

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10SB12G

Form for initial registration of a class of securities for small business issuers pursuant to Section 12(g)

Filing Date: **2005-05-02**  
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### FILER

#### **FREEDOM FINANCIAL GROUP INC**

CIK: **1314386** | IRS No.: **431647559** | State of Incorp.: **DE** | Fiscal Year End: **1231**  
Type: **10SB12G** | Act: **34** | File No.: **000-51286** | Film No.: **05789013**  
SIC: **6141** Personal credit institutions

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SPRINGFIELD MO 65802  
417-886-6600

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-SB

GENERAL FORM FOR REGISTRATION OF SECURITIES  
OF SMALL BUSINESS ISSUERS UNDER SECTION 12(b)  
OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

FREEDOM FINANCIAL GROUP, INC.

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(Name of Small Business Issuer in Its Charter)

Delaware

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(State or Other Jurisdiction of Incorporation or Organization)

43-1647559

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(I.R.S. Employer Identification No.)

3058 East Elm Street, Springfield, Missouri

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(Address of Principal Executive Offices)

65802

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(Zip Code)

(Issuer's Telephone Number): 417-886-6600

Securities to be Registered Pursuant to Section 12(g) of the Act:

COMMON STOCK, PAR VALUE \$0.0001 PER SHARE

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(Title of Class)

PREFERRED STOCK, PAR VALUE \$0.0001 PER SHARE

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(Title of Class)

**TRUST CERTIFICATES**

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**(Title of Class)**

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SIGNATURE  
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## **Forward-Looking Statements**

When used in this Form 10-SB and in future filings by the Company with the Securities and Exchange Commission, in the Company's press releases or other public or shareholder communications, and in oral statements made with the approval of an authorized executive officer, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimated," "projected" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties, including among other things, changes in economic conditions in the Company's market areas, changes in level of activity by the Company's competitors, and fluctuations in demand for the Company's programs that could cause actual results to differ materially from historical results and those presently anticipated or projected. The Company wishes to advise readers that the factors listed above could affect the Company's financial performance and could cause the Company's actual results in future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements.

The Company does not undertake, and specifically disclaims any obligation, to publicly release the result of any revisions which may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

### **PART I.**

#### **ITEM 1. DESCRIPTION OF BUSINESS**

##### **General**

Freedom Financial Group, Inc. (the "Company," "we" or "our"), a Delaware corporation formed in 2001, is a specialized consumer finance company engaged in the purchasing, servicing and collection of motor vehicle retail installment contracts originated by independent automobile dealerships and a limited number of franchised automobile dealerships. Our focus is on acquiring consumer installment contracts collateralized by motor vehicles ranging in age from one to eight years old at the date of acquisition, entered into with purchasers who have sub-prime credit (i.e., purchasers who, due to poor credit ratings or other circumstances, have limited or no access to traditional sources of consumer credit) but meet certain underwriting requirements.

Currently we are either licensed or otherwise authorized to purchase motor vehicle installment contracts in the following 17 states: Arkansas, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Michigan, Mississippi, Missouri, Nevada, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee and Texas.

The Company has a wholly-owned Canadian subsidiary, T.C.G.-The Credit Group Inc. ("TCG"), which is a Winnipeg, Manitoba-based consumer finance company specializing in originating, purchasing, servicing and collecting a variety of sub-prime and near-prime retail installment contracts. TCG operates in the following provinces: Alberta, British Columbia, Manitoba, New Brunswick, Northwest Territories, Nova Scotia, Ontario and Saskatchewan.

The Company herein collectively refers to all motor vehicle installment contracts, consumer installment contracts and small ticket leases that it acquires as “Installment Contracts.” The Company also collectively refers to all automobile dealerships, sales merchants and lease brokers from whom it acquires Installment Contracts as “Customers.”

### **Reorganization of Predecessor Under Chapter 11**

The Company is the successor by merger to Stevens Financial Group, Inc. (“SFG”). SFG commenced operations as a consumer finance company in August, 1993, as First Financial Credit Corp., a Missouri corporation, headquartered in Springfield, Missouri. In 1995 Damian and Susan Sinclair became the sole owners of First Financial Credit Corp. and changed its name to Sinclair Financial Group, Inc. In October, 1999, Clarence Stevens became the sole owner of Sinclair Financial Group, Inc., and shortly thereafter changed the name to Stevens Financial Group, Inc.

SFG’s primary source of capital was the issuance of debt obligations known as fixed rate investment certificates (“FRI Certificates”) to individual investors. SFG invested the funds acquired through the issuance of the FRI Certificates in sub-prime consumer finance receivables, primarily collateralized by automobiles, vacuums or other consumer goods.

On March 19, 2001, the management of SFG, after determining that SFG could no longer satisfy its obligations (primarily the repayment of FRI Certificates) as they became due, filed a voluntary petition for Chapter 11 bankruptcy (the “Filing”) in the United States Bankruptcy Court for the District of Arizona (the “Bankruptcy Court”), Case Number 01-3105-ECF-RTB. At the time of the Filing, SFG controlled three wholly-owned subsidiaries: SFC Funding Corporation (“SFC”), SFC Automobile Receivables Trust 2000A (“SFC Trust”) and Sinclair Credit Group Co. (“SCG”). The operations of SFG, SFC and SFC Trust were indefinitely suspended concurrent with the Filing. The operations of SCG, now known as TCG, were not significantly affected.

On May 15, 2001, Mr. Vernon S. Schweigert (the “Trustee”) was appointed Trustee of the estate created by the Filing. Shortly after his appointment, Mr. Schweigert removed the Company’s then-existing management and employed Mr. Jerald L. Fenstermaker to act as the Company’s President and Chief Executive Officer during the reorganization period.

The Trustee filed a Plan of Reorganization (the “Plan”) with the Bankruptcy Court on August 31, 2001, which was subsequently amended on October 30, 2001. The Plan provided for the formation of the Company, the subsequent merger of SFG into the Company, and the assumption of the assets and liabilities of SFC and SFC Trust by the Company.

The Plan also provided for the continuation of SFG’s U.S. consumer loan business through the formation of a joint venture, to be called Venture Funding Resources, Inc. (“VFR”), between the Company and Innovative Financial Resources, Inc. (“IFR”), a Springfield, Missouri-based consumer finance company. The Plan envisioned that the Company’s initial contribution to the joint venture would be funded in part by approximately \$6 million of the approximately \$8 million the bankruptcy estate anticipated receiving in the settlement of claims it asserted against certain of the parties (“Potential Defendants”) to the bankruptcy. The Potential Defendants included former owners and officers of SFG, companies related to SFG through common ownership, companies owned by a former officer of SFG and other companies and professional firms with which SFG conducted business.

The Plan allowed for SFG's creditors to choose one of two options: (1) exchange their debt for shares of preferred stock (to be held for their benefit in the Freedom Financial Group I Statutory Trust) and common stock of the reorganized company ("Participating Creditors") or (2) settle their debt for approximately \$0.04588 per dollar ("Non-Participants"). The Plan further stipulated that all prior ownership interests in SFG would be cancelled. SFG's creditors voted overwhelmingly to approve the Plan, and on March 14, 2002, the Plan was confirmed by order of the Bankruptcy Court.

In anticipation of settling a significant portion of SFG's claims against the Potential Defendants, the Trustee, with the concurrence of the Company's management, petitioned the Bankruptcy Court for, and was granted, SFG's release from Chapter 11 effective January 1, 2003.

Shortly prior to January 1, 2003, SFG was merged into the Company, and on January 1, 2003, the Company issued 8,997,869 shares of redeemable convertible preferred stock to the Freedom Financial Group I Statutory Trust, a Delaware Statutory Trust, for the benefit of the Participating Creditors, 8,997,953 shares of common stock to the Participating Creditors, and 970,000 shares of common stock to the Company's new management group. Concurrent with the issuance of stock, the Company assumed the remaining assets and liabilities of SFC and SFC Trust. SCG became a subsidiary of the Company and was renamed as T.C.G.-The Credit Group Inc.

Approximately 35 of SFG's creditors elected to be Non-Participants. The Company made payments totaling \$35,646 to these Non-Participants in April 2003, in full settlement of their claims against SFG.

