder of a Secured Claim liquidated loans that served as collateral during the pendency of the cases,
26 the liquidation of such loans is in full satisfaction of that Holder's Secured Claim. Further, regardless of any Holder's
27 recovery on account of an asserted Secured Claim during the pendency of these cases, the Debtors and the Liquidating
28 Trustee shall retain any and all rights to contest the validity and priority status of any asserted Secured Claim and any
and all rights to seek to avoid and recover any asserted collateral (or the value of such collateral) that was transferred to
the Secured Creditor or liquidated by the Secured Creditor on account of an asserted Claim.

1 Tax Claims.

2 **Treatment:** Each Holder of a Priority Non-Tax Claim, unless otherwise agreed upon by the
3 Holder of such Claim, will receive Cash in an amount equal to such Allowed Priority Non-Tax
4 Claim on the later of the Effective Date, or as soon as practicable thereafter, and the date such
5 Priority Non-Tax Claim becomes an Allowed Priority Non-Tax Claim pursuant to a Final Order, or
6 as soon thereafter as is practicable.

7 Class 2 is unimpaired, and the Holders of Claims in Class 2 are presumed to have accepted
8 the Plan.

9 **D. Classification and Treatment of WARN Act Claims (Classes 3A-3C) – Impaired.**

10 **Classification:** Classes 3A, 3B and 3C consist of all Allowed Claims against PCHLI,
11 Funding and PCFC, respectively, of former employees of PCHLI and PCFC for alleged violations
12 of the WARN Act. The WARN Act Claims are currently the subject of litigation between the
13 Holders of the Claims and the Debtors. After the Effective Date of the Plan, unless the WARN Act
14 Claims have been resolved by that date, the Liquidating Trustee will seek to resolve such claims
15 through litigation.

16 **Treatment:** The WARN Act Claims will be satisfied pursuant to the terms of a settlement
17 or, if a judgment or order of the Bankruptcy Court is entered that determines the valid amount of the
18 WARN Act Claims and the priority of those Claims, the WARN Act Claims as so determined will
19 be satisfied in the same manner as all other Claims of the same priority pursuant to the terms of the
20 Plan.

21 Classes 3A-3C are Impaired, and the Holders of Claims in those Classes are entitled to vote
22 to accept or reject the Plan.

23 **E. Classification and Treatment of General Unsecured Claims (Classes 4A-4C) – Impaired**

24 **Classification:** Classes 4A, 4B and 4C consist of all General Unsecured Claims other than
25 Intercompany Non-Administrative Claims against PCHLI, Funding and PCFC, respectively,
26 including any Deficiency Claim or EPD/Breach Claim.

27 **Treatment:** On the Effective Date, each Holder of a General Unsecured Claim in Class 4A,
28 4B or 4C shall receive a Liquidating Trust Interest of the PCHLI, Funding or PCFC Liquidating

1 Trust, respectively. Each holder of an Allowed General Unsecured Claim shall receive on account
2 of its Allowed General Unsecured Claim and Liquidating Trust Interest, in full satisfaction,
3 discharge, exchange and release thereof, as a Distribution under the Plan, the treatment provided for
4 herein. Except to the extent that a Holder of an Allowed Class 4A or 4B Claim agrees to a less
5 favorable treatment, each Holder of an Allowed General Unsecured Claim will receive its *Pro Rata*
6 share of Available Cash from the PCHLI, Funding or PCFC Liquidating Trust, respectively, on the
7 later of (i) the Distribution Date(s) and (ii) the fifteenth (15th) Business Day after such date that the
8 Claim becomes an Allowed Unsecured Claim, or as soon after such dates as is practicable. The
9 Distribution Dates for the distribution of Available Cash by the PCHLI, Funding and PCFC
10 Liquidating Trusts shall be selected by the Liquidating Trustee, subject to its duty to consult with the
11 Post-Effective Date Committee. The Distribution Dates for the various Liquidating Trusts may be
12 different dates.

13 Notwithstanding any other provision herein, no Cash payment shall be made on account of
14 an Allowed Unsecured Claim until all senior Claims have been satisfied in full. Allowed Class 4A,
15 4B and 4C Claims will not include interest from and after the Petition Date nor any penalty on such
16 Claims unless and until all senior Claims are paid in full and the principal amount of all General
17 Unsecured Claims have been satisfied in full.

18 The Liquidating Trustee shall make Distributions to the holders of the Liquidating Trust
19 Interests in accordance with the provisions of the Liquidating Trust Agreements, and as provided for
20 in this Plan and the Confirmation Order, on account of their respective Allowed General Unsecured
21 Claims. Upon payment by the Liquidating Trust of amounts due, if any, to a Holder of a Liquidating
22 Trust Interest, such interest shall terminate and be of no further force and effect.

23 If the Bankruptcy Court determines by Final Order that the Holder of a General Unsecured
24 Claim does not have an Allowed General Unsecured Claim, then such Holder's Liquidating Trust
25 Interest shall terminate and be of no further force and effect.

26 Classes 4A, 4B and 4C are Impaired, and the Holders of Claims in those Classes are entitled
27 to vote to accept or reject the Plan.
28

1 **F. Classification and Treatment of Intercompany Non-Administrative Claims (Class 5A-**
2 **5C) -- Impaired.**

3 **Classification:** Classes 5A, 5B and 5C consist of all Claims, including Priority, Secured,
4 and General Unsecured Claims, against PCHLI, Funding and PCFC, respectively, the Holders of
5 which are one or more of the other Debtors.

6 **Treatment:** All as more fully described in the Disclosure Statement, Intercompany Non-
7 Administrative Claims will be treated in accordance with the Intercompany Claims Settlement.
8 Specifically, PCHLI will hold a Claim against Funding in the Amount of \$18,844,703.54, which
9 Claim will be treated the same as a Class 4B Claim. All other Intercompany Non-Administrative
10 Claims shall be subject to a covenant not to sue in accordance with the Intercompany Claims
11 Settlement.

12 **G. Classification and Treatment of Interests (Class 6A-6C) -- Impaired.**

13 **Classification:** Classes 6A, 6B and 6C are the Interests held in PCHLI, Funding and PCFC,
14 respectively.

15 **Treatment:** Unless all other Classes are paid in full with interest, Class 6A, 6B and 6C
16 Interests will receive and retain no value under the Plan, and all Class 6A, 6B and 6C Interests will
17 be cancelled on the Effective Date. Should all senior Claims recover payment in full with interest,
18 the Trustee may seek to modify the Plan to reinstate Interests.

19 Classes 6A-6C are Impaired, and the Holders of Allowed Interests in those Classes will not
20 receive or retain any property under the Plan and are conclusively presumed to have rejected the
21 Plan.

22 **V.**

23 **EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

24 **A. Rejection of Executory Contracts and Unexpired Leases**

25 Upon the Effective Date, the Debtors hereby reject all executory contracts and unexpired
26 leases that exist between the Debtors or any of them and any other Person that have not previously
27 been assumed, assumed and assigned or rejected in these Cases pursuant to order of the Bankruptcy
28 Court.

All Allowed Claims arising from the rejection of executory contracts or unexpired leases,

1 whether under the Plan or by separate proceeding, will be treated as General Unsecured Claims
2 against PCHLI, Funding or PCFC, as appropriate, in Classes 4A, 4B or 4C, respectively.

3 **B. Bar Date for Rejection Damage Claims**

4 If the rejection of an executory contract or unexpired lease by the Debtors or any of them
5 pursuant to the preceding Section V.A results in damages to the counterparty to such contract or
6 lease, then a Claim for damages or any other amounts related in any way to such contract or lease
7 shall be forever barred and shall not be enforceable against the Debtors, the Estates, the Liquidating
8 Trusts or their property, unless a proof of claim is filed with the Bankruptcy Court and served on the
9 Liquidating Trustee within thirty (30) days after the Effective Date. The rejection claim bar date for
10 leases and contracts rejected prior to the Effective Date, outside of the Plan, was, as applicable, (i)
11 the date(s) set forth in the applicable order(s) rejecting such lease or contract or (ii) the Claims Bar
12 Date.

13 **C. Insurance Policies**

14 For the avoidance of doubt, the Debtors' rights with respect to all insurance policies listed on
15 Exhibit "2" to the Plan Supplement and rights under any other insurance policies under which the
16 Debtors may be beneficiaries (including all insurance policies that may have expired prior to the
17 Petition Date, all insurance policies in existence on the Petition Date, all insurance policies entered
18 into by the Debtors after the Petition Date, and all insurance policies under which the Debtors hold
19 rights to make, amend, prosecute and benefit from claims) are retained and will be transferred or
20 assigned to the applicable Liquidating Trust pursuant to this Plan. Notwithstanding any provision
21 providing for the rejection of executory contracts, any insurance policy that is deemed to be an
22 executory contract shall not be rejected by operation of this Plan.