#### **Emergence From Chapter 11 Reorganization**

As of January 1, 2003, the Company had reached settlement agreements with certain Potential Defendants which required the payment to the Company of cash and certain assets totaling approximately \$3,380,000. Also as of January 1, 2003 the Company had two bankruptcy related claims which had not yet been settled. The first of these claims was valued at \$450,000 on the Company's January 1, 2003 consolidated balance sheet (the "opening balance sheet") and the second claim was valued at \$6,000,000. The Company's actual consolidated net assets at January 1, 2003 and the net assets envisioned in the Plan of Reorganization immediately upon emergence from bankruptcy were as follows:

|  | <b>Actual</b><br>January 1,<br>2003 | <b>Plan of</b><br>Reorganization |
|--|-------------------------------------|----------------------------------|
| Cash                                   | \$2,572,298                         | \$ 6,800,000                     |
| Finance Receivables, net               | 1,432,282                           | 7,000,000                        |
| Cash Settlements Receivable            | 2,273,295                           | -                                |
| Settlement Assets Receivable           | 1,106,723                           | -                                |
| Assets Receivable Under Pending Claims | 6,450,000                           | -                                |
| Intangible Assets                      | 538,576                             | -                                |
| Other Assets                           | 220,633                             | 50,000                           |
| <b>Total Assets</b>                    | <b>14,593,807</b>                   | <b>13,850,000</b>                |
| <b>Less Current Liabilities</b>        | <b>793,807</b>                      | <b>50,000</b>                    |
| <b>Net Assets</b>                      | <b>\$13,800,000</b>                 | <b>\$ 13,800,000</b>             |

As of January 1, 2003 significant uncertainty existed as to when and how much the Company would ultimately collect from its pending claims. At about the same time, it was becoming apparent to management that IFR, the joint venture partner, would be unable to meet its commitments to the joint venture, namely raising up to \$10,000,000 in private placement funding.

Due to the Company's opening balance sheet being significantly different from the Plan of Reorganization, the uncertainty surrounding the pending claims and the status of the proposed joint venture, management and the Board of Directors re-evaluated the Company's business strategy as initially developed in the Plan of Reorganization.

This re-evaluation led to the following determinations:

1. IFR would be unable to fulfill its obligations to the joint venture and therefore the Company was better off terminating the joint venture.
2. It would be in the best interests of the Company to terminate certain loan servicing agreements with Eagle Financial Solutions, Inc. ("EFS"), under which EFS performed account collection activities for loans owned by the Company and for the Company to assume all loan servicing and collection activities on its own behalf. EFS was related to IFR through common ownership.
3. The Company did not have sufficient working capital to carry out the business plan as originally contemplated in the Plan of Reorganization.
4. Unless the Company realized \$4,000,000 or more from its pending claims, it would be in the best interests of the Company's preferred stockholders to liquidate the Company.
5. TCG was able to carry on its business as it had throughout the reorganization period.

6. The Company should (i) reduce expenditures to the extent possible, and (ii) focus the majority of its efforts on resolving the pending claims, collecting assets due to the Company under previously reached settlement agreements, and converting non-earning and long-term assets into cash.

Throughout 2003 and the first half of 2004, the Company, with the exception of TCG (which continued its operations), focused its efforts on carrying out the steps outlined above.

During the first quarter of 2003 the Company received the following assets, in accordance with the terms of certain settlement agreements with Potential Defendants.

|                     |                    |
|---------------------|--------------------|
| Cash                | \$2,273,295        |
| Notes Receivable    | 724,696            |
| Finance Receivables | 213,027            |
| Real Estate         | 169,000            |
|                     | <u>          </u>  |
| Total               | <u>\$3,380,018</u> |

During 2003 the Company sold the acquired finance receivables and real estate in cash transactions with third parties. The Company also received full payment of an acquired note receivable, in the principal amount of \$469,000, plus interest, during August 2003.

During the second quarter of 2003 the Company provided legal notice to IFR of the joint venture's termination. The termination was confirmed by order of the Bankruptcy Court on September 2, 2003. Concurrent with the termination of the joint venture, the Company terminated all loan servicing agreements with EFS and began servicing and collecting its own finance receivables.

On September 8, 2003, the Company settled one of its two pending claims. The Company received \$462,500 in full settlement of its claims against Wolf Haldenstein Adler Freeman & Herz LLP, a New York-based law firm.

On June 9, 2004 the Company settled its other pending claim. On that date, the Company and BancInsure, an Oklahoma-based insurance carrier and provider of a Directors and Officers Liability Insurance Policy to First Financial Trust Company, entered into a settlement agreement under which BancInsure agreed to pay the Company \$7,050,000 in settlement of all of FFG's claims against First Financial Trust Company and BancInsure. In accordance with the terms of the agreement, on August 13, 2004 the Company received \$6,955,973, net of contingent legal fees.

Shortly after entering into its settlement agreement with BancInsure, the Company's management and Board of Directors re-evaluated the Company's business strategy in light of the Company having achieved its revised business strategy goals, specifically the receipt of sufficient funds from its settlement with BancInsure to allow the Company to move forward with a business plan as opposed to liquidating the Company. This re-evaluation led to the business strategy as described below.

## **Market and Competition**

The Company operates in a highly competitive market. The automobile finance and general consumer finance markets historically have been served by a variety of financial institutions, including the captive finance affiliates of major automotive manufacturers, banks, savings institutions, credit unions, independent finance companies and leasing companies. Many of these competitors have significantly greater experience and financial resources than the Company, and offer a wider variety of financing alternatives.

We compete for the purchase and origination of Installment Contracts which meet our underwriting criteria on the basis of emphasizing our personal relationships with our Customers, by delivering consistently high levels of service and providing fast response time to our Customers.

## **Business and Growth Strategy**

Our goal is to increase the Company's profitability and create long-term shareholder value through the following strategies:

1. *Targeted Market and Product Focus:* We target the sub-prime automobile lending market and, to a lesser degree (in Canada only), the sub-prime and near-prime consumer finance and small ticket leasing market. We believe that by selectively acquiring sub-prime and near-prime Installment Contracts we can achieve relatively high yields while maintaining a manageable level of risk in our portfolio.

2. *Expansion of Dealership Customer Base:* We have established relationships with a number of independent used car dealers, sales merchants and lease brokers in the regions in which we conduct our business. Our strategy requires us to increase the number of these Customers with which we do business and increase the volume of Installment Contracts we acquire from these Customers.

3. *Personalized Dealer Service Approach:* We provide a high level of service to our Customers by fostering personal relationships between our Business Development Representatives and our Customers' personnel. We further this personal approach by designating specific members of our underwriting department to work with specific Customers. This approach allows our Customers to work with the same underwriter over and over again. Generally, our Business Development Representatives live in proximity to the Customers with which they work, such that they are able to make regular personal visits to our Customers to answer questions, resolve issues and facilitate business between the Customers and the Company.

4. *Computerized Information Systems:* Our business strategy includes implementation of state-of-the-art computer information systems. We believe that computer information systems can be a critical factor in the success of specialized consumer finance companies. We anticipate installing an industry-wide accepted loan accounting, servicing and collections software system during the second quarter of 2005. We also anticipate installing a "front-end" underwriting software system in the second half of 2005. This system will be fully integrated with our loan accounting and collections software and will:

- a) allow the Company to receive credit applications directly into the system without the need for manual data entry;
- b) automatically obtain an applicant's credit bureau report;
- c) compute debt ratios and generate a preliminary underwriting decision based on our underwriting criteria;
- d) route the application to the appropriate underwriter for final disposition; and
- e) generate letters of approval, conditional approval and denial automatically and send them electronically to the Customer.

5. Centralized Processes: We operate from two principal locations: Springfield, Missouri in the United States and Winnipeg, Manitoba in Canada. Substantially all of our underwriting, funding, servicing and collections activities are conducted from these two locations. By performing these functions from centralized locations, as opposed to multiple branch locations, we believe we can achieve operating efficiencies that will reduce our costs over time in comparison to our competitors.

6. Adherence to Underwriting Guidelines: The Company has developed underwriting guidelines for each product that it believes will produce relatively high yields while maintaining a manageable level of losses. The Company's underwriters are trained to follow these guidelines and any exceptions to these guidelines must be approved by the Company's senior management. We believe that strict adherence to our underwriting guidelines prevents the Company from acquiring as many Installment Contracts as it would be able to under a less strict policy of adherence. However, we believe the market of potential Installment Contracts to be acquired is large enough that declining to acquire Installment Contracts that do not meet our underwriting criteria does not significantly impact the number of Installment Contracts we actually acquire.

7. Multiple Funding Sources: Maintaining liquidity will be a key to the ongoing success of our Company. Since January 1, 2003 the Company has funded the acquisition of its Installment Contracts with cash generated from its Canadian operations and from assets we acquired from the settlement of bankruptcy-related claims. The Company's strategy is to cultivate multiple sources of funding so as to not be dependent upon a single source to meet its operating needs. The Company anticipates utilizing bank lines of credit, raising additional debt and equity capital and obtaining secondary market financing through either the sale or securitization of its contracts over time.

## Operations

### Regions:

We operate in the United States out of our corporate headquarters in Springfield, Missouri, and in Canada out of the headquarters of our wholly-owned subsidiary, TCG, in Winnipeg, Manitoba.

### Business Development:

The Company intends to expand the number of Customers with which it conducts business. To achieve this goal the Company intends to recruit and train additional Business Development Representatives in selected target markets.

Our Business Development Representatives are responsible for improving our relationship with existing Customers and enrolling and educating new Customers to increase the number of Installment Contracts we acquire. Generally, our Business Development Representatives work out of home-based offices in the geographic territories in which they serve.

Our Business Development Representatives target selected Customers within their territory based upon the likelihood that the Customers can provide the Company with Installment Contracts that meet our underwriting guidelines. Prior to receiving Installment Contracts from a Customer, the Company performs a review of the Customer, its business and management. Once a Customer is approved, the Company enters into a non-exclusive agreement containing certain representations and warranties by the Customer about the Installment Contracts.

After the Customer relationship is established, the assigned Business Development Representative actively monitors the relationship to meet the Company's objectives with respect to the volume of applications meeting the Company's underwriting guidelines. Due to the non-exclusive nature of the Company's relationship with its Customers, our Customers retain discretion to determine whether to solicit financing from the Company or from other sources. Business Development Representatives regularly telephone and visit our Customers to reinforce the Company's objectives and to answer any questions they may have. We believe that the personal relationships our Business Development Representatives foster with our Customers' management personnel play a significant role in creating and maintaining profitable working relationships with our Customers.

### Underwriting and Purchasing of Installment Contracts

The underwriting process begins when a credit application is sent to us via the Internet or facsimile. The Company's underwriters are assigned specific Customers so that the underwriter becomes familiar with the Customer and the Customer's personnel always work with the same underwriter. Each credit application received by the Company is routed to the appropriate underwriter for processing. The underwriter, with the assistance of a team of loan processors, reviews the application, the consumer's credit bureau report, the proposed structure and pricing of the contract and other relevant information to determine whether to approve, decline or make a counteroffer to the Customer. Each underwriter's lending levels and approval authorities are established based on the individual underwriter's credit experience and past performance.

Once a credit decision has been made, we send a response to the Customer via the Internet or facsimile specifying approval, denial or conditional approval. Conditional approval is based upon modification to the structure, such as an increase in the down payment, reduction of the term or addition of a co-signer. All approvals, whether conditional or not, are subject to the Company verifying the applicant's income and employment.

If the Customer accepts the terms of approval, the Customer is required to deliver all of the necessary contract documentation to us. All contract documentation is received by our funding department and assigned to a funding specialist. The funding specialist audits the contract documentation for accuracy, completeness and consistency with the credit application and the underwriting approval. The funding specialist gives final approval once he/she concludes that the contract documentation meets our criteria. Upon final approval the contract documentation is forwarded to our accounting department. Our accounting department processes a wire transfer of funds directly into the Customer's account or prepares a check and promptly sends it to the Customer. The completed contract file is then sent to our servicing department for processing.

From time to time the Company also purchases groups of Installment Contracts in bulk transactions consisting of between 10 and 50 Installment Contracts per group from independent automobile dealers. Installment Contracts acquired in bulk transactions are typically aged from three months to 12 months at the time they are acquired and are typically purchased at a discount of between 15% and 25%.

### Servicing and Collections

We service all of the Installment Contracts we acquire. The servicing process includes collecting and processing payments, responding to borrower inquiries, maintaining our security interest in the collateral and repossessing and selling collateral when necessary.

We use periodic billing statements to serve as a reminder to borrowers that they have payments coming due. We believe this method is more effective in controlling delinquency, and therefore losses, than payment coupon books which are given to the borrower at the time the Installment Contract is acquired.

To expedite the collection process, we accept payments from borrowers in person, through the mail and through third party payment processing services. We are currently working to establish the ability to collect payments through direct debiting of borrower accounts and anticipate offering that capability to our borrowers during 2005. All payments, regardless of form, are processed by payment processing personnel. We charge late fees, where allowed by law, on any payment received after the expiration of the applicable grace period.

Our collections personnel typically are assigned specific Installment Contracts based on their delinquency, with more seriously delinquent Installment Contracts being assigned to those collectors the Company deems best able to work with the borrower to bring the Installment Contract current.

Generally, after a scheduled payment remains unpaid after 60 days the Company will initiate repossession of the collateral. However, if an Installment Contract is deemed uncollectible or if the collateral is in danger of being damaged, destroyed or made unavailable for repossession, the Company will initiate repossession of the collateral without regard to the length of payment delinquency. We typically subcontract collateral repossession to third parties that are in the business of collateral repossession on behalf of secured parties. After the collateral is repossessed, we send a letter to the borrower notifying him/her of our intent to sell the collateral unless the borrower cures the event of default within the time prescribed by law. If the event of default still exists after the applicable "right to cure period" has expired, the Company will prepare the collateral for sale. We sell substantially all repossessed automobiles through wholesale automobile auctions and all other types of repossessed collateral channels deemed appropriate by management. Upon repossession and sale of the collateral, any deficiency remaining is pursued against the borrower as the Company deems practical and only to the extent permitted by law.

It is our policy to reverse all accrued interest receivable on Installment Contracts 90 days or more contractually past due. All Installment Contracts 120 days or more contractually past due are charged off. After an Installment Contract is charged off, we attempt to collect the deficiency balance. These efforts include contacting the borrower directly, seeking a deficiency judgment through a small claims court or through exercise of other legal remedies as may be appropriate. In some cases, particularly where recovery is believed to be less likely, the Installment Contract may be assigned to a collection agency.

In certain unusual circumstances, the Company may offer credit-related modifications or extensions to a borrower. These modifications and extensions are offered only when the Company believes that the borrower's financial difficulty has been resolved or will no longer impair the obligor's ability to make future payments as they become due.

### **Marketing and Advertising**

The Company's marketing efforts are directed primarily towards independent automobile dealers and to a lesser extent towards leasing brokers and other originators of retail installment contracts. The Company performed a limited amount of telephone prospecting of automobile dealers, primarily in St. Louis, Chicago and Kansas City, during 2004. At the end of 2004 the Company hired a Marketing Manager to expand our marketing efforts. Over the course of 2005 we anticipate:

1. expanding our telephone prospecting activities to include additional geographic regions;
2. installing a computerized sales prospecting and forecasting software system;
3. increasing our visibility throughout the industry; and
4. developing a set of standardized marketing tools for use by our Business Development Representatives.

The Company presently does an insignificant amount of traditional advertising (i.e. radio, television, newspaper and magazine) and has no plans to change its utilization of such methods in the near future.

The Company solicits Customers for its direct loan program in Canada primarily through direct mailings to current or former borrowers who have a favorable payment history with the Company.

### **Taxation**

FFG has approximately \$27,000,000 of net operating loss carryforwards as of December 31, 2004 available to offset future United States federal corporate income taxes. FFG and TCG utilize a basic cost-sharing agreement to minimize TCG's taxable income.

### **Employees**

The Company employs personnel experienced in all areas of loan acquisition, documentation, collection and administration. At December 31, 2004 the Company had 23 full-time, and one part-time, employees, none of whom were covered by collective bargaining agreements. We believe we have good relationships with our employees.

### **Government Regulation**

The Company is subject to regulation, supervision and licensing under various federal, state, provincial and local statutes, ordinances and regulations. The Company is required to comply with the laws of those states and provinces in which it conducts operations. We believe that we are in compliance with these laws and regulations.

### **Consumer Protection Laws**

Numerous federal, state and provincial consumer protection laws and related regulations impose substantial requirements upon lenders and servicers involved in consumer finance. These laws, among other things, require certain disclosures to consumer credit applicants, prohibit misleading advertising, and protect against discriminatory financing or unfair credit and collection practices. The Truth-in-Lending Act, and Regulation Z promulgated thereunder, requires disclosure of, among other things, the payment schedule, the finance charge, the amount financed, the total of payments and the annual percentage rate charged on each retail installment contract. The Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants (including retail installment contract obligors) on the basis of sex, marital status, race, national origin, or religion. Creditors are also required to make certain disclosures regarding consumer rights and advise consumers whose credit applications are not approved. The rules of the Federal Trade Commission limit the types of property a creditor may accept as collateral to secure a consumer obligation. Also, some state laws impose finance charge ceilings and other restrictions on consumer transactions and require contract disclosures in addition to those required under federal law. These requirements impose specific statutory liabilities upon creditors who fail to comply with their provisions. In some cases these provisions, if violated, could affect the Company's ability to enforce the contracts it acquires. TCG is subject to similar Canadian consumer protection laws.