23 **VI.**

24 **PLAN IMPLEMENTATION**

25 **A. Implementing Actions In General; Conditions to Plan Effectiveness**

26 As a condition to effectiveness of the Plan, on the Effective Date, the following must occur:

- 27 (i) all actions, documents and agreements necessary to implement the Plan will
28 have been effected or executed;

1 (ii) the Debtors will have received all authorizations, consents, rulings, opinions
2 or other documents that are determined by the Debtors to be necessary to implement the
3 Plan;

4 (iii) the Liquidating Trust Agreements are final and approved, the Liquidating
5 Trustee is appointed, the Post-Effective Date Committees are selected and the Liquidating
6 Trusts are funded in accordance with the Plan;

7 (iv) the Debtors and the Liquidating Trustee have determined in their reasonable
8 discretion that sufficient Cash exists to satisfy all Administrative Claims, Professional Fee
9 Claims, Priority Tax Claims, Priority Non-Tax Claims and Secured Claims, which are
10 Allowed Claims;

11 (v) to the extent required by the Plan, each Liquidating Trust will make all
12 Distributions required to be made by such Liquidating Trust on the Effective Date to
13 Holders of Allowed Claims pursuant to the Plan or as soon thereafter as practicable;

14 (vi) outstanding shares of the stock of PCFC shall have been cancelled and the
15 New Common Stock shall have been issued to the PCHLI and Funding Liquidating Trusts;
16 and

17 (vii) the Intercompany Claims Settlement shall have been approved without
18 material modification by the Confirmation Order in accordance with Bankruptcy Rule 9019
19 and shall be binding and enforceable against all Holders of Claims and Interests under the
20 terms of this Plan.

21 The Plan will not be consummated or become binding unless and until the Effective Date
22 occurs. The Effective Date will be the first Business Day, as determined by the Debtors in their
23 reasonable discretion, on which the following conditions have been satisfied:

- 24 (1) At least ten (10) days have passed since the Confirmation Date;
- 25 (2) The Confirmation Order is not stayed;
- 26 (3) All documents, instruments and agreements, in form and substance
- 27 reasonably satisfactory to the Debtors and Committee, provided for under or necessary to implement
- 28 the Plan have been executed and delivered by the parties thereto, unless such execution or delivery

1 has been waived by the parties benefited thereby;

2 (4) The Debtors, with the consent of the Committee, have determined in
3 their reasonable discretion that sufficient Cash exists in order to satisfy all Administrative Claims,
4 Professional Fee Claims, Priority Tax Claims, Priority Non-Tax Claims, and Secured Claims, which
5 have been determined to be Allowed Claims;

6 (5) The Liquidating Trust Agreements are final and approved and the
7 Liquidating Trusts are funded in accordance with the Plan; and

8 (6) All outstanding shares of the stock of PCFC have been cancelled and
9 the New Common Stock has been issued to the PCHLI and Funding Liquidating Trusts and all
10 organizational documents of PCFC have been modified or amended as required.

11 The Debtors may in their reasonable discretion with consent of the Committee waive any of
12 the conditions set forth above without notice and a hearing. The failure to satisfy any condition may
13 be asserted by the Debtors regardless of the circumstances giving rise to the failure of such condition
14 to be satisfied (including, without limitation, any act, action, failure to act, or inaction by the
15 Debtors). If the Debtors fail to assert the non-satisfaction of any such conditions, such failure will
16 not be deemed a waiver of any other rights thereunder.

17 **B. Corporate Action.**

18 Upon the Effective Date, all transactions and applicable matters provided for under the Plan
19 will be deemed to be authorized and approved by the Debtors without any requirement of further
20 action by the Debtors, the Debtors' shareholders, or the Debtors' board of directors.

21 **C. Vesting of Assets.**

22 Unless otherwise expressly provided under this Plan, on the Effective Date, the Debtors'
23 Assets (other than a specified amount of Cash transferred to and retained by PCFC to make the New
24 Common Stock Dividend as described herein), including an assignment of all of the Causes of
25 Action (including the D&O and Shareholder Claims) as provided in Exhibit "3" to the Plan
26 Supplement, will vest in the respective Liquidating Trusts as set forth on Exhibit "B" to the
27 Disclosure Statement free and clear of all claims, liens, encumbrances, charges and other interests,
28 subject to the provisions of the Plan. On and after the Effective Date, the transfer of the Debtors'

1 Assets from the Estates to the Liquidating Trusts will be deemed final and irrevocable and
2 distributions may be made from the Liquidating Trusts. Further, PCFC will issue the New Common
3 Stock and 30 shares of New Common Stock will be distributed to the Liquidating Trustee in its
4 capacity as Liquidating Trustee of the PCHLI Liquidating Trust and 70 shares of New Common
5 Stock will be distributed to the Liquidating Trustee in its capacity as Liquidating Trustee of the
6 Funding Liquidating Trust. The Liquidating Trustee will receive the New Common Stock Dividend
7 as more fully set forth in the Plan and will distribute such dividend to Holders of Allowed Class 4A
8 Claims and Allowed Class 4B Claims.

9 In connection with the foregoing:

10 (i) The Committee shall, ten days prior to the Confirmation Hearing, file a
11 Notice of Selection of Liquidating Trustee with the Bankruptcy Court, which Notice shall
12 set forth the party selected by the Committee to be the Liquidating Trustee of the
13 Liquidating Trusts. On the Effective Date, the Liquidating Trustee so selected by the
14 Committee shall be appointed as the Liquidating Trustee to administer the PCHLI, Funding
15 and PCFC Liquidating Trusts. From and after the Effective Date, the Liquidating Trustee
16 may administer the PCHLI, Funding and PCFC Liquidating Trusts pursuant to the terms of
17 the respective Liquidating Trust Agreements and the Plan and may use, acquire and dispose
18 of property of the Liquidating Trusts free of any restrictions imposed under the Bankruptcy
19 Code.

20 (ii) The Confirmation Order will provide the Liquidating Trustee with express
21 authority to convey, transfer and assign any and all of the Liquidating Trusts' Assets and to
22 take all actions necessary to effectuate same and to prosecute any and all Causes of Action.

23 (iii) As of the Effective Date, the Liquidating Trusts' Assets will be free and clear
24 of all liens, claims and interests of holders of Claims and Interests, except as otherwise
25 provided in the Plan.

26 **D. Approval of Intercompany Claims Settlement; Transfer of Claims to PCHLI in**
27 **Accordance with Intercompany Claims Settlement; Allocation of Intercompany**
28 **Administrative Expenses**

The Intercompany Claims Settlement shall be approved on the Effective Date. On the

1 Effective Date, pursuant to the Intercompany Claims Settlement, the following shall occur:

2 1. The Debtors and their estates covenant not to sue each other on Intercompany Non-
3 Administrative Claims or Administrative Intercompany Claims with the same effect as though they
4 entered into mutual releases among each other; provided, the estate of PCHLI shall hold an allowed
5 general unsecured claim against the estate of Funding in the amount of \$18,844,703.54 (this
6 represents the allowance of a claim equal to 26% of the alleged exposure of Funding to PCHLI, as
7 calculated by the Committee's financial advisors).

8 2. The estates of Funding and PCFC will transfer to the estate of PCHLI the beneficial
9 interest, control and right to proceeds of all D&O and Shareholder Claims owned in whole or in part
10 by the estates of Funding or PCFC, including all matters referenced in or relating to the subject
11 matter of the September 27 Letter and the Liquidating Trustee of the PCHLI Liquidating Trust shall
12 have the right to prosecute such claims on behalf of each of the three Debtor estates; provided, in the
13 event an assignment is prohibited or would otherwise impair such claims, Funding and PCFC will
14 not be deemed to have assigned the D&O and Shareholder Claims and shall instead hold such claims
15 and proceeds thereof in trust for PCHLI. In the event that a separate Liquidating Trustee is
16 appointed Liquidating Trustee of either the PCFC Liquidating Trust or Funding Liquidating Trust or
17 both such trusts, that separate Liquidating Trustee shall cooperate with and take all actions
18 reasonably requested by the PCHLI Liquidating Trustee in prosecution of the D&O and Shareholder
19 Claims.