## RISK FACTORS

The following risk factors should be considered carefully in addition to the other information contained in this registration statement.

### **Accumulated Deficit and Operating Losses**

The Company had a substantial accumulated deficit as of December 31, 2004 of \$1,731,382 and cumulative operating losses of \$2,276,687 over the two year period ended December 31, 2004. We can give no assurances that the Company will show an operating profit at any time in the future. If the historical losses continue for a protracted period, the Company could become unable to continue as a going concern.

### **Need for Additional Financing**

Based upon the Company's business strategy, we may not be able to meet our cash requirements over the next 12 months. The Company is actively pursuing debt and/or equity financing to meet these cash requirements, but it has no commitment for such additional financing. The Company's continued operations beyond 2005 will depend upon future operating cash flows, if any, and the availability of significant future equity and/or debt financing. We can give no assurance that the Company will be able to generate sufficient operating cash flows or be able to obtain additional financing on terms satisfactory to the Company.

### **Uncertain Return of Investment**

An investment in our equity securities is subject to a high degree of risk. No one should purchase our equity securities that is not able to risk the loss of their entire investment.

### **Dependence on Key Personnel**

The Company is dependent upon the services and business expertise of its three executive officers. The loss of any one of these individuals could have a material adverse effect on the Company. Mr. Fenstermaker has served the Company as President and Chief Executive Officer since June 2001. Mr. Daniel F. Graham joined the Company as Chief Financial Officer in January 2002. Mr. James K. Browne has been President and Chief Operating Officer of the Company's Canadian subsidiary, TCG, since its inception in September 1997. Mr. Fenstermaker has an employment agreement with the Company which allows him to terminate the agreement with 30 days' written notice to the Company. Messrs. Graham and Browne do not have employment agreements with the Company.

The Company believes that its future success will depend upon its ability to attract and retain skilled and knowledgeable management and operations personnel. We can give no assurance that the Company will be successful in retaining key employees or in securing the services of other qualified personnel.

### **No Dividends**

The Company has never paid dividends on its common stock and does not anticipate paying dividends for the foreseeable future. The Company's Certificate of Incorporation prohibits the Company from paying dividends on its common stock so long as preferred stock remains outstanding. The Company intends to use any income generated from operations to (i) fund future growth of the Company and (ii) redeem its preferred stock. After the redemption or conversion of all preferred stock, payment of dividends on our common stock in the future would depend upon the Company's profitability at the time, the amount of cash available to pay dividends, and other factors.

### **Installment Contract Prepayment and Default**

Our results of operations, financial condition, cash flows and liquidity depend, to a material extent, on the performance of the Installment Contracts we acquire. A portion of the Installment Contracts we acquire will default or prepay. Default rates are adversely affected by, among other things, economic slowdowns which typically tighten consumer household liquidity. In the event of default, the collateral value, if any, may not cover the outstanding contract balance and the costs of recovery. We maintain an allowance for credit losses which reflects management's estimate of probable credit losses that can be reasonably estimated. If the allowance is inadequate, then we would recognize as an expense the losses in excess of such allowance, and our results of operations could be adversely affected.

### **Risks Related to Business Expansion**

The Company's ability to accomplish its goals, including the ability to significantly grow the business, is dependent upon the successful implementation of its business strategy. The single most important factor in growing the business will be our ability to attract new Customers.

The Company's business strategy and expansion plans may place significant strain on the Company's management, working capital, financial and management control systems, and staff. The failure of the Company to properly respond to these needs by failing to maintain or upgrade financial and management control systems, failing to recruit additional qualified personnel or failing to respond effectively to difficulties encountered during expansion could adversely affect the Company's business, financial condition and results of operations. Although we have taken steps to ensure our management and financial systems and controls are adequate to address the Company's current needs and are attempting to recruit and train additional staff, there can be no assurance that the Company's systems, controls and staff will be adequate to sustain future growth.

### **Competition**

The sub-prime and near-prime consumer finance industry is extremely competitive and highly fragmented. Lenders compete on pricing, contract terms, quality of credit accepted and on quality of service provided. Gross yields on sub-prime contracts are at a level that attract niche lenders to enter the market, which can negatively impact demand for our products. Likewise, an overall expansion of the supply of consumer credit can lessen demand for our products.

The Company competes against numerous competitors offering substantially the same products and services as the Company offers. Our competitors include: consumer finance companies of all sizes; local and regional banks and credit unions; and national and global banking and other financial institutions. Most, if not all of our competitors have a stronger market presence and may have significantly greater financial, marketing and advertising resources than the Company. Our ability to compete successfully will depend in large part on our relationships with our Customers and the willingness of our Customers to offer us Installment Contracts that meet our underwriting and pricing criteria. We can give no assurance that we will be able to successfully compete in the markets we target.

### **Reliance on Foreign Markets**

A significant portion of the Company's profits and operating cash flows is generated from our Canadian subsidiary. Any adverse regulatory or economic conditions impacting the Canadian markets in which we compete could have an adverse effect on the Company's results of operations, cash flows and financial condition.

### **Adverse Economic Conditions**

We are a specialized consumer finance company whose activities are dependent upon acquiring motor vehicle and retail installment contracts. Our ability to acquire Installment Contracts in the markets in which we operate and to expand into additional markets is dependent upon the overall level of sales of used motor vehicles and other retail goods in those markets. A prolonged or significant downturn in these sales could have a material adverse impact upon us, our results of operations and our ability to implement our business plan.

The used motor vehicle industry, in particular, is sensitive to adverse economic conditions. Periods of rising interest rates, reduced economic activity or higher rates of unemployment generally result in a reduction in the sale of used motor vehicles and higher default rates on motor vehicle contracts. We can give no assurance that such economic conditions will not occur, or that such conditions will not adversely impact our results of operations.

### **No Active Trading Market for Our Stock**

No established trading market currently exists for our securities. Although we may, in the future, attempt to have our securities quoted in the Pink Sheets and/or on the OTC Bulletin Board, there can be no assurance that an active market will develop, or if any such market does develop, that it will continue to exist. To the extent that brokerage firms act as market makers for our securities on the OTC Bulletin Board, they may be a dominating influence in any market that might develop, and the degree of participation by those firms may significantly affect the price and liquidity of our common and preferred stock. These firms may discontinue their market making activities at any time. The prices at which our securities are traded in the market will be determined by these firms and by the purchasers and sellers of our securities, and may not necessarily relate to our assets, book value, results of operations or other established and quantifiable determinants of value. Securities quoted on the Pink Sheets and OTC Bulletin Board are often thinly traded, highly volatile and not followed by analysts. Consequently, investors may have difficulty reselling our securities.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

### Critical Accounting Policies, Judgments and Estimates

The accounting and reporting policies of the Company conform to U.S. generally accepted accounting principles ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Actual results could differ from those estimates.

The Company considers the determination of the allowance for credit losses to involve a higher degree of judgment and complexity than its other significant accounting policies. The allowance for credit losses is calculated with the objective of maintaining an allowance level that management believes to be sufficient to absorb estimated loan losses. Management's determination of the adequacy of the allowance for credit losses is based on periodic evaluations of the Company's portfolio of finance receivables and other relevant factors. However, this evaluation is inherently subjective as it requires material estimates, including, among others, expected default probabilities, value of collateral, the amount and timing of expected future cash flows on delinquent loans, estimated losses and general amounts for historical loss experience. The process also considers prevailing and expected future economic conditions, uncertainties in estimating losses and inherent risks in the finance receivables portfolio. All of these factors may be subject to significant change. To the extent actual outcomes differ from management estimates, additional provisions for credit losses may be required that would adversely impact earnings in future periods.

### General Overview

The following is a discussion of the financial condition and results of operations of the Company for the years ended December 31, 2004 and 2003. This discussion should be read in conjunction with the Consolidated Financial Statements of the Company and the related notes thereto appearing elsewhere in this registration statement.

The Company's predecessor filed a petition in the Bankruptcy Court for relief under Chapter 11 of Title 11 of the United States Code on March 19, 2001. See Part I, Item 1, under the heading "Description of Business" and also the Company's Consolidated Financial Statements and the related notes thereto.

Our primary source of revenue is interest income. We generate interest income from our portfolio of Installment Contracts and short-term investments.

The following table presents selected information regarding our operations and financial condition during the past two fiscal years. This table should be read in conjunction with the Consolidated Financial Statements and the notes thereto included elsewhere herein and with Management's Discussion and Analysis of Financial Condition and Results of Operations:

|  | <u>2004</u>      | <u>2003</u>        |
|--|------------------|--------------------|
| <b>Consolidated Summary of Operations:</b>     |                  |                    |
| Interest income                                | \$ 1,141,690     | \$ 573,514         |
| Recovery of charged-off finance receivables    | 156,481          | 222,003            |
| Other income                                   | <u>99,318</u>    | <u>143,212</u>     |
| Total revenues                                 | 1,397,489        | 938,729            |
| Provision for credit losses                    | <u>187,030</u>   | <u>215,728</u>     |
| Net revenues after provision for credit losses | 1,210,459        | 723,001            |
| Operating expenses                             | <u>2,211,178</u> | <u>2,001,038</u>   |
| Operating loss                                 | (1,000,719)      | (1,278,037)        |
| Non-operating income / (expense)               | <u>1,016,995</u> | <u>(469,621)</u>   |
| Income (loss) before income taxes              | 16,276           | (1,747,658)        |
| Income taxes                                   | <u>-</u>         | <u>-</u>           |
| Net income / (loss)                            | <u>16,276</u>    | <u>(1,747,658)</u> |
| Earnings per share, basic and diluted          | <u>-</u>         | <u>(0.18)</u>      |

**Consolidated Summary of Financial Condition:**

|                                       |              |              |
|---------------------------------------|--------------|--------------|
| Installment Contracts receivable, net | \$ 4,090,708 | \$ 2,015,439 |
| Total assets                          | 13,310,925   | 12,822,005   |
| Total liabilities                     | 439,249      | 219,413      |
| Total stockholders' equity            | 12,871,676   | 12,602,592   |

**Other Selected Data:**

|   |              |              |
|---|--------------|--------------|
| Installment Contracts acquired during the year (total principal amount) | \$ 5,980,383 | \$ 3,001,978 |
| Number of Installment Contracts acquired during the year                | 1,748        | 1,155        |

### **Results of Operations and Comparison for the Years Ended December 31, 2004 and 2003**

Our total revenues for 2004 were \$1,397,489, a 49% increase over 2003 total revenues of \$938,729. This increase is attributable to an increase in interest income of \$568,176 offset by a \$65,522 decrease in recoveries of charged-off finance receivables and a \$43,894 decrease in other income. Interest income of our Canadian subsidiary, TCG, increased \$257,351, from \$479,222 during 2003 to \$736,573 during 2004 - an increase of 54%. This increase resulted from an increase in TCG's average contracts receivable outstanding during 2004 compared to 2003. Our domestic interest income increased by \$310,825, from \$94,295 during 2003 to \$405,117 during 2004 - an increase of 330%. This increase resulted from an increase in the Company's average contracts receivable outstanding during 2004 compared to 2003.

Our consolidated provision for credit losses decreased from \$215,728 in 2003 to \$187,030 during 2004. During 2003 TCG determined that certain contracts receivable previously classified as performing were subject to charge-off. This determination resulted in a 2003 charge to our provision for credit losses of approximately \$75,000. As the Company continues to acquire contracts receivable, and the average contracts receivable outstanding increases, we expect the charge to our earnings for credit losses will likewise increase.

Our operating expenses increased \$220,140, from \$2,001,038 during 2003 to \$2,221,178 during 2004 - an increase of almost 11%. A summary of our operating costs follows:

|                             | <u>2004</u>        | <u>2003</u>        | <u>Percent Change</u> |          |
|-----------------------------|--------------------|--------------------|-----------------------|----------|
| Salaries and benefits       | \$1,146,355        | \$962,040          | 19.2                  | %        |
| Professional fees           | 458,240            | 193,634            | 136.7                 | %        |
| Legal fees - pending claims | 64,084             | 191,065            | -66.5                 | %        |
| Reorganization costs        | 95,941             | 121,746            | -21.2                 | %        |
| Trust administration        | 14,145             | 46,082             | -69.3                 | %        |
| Servicing and collections   | 29,169             | 142,570            | -79.5                 | %        |
| Other                       | 403,244            | 343,901            | 17.3                  | %        |
| <b>Total</b>                | <b>\$2,211,178</b> | <b>\$2,001,038</b> | <b>10.5</b>           | <b>%</b> |

Salaries and benefits increased primarily as a result of employees hired during 2004 to fill new positions within the Company necessitated by the Company's growth during 2004. Effective September 1, 2003 the Company terminated the outsourcing of its servicing and collection efforts and began performing those activities with its own employees. The payment of collection fees to the third party servicing agent was charged to servicing and collecting expenses. During the last four months of 2003 and during all of 2004, the salaries and wages paid to our collections personnel were charged to salaries and benefits expense. Only direct costs of servicing and collections activities paid to third parties was charged to servicing and collections expense during 2004.

Professional fees increased primarily as a result of \$230,000 of investment banking fees incurred during 2004 for services performed by Milestone Advisors, LLC. Legal fees related to our previously pending claims against certain parties connected to the bankruptcy decreased from 2003 to 2004 due to one of the two claims being settled during 2003 and the second being settled in August 2004. Similarly, reorganization costs decreased from 2003 to 2004 as the level of activity related to the bankruptcy reorganization declined over the period from January 1, 2003 to December 31, 2004. Expenses for administration of the Freedom Financial Group I Statutory Trust were higher in 2003 than in 2004 due to initial start-up costs of the trust incurred during 2003. The on-going expenses related to administration of the trust are expected to be consistent with 2004.

Our growth plan, if achieved, will cause our operating costs to increase over time.

The Company's consolidated statements of operations reflect non-operating income and expense items, which are not expected to recur in 2005 results, as follows:

|  | <u>2004</u>        | <u>2003</u>         |
|--|--------------------|---------------------|
| Gain on settlement of pending claims   | \$955,973          | \$12,500            |
| Gain on settlement of note receivable  | 61,022             | -                   |
| Gain on sale of real estate  | -                  | 56,455              |
| Impairment of reorganization value recorded in excess of amount attributable to identifiable assets (goodwill) | -                  | (538,576 )          |
| <b>Total non-operating income (expense)</b>  | <b>\$1,016,995</b> | <b>(\$469,621 )</b> |

**Comparison of Financial Condition at December 31, 2004 and 2003**

The Company acquired \$5,980,383 and \$3,001,978 of Installment Contracts during the years ended December 31, 2004 and 2003, respectively. As a result of this increase in Installment Contract acquisitions, our portfolio of Installment Contracts, net of allowances for credit losses, increased from \$2,015,439, net of an allowance for credit losses of \$196,698, at December 31, 2003, to \$4,090,708, net of an allowance for credit losses of \$296,233, at December 31, 2004.

All of the Company's Installment Contracts are held for investment and are recorded at their outstanding principal balances adjusted for unamortized purchase discounts and an allowance for credit losses. Discounts on purchased Installment Contracts are recognized as income over the respective contractual terms using methods that approximate the interest method. A summary of our Installment Contracts portfolio as of December 31, 2004 and 2003, respectively, follows:

|                             | December 31, 2004 |             |             | December 31, 2003 |             |             |
|-----------------------------|-------------------|-------------|-------------|-------------------|-------------|-------------|
|                             | United States     | Canada      | Total       | United States     | Canada      | Total       |
| Automobiles                 | \$1,963,446       | \$220,064   | \$2,183,510 | \$216,419         | \$194,647   | \$411,066   |
| Equipment leases            | -                 | 999,724     | 999,724     | -                 | 784,632     | 784,632     |
| Bulk food                   | -                 | 962,070     | 962,070     | -                 | 850,007     | 850,007     |
| Home appliances             | -                 | 274,800     | 274,800     | -                 | 196,368     | 196,368     |
| Other                       | -                 | 485,736     | 485,736     | -                 | 164,150     | 164,150     |
| Total                       | 1,963,446         | 2,942,394   | 4,905,840   | 216,419           | 2,189,804   | 2,406,223   |
| Less                        |                   |             |             |                   |             |             |
| Unearned discount           | 297,190           | 221,709     | 518,899     | 37,408            | 156,678     | 194,086     |
| Allowance for credit losses | 139,921           | 156,312     | 296,233     | 32,463            | 164,235     | 196,698     |
| Net                         | \$1,526,335       | \$2,564,373 | \$4,090,708 | \$146,548         | \$1,868,891 | \$2,015,439 |

Substantially all of the Installment Contracts we acquire are considered sub-prime and are subject to a high degree of risk of default by the obligors. Charge-offs directly impact our earnings and cash flows. To minimize the amount of credit losses we incur, we monitor delinquent accounts, promptly repossess and remarket collateral, attempt to collect deficiency balances, and employ other servicing and collection techniques as we deem appropriate.