20 3. Administrative Claims, including Administrative Intercompany Claims, shall be
21 allocated among the estates as follows: (a) 30.1% to the estate of PCHLI; (b) 68% to the estate of
22 Funding; and (c) 1.9% to the estate of PCFC; provided, 100% of past and future costs and expenses,
23 including legal fees and expenses, of the estates incurred directly and primarily on account of the
24 Committee's investigation and prosecution of claims against the Debtors' directors, officers and
25 shareholders shall be allocated to the estate of PCHLI. Notwithstanding the foregoing, PCHLI and
26 Funding shall allocate funds to PCFC to the extent that PCFC is administratively insolvent and to the
27 extent necessary to allow PCFC to comply with its obligations under the Plan in the following
28 proportion: (a) 30.7% to the estate of PCHLI and (b) 69.3% to the estate of Funding. The

1 Liquidating Trustee of the PCHLI Liquidating Trust and Funding Liquidating Trust shall hold a
2 super-priority administrative claim under 11 U.S.C. § 364(c)(1) against PCFC in the amount that has
3 been loaned to PCFC for the purpose of meeting it's Effective Date and post-Effective Date
4 obligations until the Liquidating Trustee, on behalf of the PCHLI and Funding Liquidating Trusts,
5 receives the New Common Stock and the New Common Stock Dividend, at which time such Claim
6 shall be released. The Liquidating Trustee shall hold a Class 4C Claim on behalf of the PCHLI and
7 Funding Liquidating Trusts to the extent any allocated funds exceed the amount of the New
8 Common Stock Dividend.

9 4. Assets of the estates shall be allocated in accordance with Exhibit "B" to the
10 Disclosure Statement

11 The foregoing is intended only as a resolution of issues of substantive consolidation and
12 intercompany claims as between the Estates and as to no other person or entity and only for purposes
13 of confirmation of and distributions under the Plan. Nothing contained herein shall be or be deemed
14 to be an admission in any pending or subsequently commenced litigation or to give rise to a defense
15 in or to limit the scope of any damages, rights or remedies of the estates or successor Liquidating
16 Trustee in respect of any such litigation.

17 **E. Dissolution of the Debtor and Debtor's Wholly Owned Subsidiary and Termination of**
18 **Current Officers, Sole Director, Employees and Counsel.**

19 From and after the Effective Date, PCHLI and Funding shall be dissolved and PCFC shall be
20 authorized to take all action necessary to dissolve PCHLI and Funding. PCFC shall continue in
21 existence as a holding company with no activities or operations and its organizational documents
22 shall be amended accordingly until such time as the Liquidating Trustee, for the PCHLI and Funding
23 Liquidating Trusts, the shareholders of PCFC, determines to dissolve PCFC.

24 On the Effective Date, the employment, retention or appointment of all Officers, Directors,
25 Employees and Professionals of the Debtors and the Committee shall terminate.

26 **F. Liquidating Trusts.**

27 1. Effectiveness of the Liquidating Trusts.

28 On the Effective Date: (i) the Liquidating Trust Agreements will become effective, and, if

1 not previously signed, the Debtors and the Liquidating Trustee will execute the Liquidating Trust
2 Agreements. The Liquidating Trusts are organized and established as trusts for the benefit of the
3 Beneficiaries, as defined below, and are intended to qualify as a liquidating trust within the meaning
4 of Treasury Regulation Section 301.7701-4(d).

5 2. Beneficiaries

6 In accordance with Treasury Regulation Section 301.7701-4(d), the beneficiaries
7 (“Beneficiaries”) of each of the Liquidating Trusts will be the Holders of all Allowed Claims and
8 Interests against the appropriate Debtor. The Holders of Allowed Claims will receive an allocation
9 of the respective Liquidating Trust Interests as provided for in the Plan and the Liquidating Trust
10 Agreements. The holders of Liquidating Trust Interests of a particular Liquidating Trust will receive
11 distributions from that Liquidating Trust as provided for in the Plan and the Liquidating Trust
12 Agreements. The Beneficiaries of each Liquidating Trust shall be treated as the grantors and owners
13 of such beneficiaries’ respective portion of the applicable Liquidating Trust.

14 3. Implementation of the Liquidating Trusts.

15 On the Effective Date, the Debtors, on behalf of the Estates, and the Liquidating Trustee will
16 be authorized to, and will execute the Liquidating Trust Agreements in substantially the form
17 attached hereto as Exhibit “1” to the Plan Supplement, take all such actions as required to transfer
18 from the Debtors and the Estates the Debtors’ Assets (except as specifically set forth herein) to the
19 appropriate Liquidating Trust as set forth in Exhibit “B” to the Disclosure Statement and to cause the
20 issuance of the New Common Stock to the PCFC Liquidating Trust. From and after the Effective
21 Date, the Liquidating Trustee will be authorized to, and will take all such actions as required to
22 implement the Liquidating Trust Agreements and the provisions of the Plan as are contemplated to
23 be implemented by the Liquidating Trustee, including, without limitation, directing Distributions to
24 Holders of Allowed Administrative Claims, Allowed Priority Tax Claims, Allowed Secured Claims,
25 Allowed Priority Non-Tax Claims, Allowed WARN Act Claims, and to the extent funds are
26 available, of the Allowed General Unsecured Claims, objecting to Claims, administering the Causes
27 of Action transferred to the respective Liquidating Trusts and causing Distributions from the
28 Liquidating Trusts to be made to the Beneficiaries of each Liquidating Trust.

1 4. Transfer of Debtors' Assets.

2 On the Effective Date, pursuant to the Plan and sections 1123, 1141 and 1146(a) of the
3 Bankruptcy Code, each Debtor is authorized and directed to transfer, grant, assign, convey, set over,
4 and deliver to the Liquidating Trustee all of that Debtor's and its Estate's right, title and interest in
5 and to the its Assets (other than the specified amount of Cash retained by PCFC as described below
6 in this Section), including all Causes of Action (including but not limited to the D&O and
7 Shareholder Claims) as set forth in Exhibit "3" of the Plan Supplement, free and clear of all liens,
8 Claims, encumbrances or interests of any kind in such property, except as otherwise expressly
9 provided in the Plan; provided, however, that PCHLI and Funding shall transfer \$2,282,449.69 (or
10 such other amount as is finally determined by the Debtors, Liquidating Trustee or Court) of Cash to
11 PCFC on or before the Effective Date for the purpose of paying the New Common Stock Dividend
12 after the Effective Date. To the extent required to implement the transfer of the Debtors' Assets
13 from the Debtors and their Estates to the Liquidating Trusts as provided for in Exhibit "B" to the
14 Disclosure Statement and herein, all Persons will cooperate with the Debtors and the Estates to assist
15 the Debtors and the Estates to implement said transfers.

16 5. Representative of the Estate.

17 The Liquidating Trustee will be appointed as the representative of each of the Estates
18 pursuant to sections 1123(a)(5), (a)(7) and (b)(3)(B) of the Bankruptcy Code and as such will be
19 vested with the authority and power (subject to the Liquidating Trust Agreements) to inter alia:
20 (i) object to Claims against and Interests in the Debtors; (ii) administer, investigate, prosecute, settle
21 and abandon all Causes of Action assigned to the Liquidating Trusts, including but not limited to the
22 D&O and Shareholder Claims; (iii) make Distributions provided for in the Plan, including, but not
23 limited to, on account of Allowed Claims; and (iv) take such action as required to administer, wind-
24 down, and close the Cases. As the representative of the Estates, the Liquidating Trustee will succeed
25 to all of the rights and powers of the Debtors and the Estates (including the Committee under the
26 Standing Order) with respect to all Causes of Action assigned and transferred to the Liquidating
27 Trusts, and the Liquidating Trustee will be substituted and will replace the Debtors, the Estates and
28 the Committee, as applicable, as the party in interest in all such litigation pending as of the Effective

1 Date.

2 6. No Liability of Liquidating Trustee.

3 **To the maximum extent permitted by law, the Liquidating Trustee and its employees,**
4 **officers, directors, agents, members, or representatives, or professionals employed or retained**
5 **by the Liquidating Trustee (the “Liquidating Trustee’s Agents”) will not have or incur liability**
6 **to any Person for an act taken or omission made in good faith in connection with or related to**
7 **the administration of the Liquidating Trust Assets, the implementation of the Plan and the**
8 **Distributions made thereunder or Distributions made under the Liquidating Trust**
9 **Agreements. The Liquidating Trustee and the Liquidating Trustee’s Agents will in all respects**
10 **be entitled to reasonably rely on the advice of counsel with respect to their duties and**
11 **responsibilities under the Plan and the Liquidating Trust Agreements. Entry of the**
12 **Confirmation Order constitutes a judicial determination that the exculpation provision**
13 **contained in Section VIII.A of the Plan is necessary to, *inter alia*, facilitate Confirmation and**
14 **feasibility and to minimize potential claims arising after the Effective Date for indemnity,**
15 **reimbursement or contribution from the Estates, or the Liquidating Trusts, or their respective**
16 **property. The Confirmation Order’s approval of the Plan will also constitutes a *res judicata***
17 **determination of the matters included in the exculpation provisions of the Plan.**
18 **Notwithstanding the foregoing, nothing herein or in Section VIII.A of the Plan will alter any**
19 **provision in the Liquidating Trust Agreements that provides for the potential liability of the**
20 **Liquidating Trustee to any Person.**

21 7. The Committee and the Post-Effective Date Committees.