We calculate delinquency based on the number of days payments are contractually past due. The following table sets forth information with respect to the delinquency of our portfolio of Installment Contracts as of December 31, 2004 and 2003, respectively:

**December 31, 2004**

|                               | United States         |              | Canada        |             | Total          |             |          |
|-------------------------------|-----------------------|--------------|---------------|-------------|----------------|-------------|----------|
|                               | Amount                | Pct.         | Amount        | Pct.        | Amount         | Pct.        |          |
|                               | Installment Contracts | \$1,963,446  | 100           | 2,942,394   | 100            | \$4,905,840 |          |
| <b>Period of delinquency:</b> |                       |              |               |             |                |             |          |
| 30 - 59 days                  | 167,009               | 8.51         | 50,547        | 1.72        | 217,556        | 4.43        | %        |
| 60 - 89 days                  | 60,788                | 3.10         | 15,660        | 0.53        | 76,448         | 1.56        | %        |
| 90 - 119 days                 | 24,133                | 1.23         | 21,434        | 0.73        | 45,567         | 0.93        | %        |
| <b>Total</b>                  | <b>251,930</b>        | <b>12.83</b> | <b>87,641</b> | <b>2.98</b> | <b>339,571</b> | <b>6.92</b> | <b>%</b> |

**December 31, 2003**

|                               | United States         |              | Canada         |             | Total          |             |          |
|-------------------------------|-----------------------|--------------|----------------|-------------|----------------|-------------|----------|
|                               | Amount                | Pct.         | Amount         | Pct.        | Amount         | Pct.        |          |
|                               | Installment Contracts | \$216,419    | 100            | 2,189,804   | 100            | \$2,406,223 |          |
| <b>Period of delinquency:</b> |                       |              |                |             |                |             |          |
| 30 - 59 days                  | 25,667                | 11.86        | 63,644         | 2.91        | 89,311         | 3.71        | %        |
| 60 - 89 days                  | -                     | 0.00         | 20,792         | 0.95        | 20,792         | 0.86        | %        |
| 90 - 119 days                 | -                     | 0.00         | 32,214         | 1.47        | 32,214         | 1.34        | %        |
| <b>Total</b>                  | <b>25,667</b>         | <b>11.86</b> | <b>116,650</b> | <b>5.33</b> | <b>142,317</b> | <b>5.91</b> | <b>%</b> |

The following table sets forth information with respect to actual credit loss experience in our portfolio of Installment Contracts:

|   | Year Ended December 31, 2004 |                 |                 | Year Ended December 31, 2003 |                  |                  |   |
|---|------------------------------|-----------------|-----------------|------------------------------|------------------|------------------|---|
|   | United States                | Canada          | Total           | United States                | Canada           | Total            |   |
| Installment Contracts, net of unearned discounts, end of year                 | \$1,666,256                  | \$2,720,685     | \$4,386,941     | \$179,011                    | \$2,033,126      | \$2,212,137      |   |
| Installment Contracts, net of unearned discounts, average during the year (1) | 820,265                      | 2,230,969       | 3,051,234       | 105,499                      | 1,752,392        | 1,857,891        |   |
| Gross charge-offs   | 96,085                       | 136,562         | 232,647         | 23,710                       | 202,699          | 226,409          |   |
| Recoveries  | 11,172                       | 123,298         | 134,470         | -                            | 44,237           | 44,237           |   |
| Net charge-offs   | <u>\$84,913</u>              | <u>\$13,264</u> | <u>\$98,177</u> | <u>\$23,710</u>              | <u>\$158,462</u> | <u>\$182,172</u> |   |
| Net charge-offs as a % of avg. contracts during the year                      | 10.35                        | % 0.59          | % 3.22          | % 22.47                      | % 9.04           | % 9.80           | % |

(1) - Average is based on month-end balances

Our allowance for credit losses was \$296,233 at December 31, 2004 compared to \$196,698 at December 31, 2003. We have decreased our percentage of allowance for credit losses in relation to our outstanding net Installment Contracts from 8.89% at December 31, 2003 to 6.75% at December 31, 2004. During 2004, we acquired a higher percentage of lower credit risk Installment Contracts as compared to 2003. Based on the analyses we performed related to the allowance for credit losses as described under "Critical Accounting Policies, Judgments and Estimates," we believe that our allowance for credit losses is adequate to cover probable losses that can be reasonably estimated as of December 31, 2004.

The following table sets forth the activity in the allowance for credit losses for the years ended December 31, 2004 and 2003, respectively.

|  | Year Ended December 31, 2004 |            |            | Year Ended December 31, 2003 |            |            |
|--|------------------------------|------------|------------|------------------------------|------------|------------|
|  | United States                | Canada     | Total      | United States                | Canada     | Total      |
| Balance at beginning of year           | \$32,463                     | \$164,235  | \$196,698  | \$20,942                     | \$124,506  | \$145,448  |
| Charge-offs                            | (96,085 )                    | (136,562 ) | (232,647 ) | (26,329 )                    | (200,080 ) | (226,409 ) |
| Recoveries                             | 11,172                       | 123,298    | 134,470    | -                            | 44,237     | 44,237     |
| Net charge-offs                        | (84,913 )                    | (13,264 )  | (98,177 )  | (26,329 )                    | (155,843 ) | (182,172 ) |
| Provision for credit losses            | 192,372                      | (5,342 )   | 187,030    | 37,850                       | 82,878     | 120,728    |
| Allocation of purchase discount        | -                            | -          | -          | -                            | 86,669     | 86,669     |
| Effect of foreign currency translation | -                            | 10,682     | 10,682     | -                            | 26,025     | 26,025     |
| Balance at end of year                 | \$139,922                    | \$156,311  | \$296,233  | \$32,463                     | \$164,235  | \$196,698  |

### **Liquidity and Capital Resources**

The Company began 2003 with \$2,572,298 cash on hand and ended the year with \$4,280,766. During 2003 the Company used \$1,126,169 to fund its operating activities. Operating activities do not include payments made by the Company to acquire Installment Contracts or the collection of principal on these Installment Contracts. We invested approximately \$2,631,000 to acquire Installment Contracts and collected principal payments on our Installment Contracts of approximately \$2,418,000 during 2003.

Prior to January 1, 2003 the Company had reached settlement agreements with certain Potential Defendants. As a result of these agreements, during 2003 the Company received cash payments totaling \$2,273,296 and certain notes receivable, finance receivables and real estate. The Company collected payments on the notes receivable totaling approximately \$514,000 during 2003 and sold the finance receivables and real estate during 2003 for cash payments totaling approximately \$234,000 and \$213,000, respectively.

As of January 1, 2003 the Company had two pending claims against certain parties connected to the bankruptcy. One of these claims was settled during 2003 and the Company received \$462,500 as a result.

Capital expenditures for 2003 totaled \$233,951, of which \$183,618 was used to purchase an office building for use by our subsidiary, TCG.

Also during 2003 we paid reorganization costs (primarily legal, accounting and trustee fees) of \$655,078 which the Company assumed from the bankruptcy estate.

The Company began 2004 with \$4,280,766 cash on hand and ended the year with \$8,779,211. During 2004 the Company used \$918,943 to fund its operating activities. Operating activities do not include payments made by the Company to acquire finance receivables or the collection of principal on these finance receivables. We invested approximately \$5,129,000 to acquire contracts receivable and collected principal payments on our contracts receivable of approximately \$3,398,000.

We collected principal payments on notes receivable we acquired during 2003 from certain Potential Defendants of \$198,891 during 2004.

As of January 1, 2003 the Company had two pending claims against certain parties connected to the bankruptcy. One of these claims was settled during 2003. The second claim was settled during 2004 and the Company received \$6,955,573 (net of contingent legal fees of approximately \$105,000) as a result of the settlement.

Capital expenditures for 2004, primarily for computers, office equipment and software, totaled \$64,973.

The Company has received all of the assets it expects to receive from the bankruptcy proceeding and our related claims. There will be no impact on the Company's liquidity during 2005 as a result of these or similar items. Likewise, we have satisfied all of our obligations to professionals who performed services connected to the bankruptcy and are no longer required to make such payments.

The Company anticipates making significant investments in its accounting, servicing and underwriting software systems during 2005. The Company expects to spend approximately \$160,000 upgrading these systems. We believe these investments will serve to strengthen our internal controls, allow us to quicken our response time to our Customers, provide management with improved reporting tools and fulfill our software needs for the foreseeable future.

The Company's growth strategy requires the Company to increase its acquisitions of Installment Contracts. We expect to fund these acquisitions from a combination of internally generated cash flow, bank lines of credit and additional equity capital. We are currently in the beginning stages of talks with certain banking institutions to establish a line of credit to be secured by Installment Contracts. We can give no assurance that we will be able to secure such a line of credit on terms acceptable to us.

During the fourth quarter of 2004 we engaged in discussions with certain third party investment groups in an attempt to raise up to \$4,000,000 in equity financing through the sale of our common stock in a private offering. In connection with these contemplated transactions we engaged Milestone Advisors, LLC, a Washington, D.C.-based investment banking firm to, among other things, review the Company's business plan, provide an analysis of the sub-prime automobile financing industry in the U.S. and give a fairness opinion on the contemplated equity transaction. The Company has temporarily suspended its efforts to consummate this transaction but expects to renew its efforts to raise additional debt or equity financing in one or more private transactions during 2005. A sale of our common stock in a private offering may require the Company to convert its outstanding preferred stock into common stock. Conversion of the Company's preferred stock into common stock requires the approval of 70% of the outstanding shares of preferred stock.<sup>1</sup> We can give no assurance that the holders of the Company's preferred stock will approve such a conversion and we can give no assurance that we will be successful in raising additional equity financing on terms acceptable to us.

1

So long as the Freedom Financial Group I Statutory Trust continues in existence, the Regular Trustee, under the direction of the Trust Supervision Committee, effectively votes 100% of the preferred stock and is not required to seek direction from the trust's beneficiaries (i.e., the holders of Trust Certificates).

In addition to funding our growth through internally generated cash flow, debt financing and equity financing, the Company's long range strategy envisions the occasional sale of Installment Contracts in private placements to investment groups and the securitization of Installment Contracts through the secondary markets. We can give no assurance that we will be successful in these efforts.

As the Company continues to grow, we will need to recruit and hire additional sales, operating and administrative personnel. We expect to be able to fund the costs of these activities from operating cash flows.

### **ITEM 3. DESCRIPTION OF PROPERTY**

We conduct our principal U.S. operations at leased facilities at 3050 and 3058 E. Elm Street, Springfield, MO 65802. The facilities, under lease until July 31, 2006, are a combined 8,475 square feet and consist principally of office and document storage space.

We conduct our principal Canadian operations at a Company-owned facility at 114 Regent Avenue West, Winnipeg, Manitoba Canada, R2C 1P9. The facility, acquired on September 11, 2003 for \$183,618, consists of approximately 4,200 square feet of office space and 1,300 square feet of document storage space.

We believe that these facilities are suitable for our use and will be adequate to meet our needs for the foreseeable future. We also believe that any additional space we might need in the future will be available at commercially reasonable rates.

**ITEM 4. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

***Security ownership of certain beneficial owners.*** The following table sets forth the beneficial ownership by any person of more than five percent (5%) of any class of the Company's voting securities as of April 29, 2005:

| <b>Title of Class</b> | <b>Name and Address of Beneficial Owner</b>  | <b>Amount and Nature of Beneficial Ownership</b> | <b>Percent of Class</b> |
|-----------------------|--|--|-------------------------|
| Common Stock          | Jerald L. Fenstermaker<br>3058 East Elm Street<br>Springfield, MO 65802                    | 700,000 shares<br>Direct ownership               | 7%                      |
| Common Stock          | Freedom Financial Group I Statutory Trust<br>3058 East Elm Street<br>Springfield, MO 65802 | 8,994,357 shares<br>Indirect ownership<br>(1)    | 45% (2)                 |
| Preferred Stock       | Freedom Financial Group I Statutory Trust<br>3058 East Elm Street<br>Springfield, MO 65802 | 8,994,357 shares<br>Direct ownership             | 100%                    |
| Preferred Stock       | Jerald L. Fenstermaker<br>3058 East Elm Street<br>Springfield, MO 65802                    | 8,994,357 shares<br>Indirect ownership<br>(3)    | 100%                    |
| Preferred Stock       | Gary G. Lipscomb<br>3058 East Elm Street<br>Springfield, MO 65802                          | 8,994,357 shares<br>Indirect ownership<br>(3)    | 100%                    |
| Preferred Stock       | Vernon S. Schweigert<br>3058 East Elm Street<br>Springfield, MO 65802                      | 8,994,357 shares<br>Indirect ownership<br>(3)    | 100%                    |

## Notes:

(1) The Freedom Financial Group I Statutory Trust is indirectly a beneficial owner of 8,994,357 shares of common stock by reason of the fact that its 8,994,357 shares of preferred stock are convertible into common stock on a one-for-one basis at any time at the option of the trust's Trust Supervision Committee.

(2) This percentage is on an as-converted basis, and takes into account the fact that upon conversion of all preferred stock into common stock, certain members of management would receive a bonus of shares of common stock to preserve their pre-conversion voting percentages (see the discussion of "Stock Grants" under Part I, Item 6 below).

(3) Jerald Fenstermaker, Gary Lipscomb, and Vernon Schweigert share voting and investment power over the Company's preferred stock due to their status as members of the Trust Supervision Committee of the Freedom Financial Group I Statutory Trust. Vernon Schweigert also serves as the Regular Trustee of the statutory trust.

**Security ownership of Management.** The following table sets forth the beneficial ownership by directors and executive officers of each class of the Company's equity securities as of April 29, 2005:

| <b>Title of Class</b> | <b>Name and Address of Beneficial Owner</b>                             | <b>Amount and Nature of Beneficial Ownership</b> | <b>Percent of Class</b> |
|-----------------------|---|--|-------------------------|
| Common Stock          | Jerald L. Fenstermaker<br>3058 East Elm Street<br>Springfield, MO 65802 | 700,000 shares<br>Direct ownership<br>(1)        | 7%                      |
| Common Stock          | Daniel F. Graham<br>3058 East Elm Street<br>Springfield, MO 65802       | 200,000 shares<br>Direct ownership<br>(2)        | 2%                      |
| Common Stock          | James K. Browne<br>3058 East Elm Street<br>Springfield, MO 65802        | 70,000 shares<br>Direct ownership<br>(3)         | 0.7%                    |
| Common Stock          | Troy A. Compton<br>3058 East Elm Street<br>Springfield, MO 65802        | 11,484 shares<br>Direct ownership<br>(4)         | 0.1%                    |
| Common Stock          | Robert T. Chancellor<br>3058 East Elm Street<br>Springfield, MO 65802   | 2,303 shares<br>Direct ownership<br>(4)          | Less than 0.1%          |
| Common Stock          | Directors and Officers as a Group                                       | 983,787 shares                                   | 9.9%                    |
| Preferred Stock       | Jerald L. Fenstermaker<br>3058 East Elm Street<br>Springfield, MO 65802 | 8,994,357 shares<br>Indirect ownership<br>(5)    | 100%                    |
| Preferred Stock       | Vernon S. Schweigert<br>3058 East Elm Street<br>Springfield, MO 65802   | 8,994,357 shares<br>Indirect ownership<br>(5)    | 100%                    |
| Preferred Stock       | Directors and Officers as a Group                                       | 8,994,357 shares                                 | 100%                    |

Notes:

- (1) Includes 350,000 shares of Common Stock subject to forfeiture in the event of Mr. Fenstermaker's termination from the Company prior to September 14, 2005.
- (2) Includes 100,000 shares of Common Stock subject to forfeiture in the event of Mr. Graham's termination from the Company prior to September 14, 2005.
- (3) Includes 35,000 shares of Common Stock subject to forfeiture in the event of Mr. Browne's termination from the Company prior to September 14, 2005.

(4) Troy Compton and Bob Chancellor also own 11,200 and 1,588 shares, respectively, of the Freedom Financial Group I Statutory Trust.

Jerald Fenstermaker and Vernon Schweigert share voting and investment power over the Company's preferred stock due to their status as members of the Trust Supervision Committee of the Freedom Financial Group I Statutory Trust. Vernon Schweigert also serves as the Regular Trustee of the statutory trust.