22 Until the Effective Date, the Committee shall continue in existence. As of Effective Date,
23 the Committee shall terminate and disband and the members of the Committee and the Committee
24 shall be released and discharged of and from all further authority, duties, responsibilities and
25 obligations related to and arising from their service as Committee members.

26 As provided herein and in the Liquidating Trust Agreements, as of the Effective Date, there
27 will be formed a committee for each Liquidating Trust (collectively, the three committees are
28 referred to herein as the “Post-Effective Date Committees”) that will have consultation, approval and

1 information rights with respect to the Liquidating Trust to which it relates as set forth in the
2 Liquidating Trust Agreements. The members of each Post-Effective Date Committee will be those
3 members of the Committee who wish to continue to serve. Ten days prior to the Confirmation
4 Hearing Date, the Committee shall file with the Bankruptcy Court a notice of the selection of the
5 Post-Effective Date Committees' members, which notice will name the members of each Post-
6 Effective Date Committee.

7 The Post-Effective Date Committees will prescribe their own rules of procedure and bylaws;
8 provided, however, that such rules of procedure and bylaws will not be inconsistent with the terms of
9 the Plan or the Liquidating Trust Agreements. If a Post-Effective Date Committee member assigns
10 its Claim in full or releases the Debtor or Liquidating Trust from payment of the balance of its
11 Claim, such act will constitute a resignation from the Post-Effective Date Committee. Until a
12 vacancy on the Post-Effective Date Committee is filled, the Post-Effective Date Committee will
13 function in its reduced number. The Post-Effective Date Committees rules of procedure may
14 provide that, in the event any member of any of the Post-Effective Date Committees resigns or
15 otherwise is unable to serve subsequent to the Effective Date, the affected Post-Effective Date
16 Committee may appoint a replacement that holds an Allowed Claim of the same type and nature and
17 against the same Debtors and has the capacity and competency to serve in place of the resigned or
18 deceased member without approval by the Bankruptcy Court.

19 Except for the reimbursement of reasonable actual costs and expenses in connection with
20 their duties as members of the Post-Effective Date Committees, the members of the Post-Effective
21 Date Committees will serve without compensation. Reasonable expenses incurred by members of
22 the Post-Effective Date Committees may be paid by the Liquidating Trusts, as appropriate, without
23 need for Bankruptcy Court approval.

24 The Post-Effective Date Committees will have no authority to employ, at the expense of the
25 appropriate Liquidating Trust, counsel or any other professionals.

26 The Post-Effective Date Committees and their members will not be liable for any act any
27 member may do or fail to do as a member of the Post-Effective Date Committees while acting in
28 good faith and in the exercise of the member's best judgment. No member of the Post-Effective

1 Date Committees will be liable in any event for claims, liabilities or damages unless they arise from
2 such member's personal gross negligence or willful misconduct.

3 Each Post-Effective Date Committee will dissolve upon the completion of all distributions to
4 Beneficiaries of the particular Liquidating Trust and the termination of that Liquidating Trust in
5 accordance with the terms of the Plan and the Liquidating Trust Agreement.

6 8. Funding of Post-Effective Date Expenses.

7 All expenses related to implementation of the Plan incurred from and after the Effective Date
8 will be expenses of the Liquidating Trusts, and the Liquidating Trustee will disburse funds from the
9 Liquidating Trust Assets of each Liquidating Trust, as appropriate, for purposes of paying the Post-
10 Effective Date Expenses of that Liquidating Trust without the need for any further Order of the
11 Court.

12 9. Provisions Relating to Federal Income Tax Compliance.

13 A transfer to the Liquidating Trusts shall be treated for all purposes of the Internal Revenue
14 Code of 1986, as amended (the "Internal Revenue Code"), as a transfer to creditors to the extent
15 creditors are beneficiaries of the Liquidating Trusts. For example, such treatment shall apply for
16 purposes of Internal Revenue Code sections 61(a)(12), 483, 1001, 1012 and 1274. Any such transfer
17 shall be treated for federal income tax purposes as a deemed transfer to the beneficiary-creditors
18 followed by a deemed transfer by the beneficiary-creditors to the Liquidating Trusts. The
19 beneficiaries of the Liquidating Trusts shall be treated for federal income tax purposes as the
20 grantors and deemed owners of the Liquidating Trusts.

21 **G. Provisions Governing Distributions.**

22 1. Disbursing Agent

23 The Liquidating Trustee will serve as the Disbursing Agent under the Plan or, after
24 consultation with the appropriate Post-Effective Date Committee, shall select another entity to serve
25 as the Disbursing Agent. Any entity other than the Liquidating Trustee that acts as a Disbursing
26 Agent for the Liquidating Trusts will be an agent of the Liquidating Trustee and not a separate
27 taxable entity with respect to, for example, the assets held, income received or disbursements or
28 distributions made for the Liquidating Trustee. The Liquidating Trustee will not be required to

1 provide a bond in connection with the making of any distributions pursuant to the Plan unless
2 required by the applicable Post-Effective Date Committee.

3 The Disbursing Agent will make all Distributions required under this Plan. The Disbursing
4 Agent, if not the Liquidating Trustee, shall be authorized, after consultation with the Liquidating
5 Trustee, to implement such procedures as it deems necessary to make Distributions pursuant to this
6 Plan so as to efficiently and economically assure prompt and proportionate Distributions.

7 2. The Source of Distributions.

8 The sources of all Distributions and payments under the Plan and the Liquidating Trust
9 Agreements will be Cash, which will be cash transferred to the Liquidating Trusts as of the Effective
10 Date of the Plan and proceeds from the liquidation by the Liquidating Trusts of the remainder of the
11 Debtors' Assets (including the prosecution of Causes of Action) that were transferred to any
12 particular Liquidating Trust less the Post-Effective Date Expenses for each particular Liquidating
13 Trust.

14 3. Distribution Dates

15 The Distribution Dates for the distribution of Cash by the Liquidating Trusts shall be selected
16 by the Liquidating Trustee, in its sole discretion after consultation with the Post-Effective Date
17 Committees. The Distribution Dates for the various Liquidating Trusts may be different dates.

18 4. Manner of Cash Payments.

19 Cash Distributions made pursuant to the Plan will be in United States funds, by check drawn
20 on a domestic bank, or, if a Liquidating Trustee so elects in its discretion for Distributions to certain
21 large claimants, by wire transfer from a domestic bank.

22 5. Setoff and Recoupment.

23 **NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE PLAN, THE**
24 **LIQUIDATING TRUSTEE MAY SET OFF, RECOUP, OR WITHHOLD AGAINST THE**
25 **DISTRIBUTIONS TO BE MADE ON ACCOUNT OF ANY ALLOWED CLAIM OR CAUSE**
26 **OF ACTION ANY CLAIMS OR CAUSES OF ACTION THAT THE DEBTORS OR THE**
27 **ESTATES MAY HAVE AGAINST THE ENTITY HOLDING THE ALLOWED CLAIM OR**
28 **CAUSE OF ACTION. THE DEBTORS, THE ESTATES, AND THE LIQUIDATING**

1 TRUSTS WILL NOT WAIVE OR RELEASE ANY CLAIM OR CAUSE OF ACTION
2 AGAINST THOSE ENTITIES BY FAILING TO EFFECT SUCH A SETOFF OR
3 RECOUPMENT BY FAILING TO ASSERT ANY SUCH MATTER PRIOR TO
4 CONFIRMATION OR THE EFFECTIVE DATE, BY ALLOWING ANY CLAIM OR
5 CAUSE OF ACTION AGAINST THE DEBTORS OR THE ESTATES, OR BY MAKING A
6 DISTRIBUTION ON ACCOUNT OF AN ALLOWED CLAIM OR CAUSE OF ACTION.

7 6. No De Minimis Distributions.

8 Notwithstanding anything to the contrary in this Plan, no Distribution of less than \$10.00 will
9 be made to any Holder of an Allowed Claim on account thereof. No consideration will be provided
10 in lieu of the *de minimis* Distributions that are not made under this Section.

11 7. Fractional Cents

12 When any payment of a fraction of a cent would otherwise be called for, the actual payment
13 will reflect a rounding of such fraction to the nearest whole cent (rounding down in the case of less
14 than \$0.005 and rounding up in the case of \$0.005 or more); provided, however, that, in no event,
15 will a Distribution of less than \$10.00 will be made to any Holder of an Allowed Claim on account
16 thereof as set forth above.

17 8. No Distributions with Respect to Disputed Claims and Interests.

18 Notwithstanding any other Plan provision, Distributions will be made on account of a
19 Disputed Claim only after, and only to the extent that, the Disputed Claim either becomes or is
20 deemed to be an Allowed Claim for purposes of Distributions.

21 9. Undeliverable or Unclaimed Distributions.

22 Distributions to entities holding Allowed Claims will initially be made by mail as follows:

23 (a) Distributions will be sent to the address, if any, set forth on a filed proof of claim as
24 amended by any written notice of address change received by the Debtors prior to the Effective Date
25 or Liquidating Trustee no later than ten (10) Business Days prior to the date of any Distribution; or

26 (b) If no such address is available, Distributions will be sent to the address set forth on
27 the Schedules or address otherwise readily obtainable by a cursory review of the Debtors' other
28 books and records.

1 If no address is available either on a proof of claim or on the Schedules or on the Debtors'
2 other books and records after a cursory review, the Distribution will be deemed to be undeliverable.
3 If a Distribution is returned to a Liquidating Trustee as an undeliverable Distribution or is deemed to
4 be an undeliverable Distribution, a Liquidating Trustee will make no further Distribution to the
5 Holder of the Claim on which the Distribution is being made.

6 Any entity that is otherwise entitled to an undeliverable Distribution and that does not, within
7 forty-five (45) days after a Distribution is returned as undeliverable, provide the Liquidating Trustee
8 with a written notice asserting its claim to or interest in that undeliverable Distribution and setting
9 forth a current, deliverable address will be deemed to waive any claim to or interest in that
10 undeliverable Distribution and will be forever barred from receiving that undeliverable Distribution
11 or asserting any Claim against the Debtors, the Estates, the Liquidating Trusts or their property. Any
12 undeliverable Distributions that are not claimed hereunder will be distributed Pro Rata to other
13 Holders of Allowed Class 3A, 3B, 3C, 4A, 4B, or 6B Claims, as appropriate. Nothing herein
14 requires a Liquidating Trustee to attempt to locate any entity holding an Allowed Claim whose
15 distribution is undeliverable.

16 10. Record Date.

17 The record date for purposes of Distributions under this Plan shall be the date the Bankruptcy
18 Court enters its order approving the Plan. The Disbursing Agent will rely on the register of proofs of
19 claim filed in the Case except to the extent a notice of transfer of Claim or Interest has been filed
20 with the Court prior to the record date pursuant to Bankruptcy Rule 3001.

21 **H. New Common Stock and the Payment of Dividend Thereon.**

22 On the Effective Date, all of the outstanding stock of PCFC will be cancelled, and PCFC will
23 issue the New Common Stock to the Liquidating Trustee in his capacity as Liquidating Trustee of
24 the Funding and PCHLI Liquidating Trusts in accordance with the percentage of funds contributed
25 to PCFC by Funding and PCHLI. Within two business days of the Effective Date, PCFC will
26 declare the New Common Stock Dividend. The record date for such dividend will be its declaration
27 date. The payment date for the dividend will be determined by the Liquidating Trustee, but will be
28 as soon after the declaration and record date as is feasible.

1 The dividend paid with respect to the New Common Stock will relate back to PCFC's
2 taxable year ended December 31, 2007, pursuant to Internal Revenue Code section 858 and,
3 therefore, will allow PCFC to meet the distribution requirement applicable to REITs pursuant to
4 Internal Revenue Code section 857(a)(1) for such year. Because the dividend with respect to the
5 New Common Stock will be paid after December 31, 2007, PCFC will be liable for federal excise
6 tax under Internal Revenue Code section 4981 for 2007 in the amount of \$82,822.00 (or such other
7 amount as is finally determined by the Debtors, Liquidating Trustee or Court).

8 The dividend paid with respect to the New Common Stock will constitute "excess inclusion"
9 income with the meaning of Internal Revenue Code section 860E and will be reported as such by the
10 Liquidating Trustee. Such income will be used to pay Holders of Claims against Funding and
11 PCHLI.

12 VII.

13 LITIGATION AND CLAIMS OBJECTIONS

14 A. Preservation of Causes of Action.

15 As of the Effective Date, the Liquidating Trustee will retain all rights on behalf of the
16 Liquidating Trusts to commence, pursue and settle, as appropriate, any and all Causes of Action
17 (including any and all Avoidance Actions and any and all D&O and Shareholder Claims) assigned to
18 the particular Litigation Trust, whether arising before or after the Petition Date, in any court or other
19 tribunal, including, without limitation, a bankruptcy court adversary proceeding filed in the Cases.

20 The Liquidating Trustee shall also be deemed the successor to, assignee of and transferee of
21 the Committee under the Committee Standing Order authorizing the Committee to pursue and
22 prosecute to the fullest extent any and all Claims and Causes of Action against the Debtors'
23 directors, officers and shareholders and shall have all of the rights of the Committee under such
24 Order, including the Committee's rights of standing with respect to such claims. The failure to
25 explicitly list any Causes of Action and other potential or existing claims of the Debtors or Estates is
26 not intended to limit the rights of the Liquidating Trusts, through the Liquidating Trustee, to pursue
27 any and all Causes of Action and such claims not so identified. The Debtors and the Committee will
28 file a non-exhaustive list of Causes of Action at least ten (10) Business Days prior to the

1 Confirmation Hearing that sets forth the Liquidating Trust to which each such Cause of Action will
2 be assigned; provided, however, notwithstanding any otherwise applicable principle of law or equity,
3 including, without limitation, any principles of judicial estoppel, *res judicata*, collateral estoppel,
4 issue preclusion, or any similar doctrine, the failure to list, disclose, describe, identify, analyze or
5 refer to any Cause of Action, or potential Cause of Action, in the Plan, this Disclosure Statement, or
6 any other document filed with the Bankruptcy Court will in no manner waive, eliminate, modify,
7 release, or alter the Debtors' or the respective Liquidating Trustee's right to commence, prosecute,
8 defend against, settle, and realize upon any Cause of Action that the Debtors or the Estates have or
9 may have as of the Effective Date. Subject to any limitations expressly set forth in the Liquidating
10 Trust Agreements, the Liquidating Trustee may commence, prosecute, defend against, recover on
11 account of, and settle all Causes of Action assigned to the any of the Liquidating Trusts in
12 accordance with what is in the best interests, and for the benefit, of the respective Liquidating Trust,
13 subject to the terms of any applicable Liquidating Trust Agreement.

14 Unless a Cause of Action against a Person is **expressly** waived, relinquished, released,
15 compromised in writing, or settled in the Plan or any Final Order, the Debtors and their Estates, for
16 the benefit of beneficiaries of the Liquidating Trust in which such Causes of Action shall vest,
17 expressly reserve such Causes of Action for later adjudication (including, without limitation, Causes
18 of Action of which the Debtors, the Committee or any party in interest may presently be unaware, or
19 which may arise or exist by reason of additional facts or circumstances unknown to the Debtors, the
20 Committee or any party in interest at this time, or facts or circumstances which may change or be
21 different from those which the Debtors, the Committee or any party in interest now believe to exist)
22 and, therefore, no preclusion doctrine, including, without limitation, the doctrines of *res judicata*,
23 collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable, or
24 otherwise), or laches will apply to Causes of Action upon, or after, the Confirmation or
25 consummation of the Plan based on their description or lack of identification or description in the
26 Disclosure Statement, the Plan, or the Confirmation Order, except where such Causes of Action have
27 been expressly released by virtue of the Plan or other Final Order.

28 As of the Effective Date, subject to the Liquidating Trust Agreements, the Liquidating

1 Trustee, on behalf of the Liquidating Trusts, will be authorized to exercise and perform the rights,
2 powers and duties held by the Debtors' Estates and Committee under the Causes of Action covered
3 by the Committee Standing Order with respect to the Causes of Action, including, without
4 limitation, the authority under Bankruptcy Code section 1123(b)(3) to provide for the settlement,
5 adjustment, retention and enforcement of claims and interests of the Estate, without the consent or
6 approval of any third party, and without any further order of the Bankruptcy Court, except as
7 otherwise provided in the Plan.

8 Any Person with respect to whom any Debtor has incurred an obligation (whether on account
9 of services, purchase or sale of property, or otherwise), or who has received services from any of the
10 Debtors or a transfer of money or property of any of the Debtors, or who has transacted business
11 with any of the Debtors, or leased equipment or property from any of the Debtors should assume that
12 such obligation, transfer, or transaction may be reviewed by the Liquidating Trustee, on behalf of the
13 appropriate Liquidating Trust, subsequent to the Effective Date, and may, if appropriate, be the
14 subject of an action after the Effective Date, whether or not (i) such Person has filed a proof of
15 Claim against any of the Debtors; (ii) such Person's proof of Claim has been objected to; (iii) such
16 Person's Claim was included in the Schedules; or (iv) such Person's scheduled Claims have been
17 objected to or has been identified by the Debtors as disputed, contingent, or unliquidated.

18 **SUBJECT TO THE LIQUIDATING TRUST AGREEMENTS, THE LIQUIDATING**
19 **TRUSTEE WILL MAKE THE DECISION OF WHETHER OR NOT TO PURSUE ANY**
20 **CAUSES OF ACTION. THIS DECISION WILL BE BASED UPON HIS OR HER REVIEW**
21 **OF THE MERITS OF THE VARIOUS CLAIMS AS WELL AS THE COSTS REQUIRED**
22 **TO PROSECUTE SUCH CLAIMS IN LIGHT OF THE RESOURCES AVAILABLE FOR**
23 **THE DISTRIBUTION TO CREDITORS. SUBJECT TO THE LIQUIDATING TRUST**
24 **AGREEMENTS, THE LIQUIDATING TRUSTEE MAY SEEK TO RETAIN COUNSEL ON**
25 **A CONTINGENCY OR OTHER BASIS TO PROSECUTE SOME OR ALL OF SUCH**
26 **CLAIMS, MAY SEEK TO FINANCE ANY COSTS RELATING TO THE PROSECUTION**
27 **OF SUCH LITIGATION OR MAY DECIDE NOT TO PURSUE SUCH CLAIMS AT ALL.**
28

1 **B. Disputed Claims.**

2 1. Disputed Claims Reserve.

3 On the Effective Date, the Liquidating Trustee will establish a Disputed Claim Reserve for
4 each Liquidating Trust from that Liquidating Trust's Assets on account of Disputed Claims. The
5 Disputed Claim Reserve will initially include cash in amounts sufficient to distribute to each holder
6 of a Disputed Claim the full amount that it would receive under the Plan if its Claim should
7 ultimately become an Allowed Claim in its full face amount. The Liquidating Trustee may
8 subsequently move the Court for an Order setting reduced reserves upon Disputed Claims.

9 Notwithstanding the foregoing, the Liquidating Trustee may move for a Bankruptcy Court
10 order determining, before allowance of the Claim, the maximum allowable amount of any Disputed
11 Claim and, if the Bankruptcy Court enters such an order, will adjust the amount held in the Disputed
12 Claim Reserve on account of that Disputed Claim in accordance therewith. The maximum allowable
13 amount of any Disputed Claim so determined by the Bankruptcy Court will constitute the maximum
14 potential Allowed Claim.

15 After any Disputed Claim becomes an Allowed Claim in the full face amount or a reduced
16 amount, the Liquidating Trustee will, on the next Distribution Date, make the distributions based
17 upon the full face amount or reduced, allowed amount of the Allowed Claim, as applicable, as if the
18 Disputed Claim had been an Allowed Claim in the full face amount or the reduced amount, as
19 applicable, on or before the Effective Date.

20 If a Disputed Claim (i) is disallowed or expunged or (ii) becomes an Allowed Claim in an
21 amount that would result in such Allowed Claim receiving less than the amount held in the Disputed
22 Claim Reserve on account thereof, the excess attributable to the Claim's disallowed or expunged
23 portion will constitute reserve surplus ("Reserve Surplus"). Should the distributable amount of an
24 Allowed Claim exceed the amount held in the Disputed Claim Reserve on account thereof, the
25 Holder will be entitled to receive any shortfall in the distribution that it would otherwise be entitled
26 to receive solely from the Reserve Surplus, but in no event will such Holder have recourse to any
27 payments or distributions theretofore made to or for the benefit of any Holder from the Disputed
28 Claim Reserve or Reserve Surplus. If more than one Holder has a right to receive distributions from

1 the Reserve Surplus, then they will receive their pro rata share of the Reserve Surplus.

2 After Final Orders have been entered, or other final resolutions have been reached, with
3 respect to all Disputed Claims or the Liquidating Trust has obtained an Order of the Court setting a
4 reduced dollar amount of required reserves, any remaining cash or other property held in the
5 Disputed Claim Reserve or the Reserve Surplus will be distributed in accordance with the
6 Liquidating Trust Agreement.

7 2. Objections to and Resolution of Disputed Claims.

8 On and after the Effective Date, the Liquidating Trustee will have the right to make and file
9 objections to any Claim of any nature and to prosecute, settle and/or withdraw such objections. The
10 Liquidating Trustee will have the authority to compromise, settle, withdraw or otherwise resolve any
11 objections to a Claim without approval of the Bankruptcy Court; provided, however, that the
12 Liquidating Trustee may in its discretion seek relief before the Bankruptcy Court with respect to any
13 Disputed Claim. The Liquidating Trustee will file and serve all objections to Claims upon the
14 Holder of the Claim as to which the objection is made no later than 180 days after the later of (i) the
15 Effective Date or (ii) the date on which a proof of claim or request for payment is filed with the
16 Bankruptcy Court (the "Claims Objection Deadline"), provided, however, that nothing herein will
17 reduce the time permitted under applicable statutes of limitation for bringing any affirmative Causes
18 of Action that the Liquidating Trustee may assert against any third party. Thereafter, the deadline
19 may be further extended only by an order of the Bankruptcy Court. The Claims Objection Deadline
20 set forth herein does not apply to Administrative Claims.

21 **VIII.**

22 **OTHER PLAN PROVISIONS**

23 **A. Exculpation and Release of Debtor, Committee and Professionals.**

24 Except to the extent arising from willful misconduct or gross negligence, any and all Claims,
25 liabilities, causes of action, rights, damages, costs and obligations held by any party against the
26 Debtors, the Committee, the members of the Committee (and their respective officers, directors,
27 employees, affiliates and agents), and/or each of their respective attorneys, accountants, agents and
28 other professionals, whether known or unknown, matured or contingent, liquidated or unliquidated,

1 existing, arising or accruing, whether or not yet due in any manner related to the post-Petition Date
2 administration of the Cases, any post-Petition act or omission in connection with, arising out of, or
3 related to the Cases, or the formulation, negotiation, prosecution or implementation of the Plan, will
4 be deemed fully waived, barred, released and discharged in all respects, except as to rights,
5 obligations, duties, claims and responsibilities preserved, created or established by terms of this
6 Plan. Notwithstanding anything contained herein, the foregoing release shall not apply to Alvarez &
7 Marsal North America, LLC ("A&M") or its employees nor shall it apply to any directors, officers
8 (including officers provided by A&M), or employees of the Debtors.

9 Pursuant to section 1125(e) of the Bankruptcy Code, the Debtors, the Committee and its
10 present and former members, and each of their respective affiliates, officers, directors, employees,
11 agents, advisors, representatives, successors or assigns, and any Professionals employed by any of
12 the foregoing entities will neither have nor incur any liability to any Person for their role in soliciting
13 acceptance or rejection of this Plan; provided, however, this provision shall not affect any entities'
14 liability for any other matter.

15 **B. Exemption from Stamp, Transfer and Other Taxes.**

16 Pursuant to section 1146(c) of the Bankruptcy Code, the issuance, transfer, or exchange of
17 assets under the Plan by the Debtors, the creation of any mortgage, deed of trust, or other security
18 interest, the making or assignment of any lease or sublease, or the making or delivery of any deed or
19 instrument of transfer under, in furtherance of, or in connection with the Plan, will not be subject to
20 any stamp, real estate transfer, mortgage recording, or other similar tax. The sale of the Debtors'
21 residual interests, servicing rights, platform, scratch and den loans, REO and all other property are
22 deemed to be sales under the Plan and therefore no such taxes of the kind set forth in section 1146(c)
23 are payable with respect thereto.

24 **C. Injunction Enjoining Holders of Claims against Debtor.**

25 **The Plan is the sole means for resolving, paying or otherwise dealing with Claims and**
26 **Interests. To that end, except as expressly provided in the Plan, at all times on and after the**
27 **Effective Date, all Persons who have been, are, or may be holders of Claims against or**
28 **Interests in any of the Debtors arising prior to the Effective Date, will be permanently enjoined**

1 from taking any of the following actions, on account of any such Claim or Interest, against any
2 of the Debtors, their Estates, the Liquidating Trusts or their property (other than actions
3 brought to enforce any rights or obligations under the Plan):

4 (i) commencing, conducting or continuing in any manner, directly or
5 indirectly any suit, action, or other proceeding of any kind against any of the Debtors,
6 their Estates, any of the Liquidating Trusts, or the Liquidating Trustee, their
7 successors, or their respective property or assets (including, without limitation, all suits,
8 actions, and proceedings that are pending as of the Effective Date which will be deemed
9 to be withdrawn or dismissed with prejudice);

10 (ii) Enforcing, levying, attaching, executing, collecting, or otherwise
11 recovering by any manner or means whether directly or indirectly any judgment,
12 award, decree, or order against any of the Debtors, their Estates, any of the Liquidating
13 Trusts, or the Liquidating Trustee, their successors, or their respective property or
14 assets;

15 (iii) creating, perfecting, or otherwise enforcing in any manner, directly or
16 indirectly, any lien, security interest or encumbrance against any of the Debtors, their
17 Estates, any of the Liquidating Trusts, or the Liquidating Trustee, their successors, or
18 their respective property or assets; and

19 (iv) proceeding in any manner in any place whatsoever against any of the
20 Debtors, their Estates, any of the Liquidating Trusts, or any of the Liquidating Trustee,
21 their successors, or their respective property or assets, that does not conform to or
22 comply with the provisions of the Plan.

23 **D. Nondischarge of the Debtors.**

24 In accordance with Bankruptcy Code section 1141(d)(3), the Confirmation Order will not
25 discharge Claims. However, no Holder of a Claim may receive any payment from, or seek recourse
26 against, any assets that are to be distributed under the Plan other than assets required to be
27 distributed to that Holder pursuant to the Plan. **As of the Confirmation Date, all Persons are**
28 **enjoined from asserting against any property that is to be distributed under the Plan any**

1 **Claims, rights, causes of action, liabilities, or Interests based upon any act, omission,**
2 **transaction, or other activity that occurred before the Confirmation Date except as expressly**
3 **provided in the Plan or the Confirmation Order.**

4 **E. Entry of a Final Decree.**

5 Promptly following the liquidation or other disposition of all remaining Assets, including the
6 Causes of Action, and distribution of all Available Cash of any one Liquidating Trust pursuant to the
7 Plan and respective Liquidating Trust Agreement, after consultation with the respective Post-
8 Effective Date Committee, the Liquidating Trustee will file a motion with the Bankruptcy Court to
9 obtain entry of a final decree closing the respective Debtor's Case. Upon the entry of the final
10 decree, the Liquidating Trustee, on behalf of the Liquidating Trust, will be authorized in its sole and
11 absolute discretion to discard or destroy any and all pre-Effective Date books and records of the
12 Debtor in said parties' custody or control. The Liquidating Trustee will continue to preserve the
13 respective post-Effective Date books and records, subject to further Court order. The Liquidating
14 Trustee may gift amounts remaining in any trust to the charity of its choosing to the extent the value
15 of the assets remaining in the respective trust is less than the cost of preparing a distribution
16 (including the costs associated with preparation and processing checks), the cost of postage and
17 mailing for a distribution, the expense associated with seeking Court authority for a distribution and
18 the expense of holding the estate open.

19 **F. Post-Effective Date Quarterly Fees.**

20 After the Effective Date, the Liquidating Trustee, on behalf of the Liquidating Trusts, shall
21 pay all U.S. Trustee Fees.

22 **G. Post-Effective Date Status Reports.**

23 The Liquidating Trustee, on behalf of each Liquidating Trust, will file status reports
24 regarding the status of implementation of the Plan every 120 days following the entry of the
25 Confirmation Order through entry of a final decree closing the Case of the Debtor for which the
26 Liquidating Trust is being administered, or as otherwise ordered by the Bankruptcy Court.

27 **H. Withholding and Reporting Requirements.**

28 In connection with the consummation of the Plan, the Liquidating Trustee will comply with

1 all withholding and reporting requirements imposed by any federal, state, local or foreign taxing
2 authority and all Distributions hereunder will be subject to any such withholding and reporting
3 requirements. The Liquidating Trustee may reasonably request tax reporting information from
4 persons entitled to receive Distributions under the Plan and may withhold the payment of such
5 Distributions pending the receipt of such tax reporting information.

6 **I. Evidence of Claims.**

7 As of the Effective Date, notes and any other evidence of Claims will represent only the right
8 to receive the Distributions contemplated under the Plan, provided, however, the Liquidating Trustee
9 shall be entitled to use such Claims in any litigation subject to any applicable rules of evidence and
10 procedure.

11 **J. Cancellation of Interests.**

12 On the Effective Date, all Interests will be cancelled, annulled, and extinguished, and any
13 issued and outstanding shares of common stock, preferred stock, stock options, warrants,
14 membership interests, or other evidence of Interests in securities of the Debtors will be deemed to be
15 cancelled and of no further force or effect without any further action by the Debtors or any other
16 entity. Holders of Allowed Interests will retain no rights and receive no consideration on account of
17 these Interests, and entities holding any evidence of Interests in the Debtors will have no rights
18 arising from or relating to such evidence of their Interests or their cancellation.

19 **K. Injunctions or Stays.**

20 Unless otherwise provided, all injunctions or stays arising under or entered during the Cases
21 under section 105 or section 362 of the Bankruptcy Code, or otherwise, and in existence on the
22 Confirmation Date, will remain in full force and effect until the Effective Date at which time the
23 injunctions and stays contained in Section VIII.C shall become effective.

24 **L. No Admissions.**

25 Except as specifically provided in the Plan, nothing contained in the Plan will be deemed or
26 construed in any way as an admission by the Debtors or their Estates with respect to any matter set
27 forth in the Plan, including the amount or allowability of any Claim, or the value of any property of
28 the Estates.

1 Notwithstanding anything to the contrary in the Plan, if the Plan is not confirmed or the
2 Effective Date does not occur, the Plan will be null and void, and nothing contained in the Plan will:
3 (a) be deemed to be an admission by the Debtors with respect to any matter discussed in the Plan,
4 including liability on any Claim or the propriety of any Claim's classification; (b) constitute a
5 waiver, acknowledgement, or release of any Claims, Interests, or any claims held by the Debtors; or
6 (c) prejudice in any manner the rights of the Debtors, the Estates, or the Committee in any further
7 proceedings.

8 **M. Modification or Withdrawal of the Plan.**

9 In accordance with section 1127 of the Bankruptcy Code, with Committee consent, the
10 Debtors reserve the right to alter, amend, modify, revoke or withdraw the Plan or any Plan exhibit or
11 schedule, including amending or modifying it to satisfy the requirements of the Bankruptcy Code.
12 The Debtors reserve the right to withdraw the Plan before the Confirmation Date.

13 **N. Severability of Plan Provisions.**

14 If, before Confirmation, the Court holds that any Plan term or provision is invalid, void, or
15 unenforceable, the Court may alter or interpret that term or provision so that it is valid and
16 enforceable to the maximum extent possible consistent with the original purpose of that term or
17 provision, so long as such alternative interpretation does not materially alter the rights, remedies and
18 distributions under the Plan of parties in interest in those Cases. That term or provision will then be
19 applicable as altered or interpreted. Notwithstanding any such holding, alteration, or interpretation,
20 the Plan's remaining terms and provisions will remain in full force and effect and will in no way be
21 affected, impaired, or invalidated. The Confirmation Order will constitute a judicial determination
22 providing that each Plan term and provision, as it may have been altered or interpreted in accordance
23 with this Section, is valid and enforceable under its terms.

24 **O. Governing Law.**

25 The rights and obligations arising under the Plan and any agreements, contracts, documents,
26 or instruments executed in connection with the Plan will be governed by, and construed and enforced
27 in accordance with, California law without giving effect to California law's conflict of law
28 principles, unless a rule of law or procedure is supplied by: (a) federal law (including the Bankruptcy

1 Code and the Bankruptcy Rules); or (b) an express choice-of-law provision in any document
2 provided for, or executed under or in connection with, the Plan.

3 **P. Retention of Jurisdiction.**

4 This Plan shall not in any way limit the Court's post-confirmation jurisdiction as provided
5 under the Bankruptcy Code. The Bankruptcy Court will retain and have exclusive jurisdiction to the
6 fullest extent permissible over any proceeding (i) arising under the Bankruptcy Code, (ii) arising in
7 or related to the Case or the Plan, or (iii) that relates to the following:

8 (1) resolution of any matters related to the assumption, assumption and
9 assignment, or rejection of any executory contract or unexpired lease to which any of the Debtors is
10 a party or with respect to which the Debtor may be liable, and to hear, determine and, if necessary,
11 liquidate, any Claims arising therefrom;

12 (2) entry of such orders as may be necessary or appropriate to implement or
13 consummate the provisions of the Plan and all contracts, instruments, releases, and other
14 agreements or documents created in connection with the Plan;

15 (3) determination of any and all motions, adversary proceedings, applications,
16 and contested or litigated matters that may be pending on the Effective Date or that, pursuant to the
17 Plan, may be instituted by the Liquidating Trustee after the Effective Date, including, without
18 limitation, any related to the Causes of Action;

19 (4) ensuring that Distributions to Holders of Allowed Claims are accomplished
20 as provided in the Plan;

21 (5) hearing and determining motions regarding the administration of claims,
22 setting or reducing reserves, authorizing distributions; estimating Claims, or otherwise relating to
23 the applicable Liquidating Trustee's review of Claims of Interests.

24 (6) hearing and determining any objections to Administrative Claims or proofs
25 of Claim, both before and after the Confirmation Date, including any objections to the classification
26 of any Claim and to allow, disallow, determine, liquidate, classify, estimate, or establish the priority
27 of secured or unsecured status of any Claim, in whole or in part;

28

1 (7) entry and implementation of such orders as may be appropriate in the event
2 that the Confirmation Order is, for any reason, stayed, revoked, modified, reversed, or vacated;

3 (8) issuance of such orders in aid of execution, implementation or consummation
4 of the Plan, to the extent authorized by section 1142 of the Bankruptcy Code;

5 (9) consideration of any modifications of the Plan, to cure any defect or
6 omission, or reconcile any inconsistency in any order of the Bankruptcy Court, including the
7 Confirmation Order;

8 (10) hearing and determining all applications for awards of compensation for
9 services rendered and reimbursement of expenses incurred prior to the Effective Date;

10 (11) hearing and determining disputes arising in connection with, or relating to,
11 the Plan or the interpretation, implementation, or enforcement of the Plan, or the extent of any
12 Person's obligations incurred in connection with or released or exculpated under the Plan;

13 (12) the recovery of all Assets of the Debtors and property of the Estates,
14 wherever located;

15 (13) to the extent any such continue to exist, the administration and orderly
16 liquidation of mortgage loans held by the Liquidating Trusts including foreclosure proceedings or
17 other Causes of Action relating to the mortgage loans or the collateral securing the mortgage loans;

18 (14) issuance of injunctions or other orders or enforcement of the injunctions
19 contained herein as may be necessary or appropriate to restrain interference by any Person with
20 consummation or enforcement of the Plan;

21 (15) determination of any other matters that may arise in connection with, or are
22 related to, the Plan, the Disclosure Statement, the Confirmation Order, or any contract, instrument
23 release, or other agreement or document created in connection with the Plan or the Disclosure
24 Statement, including, without limitation, the Liquidating Trust Agreements;

25 (16) hearing and determining matters concerning state, local, and federal taxes in
26 accordance with sections 346, 505, and 1146 of the Bankruptcy Code;

27 (17) hearing any other matter or for any purpose specified in the Confirmation
28 Order that is not inconsistent with the Bankruptcy Code;

1 (18) entry of a final decrees closing the Cases;

2 (19) hearing and determining, to the fullest extent authorized by applicable law,
3 any issue or dispute directly or indirectly arising from or related to the Liquidating Trusts, the
4 Liquidating Trusts Assets, the Liquidating Trust Agreements, the Liquidating Trustee or the
5 composition or actions of the Post-Effective Date Committees;

6 (20) hearing and determining any other matter deemed relevant to the
7 consummation of the Plan and the administration of the Case; and

8 (21) interpreting and enforcing Orders entered by the Bankruptcy Court; provided
9 that if the Bankruptcy Court abstains from exercising jurisdiction, or is without jurisdiction, over
10 any matter, this Section will not effect, control, prohibit, or limit the exercise of jurisdiction by any
11 other court that has jurisdiction over that matter.

12 **Q. Successors and Assigns.**

13 The rights, benefits, and obligations of any entity referred to in this Plan will be binding on,
14 and will inure to the benefit of, any heir, executor, administrator, successor, or assign of that entity.

15 **R. Nonconsensual Confirmation.**

16 In the event that the Classes entitled to vote to accept or reject the Plan fail to accept the Plan
17 in accordance with Bankruptcy Code section 1129(a)(8), the Debtors, subject to consent of the
18 Committee, reserve the right to seek Confirmation of the Plan pursuant to Bankruptcy Code section
19 1129(b).

20 **S. Saturday, Sunday, or Legal Holiday.**

21 If any payment or act under the Plan should be made or performed on a day that is not a
22 Business Day, then the payment or act may be completed on the next succeeding day that is a
23 Business Day, in which event the payment or act will be deemed to have been completed on the
24 required day.

25 **T. No Waiver.**

26 Neither the failure to list a Claim in the Schedules filed by the Debtors, the failure of any
27 Person to object to any Claim for purposes of voting, the failure of any Person to object to a Claim
28 (including an Administrative Claim) prior to Confirmation or the Effective Date, the failure of any

1 Person to assert a Cause of Action prior to Confirmation or the Effective Date, the absence of a
2 proof of Claim having been filed with respect to a Claim, nor any action or inaction of any Person
3 with respect to a Claim or Cause of Action other than a legally effective express waiver or release by
4 the Debtors (subject to Bankruptcy Court approval) will be deemed a waiver or release of the right
5 of the Debtors, the Liquidating Trusts or their successors or representatives, before or after
6 solicitation of votes on the Plan or before or after Confirmation or the Effective Date to (a) object to
7 or examine such Claim, in whole or in part or (b) retain and either assign or exclusively assert,
8 pursue, prosecute, utilize, otherwise act or otherwise enforce any Cause of Action.

9 **U. Plan Modification.**

10 Subject to the restrictions set forth in Bankruptcy Code section 1127, subject to consent of
11 the Committee, the Debtor reserves the right to alter, amend, or modify the Plan before it is
12 substantially consummated.

13 **V. Post-Effective Date Notice.**

14 From and after the Effective Date, any Person who desires notice of any pleading or
15 document filed in the Cases, or of any hearing in the Court, or of any matter as to which the
16 Bankruptcy Code requires notice to be provided, will file a request for post-effective date notice and
17 will serve the request on the Liquidating Trustee; provided however, the U.S. Trustee, the members
18 of the Post-Effective Date Committees and the Liquidating Trustee, will be deemed to have
19 requested post-effective date notice and will be placed on the Post-Effective Date Notice List
20 without taking any further action.

21 **IX.**

22 **BANKRUPTCY RULE 9019 REQUEST**

23 Pursuant to Bankruptcy Rule 9019, the Debtors hereby request approval of all compromises
24 and settlements included in this Plan, including, without limitation, the Intercompany Claims
25 Settlement.

26 **X.**

27 **RECOMMENDATIONS AND CONCLUSION**

28 The Debtors and Committee believe that confirmation and implementation of this Plan are

1 preferable to any other alternative because, in their view, the Plan will provide Holders of Allowed
2 Claims and Allowed Interests with the maximum recovery. Accordingly, the Debtors urge Creditors
3 and Interest Holders to vote to accept the Plan.

4
5 Dated: _____, 2008

PEOPLE'S CHOICE HOME LOAN, INC.,
PEOPLE'S CHOICE FUNDING, INC. AND
PEOPLE'S CHOICE FINANCIAL
CORPORATION
Chapter 11 Debtors and Debtors in Possession

6
7
8
9 By: _____
10 Name: _____
11 Title: Chief Restructuring Officer

12 Dated: March 3, 2008

Submitted by:
PACHULSKI STANG ZIEHL & JONES LLP

13
14 By /s/ Jeffrey W. Dulberg
15 Jeremy V. Richards
16 Jeffrey W. Dulberg
17 Scotta E. McFarland
18 J. Rudy Freeman
19 Attorneys for Debtors and Debtors in
20 Possession, People's Choice Home Loan
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