**Changes in Control** - There are no arrangements that may result in a change in control of the Company.

## ITEM 5. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

**Directors and Executive Officers.** The following table sets forth the name, age and position of each person who serves as a director or executive officer of the Company as of April 25, 2005.

| Name                   | Age | Position   | Elected /<br>Appointed to<br>Board | Board Term<br>Expires |
|------------------------|-----|--|------------------------------------|-----------------------|
| Jerald L. Fenstermaker | 62  | Director, Chairman, President and Chief Executive Officer                  | 2003                               | 2006                  |
| Robert T. Chancellor   | 69  | Director   | 2003                               | 2007                  |
| Troy A. Compton        | 74  | Director   | 2003                               | 2007                  |
| Stephen J. Gore        | 57  | Director   | 2005                               | 2008                  |
| Vernon S. Schweigert   | 66  | Director   | 2003                               | 2008                  |
| Daniel F. Graham       | 43  | Executive Vice President, Chief Financial Officer, Secretary and Treasurer | -                                  | -                     |
| James K. Browne        | 42  | Vice President; President and Chief Operating Officer of TCG               | -                                  | -                     |

**Jerald L. Fenstermaker.** Mr. Fenstermaker was appointed by the Trustee to serve as President and Chief Executive Officer of the Company's predecessor in June 2001. Mr. Fenstermaker has also served the Company as Chairman of the Board of Directors since December 19, 2002. From 1970 to 1981, Mr. Fenstermaker was employed by Citibank, NA in various management roles including Vice President-Controller, Vice President-Senior Field Officer in Panama and Vice President-Area Corporate Officer in San Juan, Puerto Rico. From 1981 to 1985, Mr. Fenstermaker served as President and Chief Executive Officer for Albuquerque, New Mexico-based American Federal Savings and Loan. From 1985 to 1991, Mr. Fenstermaker served as Executive Vice President and Chief Financial Officer of Citicorp Mortgage, Inc. in St. Louis, Missouri. From 1991 to 1994, Mr. Fenstermaker was a Financial Consultant in Merrill Lynch & Co.'s Private Client Group. From 1994 to 1998, Mr. Fenstermaker was employed as the Chief Operating Officer of Allsup, Inc., a national leader the Medicare claims recovery business. From 1999 to 2001, Mr. Fenstermaker served as Chief Financial Officer of Loansurfer.com LLC, a St. Louis-based Internet mortgage company.

Robert T. Chancellor. Mr. Chancellor has served the Company as a Director since April 2003. Mr. Chancellor retired from the U.S. Information Agency in 1998 after 26 years of service as a writer, editor, bureau chief and foreign correspondent. Since his retirement, Mr. Chancellor has served in various capacities for a number of civic and charitable organizations in Springfield, Missouri. In addition to serving on the Springfield City Council for five years, Mr. Chancellor served on the Mayor's Commission for Civil Rights and the Gillioz Theater Preservation Board, and served as the Chairman of the Sertoma Building Corporation. Mr. Chancellor is a graduate of Southwest Missouri State University.

Troy A. Compton. Mr. Compton has served the Company as a Director since April 2003. Mr. Compton retired from Montgomery Ward & Company in 1984 after 27 years of service, primarily in management roles. From 1984 until 1990, Mr. Compton served as Vice President of Finance and Administration of Central Bible College, and from 1990 to 1992 served as President of W-W Manufacturing Co., Inc. where he led a reorganization of the company. From 2000 to 2002, Mr. Compton served as Treasurer and as a board member of Way2Bid, Inc. Mr. Compton is currently a co-owner of Compton Tax Service, a largely seasonal income tax preparation service based in Springfield, Missouri. Mr. Compton also served in a volunteer capacity as Treasurer of the General Council Credit Union from 1986 until 2003. Mr. Compton served on the Board of Directors of W W Capital Corporation, a publicly-traded manufacturer of livestock handling equipment, from 1987 to 2002.

Stephen J. Gore. Mr. Gore was elected a Director of the Company in 2005. He has served as President and Chief Executive Officer of NewGen Solutions, LLC, a Springfield, Missouri-based management consulting firm specializing in executive management consulting and board advisory services, since founding the firm in November 2000. In 1990, Mr. Gore co-founded DT Industries, Inc., a publicly-traded global manufacturer of capital goods equipment. Mr. Gore served DTI as President and Chief Executive Officer from 1990 until 2000, overseeing sales of \$500 million and 3,000 employees. Mr. Gore also served as Senior Vice President and Chief Financial Officer of Harris-Adacom Corporation from 1988 to 1990 and as Vice President Finance, Chief Financial Officer and Director of TechAmerica Group, Inc. from 1980 to 1988. Mr. Gore, a United States Air Force veteran, is a Certified Public Accountant, holds a BSBA in Accounting and a BS in Computer Science, both from Missouri Western State College, now Missouri Western State University, and received an MBA from the Executive Fellow Program at Rockhurst University.

Vernon S. Schweigert. Mr. Schweigert has served the Company as a Director since December 2002. In May 2001, Mr. Schweigert was appointed by the United States Bankruptcy Court for the District of Arizona to serve as Trustee of the bankruptcy estate of Stevens Financial Group, Inc., and served in that capacity, leading the reorganization under Chapter 11, until the case was closed by order of the bankruptcy court on December 13, 2004. Mr. Schweigert is a Certified Public Accountant and has over twenty years experience as a consultant to the real estate development industry. Mr. Schweigert has also served in various capacities, primarily as a trustee or consultant, to companies in or facing bankruptcy. Mr. Schweigert holds an undergraduate degree from Illinois State University and an MBA from Arizona State University.

Daniel F. Graham. Mr. Graham has served as Chief Financial Officer of the Company since joining the Company in December 2001. Mr. Graham has also served as Treasurer and Secretary of the Company since January 1, 2003. From 1990 through 1996, Mr. Graham served primarily financial institutions and public companies during his tenure with McGladrey & Pullen, LLP, a national public accounting firm. Mr. Graham left the firm as a Senior Manager in December 1996. From April 1997 to February 1999, Mr. Graham was employed in various financial management positions with DT Industries, Inc., a publicly-traded global manufacturer of capital goods equipment. Mr. Graham also held the position of Vice President, Finance and Administration for Springfield Builders, Inc., a Missouri-based general contractor. Mr. Graham is a Certified Public Accountant and a graduate of Oklahoma State University.

James K. Browne. Mr. Browne has served as President and Chief Operating Officer of the Company's Canadian subsidiary, TCG, since its formation in September 1997. Mr. Browne has served as Vice President of the Company since January 1, 2003. Mr. Browne, a native of Canada, was employed by Superior Acceptance Corporation Limited from November 1989 to September 1997, serving first as a Branch Manager and then as a Regional Manager overseeing nine branch offices in three Provinces. From November 1987 to November 1989, Mr. Browne was a Senior Assistant Manager at Household Finance Corporation.

**Board of Directors**. The Company's Board of Directors is comprised of five members. Effective with the Company's annual meeting of stockholders on April 25, 2005, directors have been elected to staggered three-year terms.

The Board maintains three standing committees: Audit Committee, Compensation Committee and Nominating Committee.

**Audit Committee**. Messrs. Chancellor, Compton, Gore and Schweigert are the current members of the Audit Committee of the Board of Directors. Mr. Gore serves as the committee chairman; is the designated "audit committee financial expert" (as defined in Item 401(e) of Regulation S-B); and is "independent" (as used in Item 7(d)(3)(iv) of Schedule 14A promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934). The audit committee represents the board in discharging its responsibilities relating to the Company's accounting, reporting and financial control practices. The Audit Committee is responsible for the appointment, compensation and oversight of the work of our independent auditors, approving the services performed by our independent auditors, reviewing financial information prior to public disclosure and reviewing and evaluating our accounting principles and systems of internal accounting controls. The committee also meets with the independent auditors, without management present, to discuss the results of the consolidated financial statement audits and reviews, the independent auditors' evaluation of our system of internal accounting controls and the overall quality of the Company's financial reporting.

**Compensation Committee.** Messrs. Chancellor, Compton and Schweigert are the current members of the Compensation Committee of the Board of Directors. Mr. Chancellor serves as the committee chairman. The Compensation Committee oversees the Company's overall compensation plan and approves the compensation for all executive officers.

**Nominating Committee.** Messrs. Chancellor, Compton and Fenstermaker are the current members of the Nominating Committee of the Board of Directors. Mr. Compton serves as the committee chairman. The Nominating Committee is responsible for nominating candidates for election, or appointment, as appropriate, to the Company's Board of Directors when vacancies exist.

**Significant Employees.** The Company has no significant employees who are not listed above.

**Family Relationships.** There are no family relationships among any of the directors or executive officers of the Company, or persons nominated or chosen to become such.

**Involvement in Certain Legal Proceedings.** Within the past five years, no director, person nominated to become a director, executive officer, promoter or control person of the Company has been involved in the types of legal proceedings described in Item 401(d) of Regulation S-B (17 CFR §228.401).

## ITEM 6. EXECUTIVE COMPENSATION

The following table presents the compensation of our Chief Executive Officer and our other executive officers for the last three years.

| Name and Principal Positions  | Year | Annual Compensation |            |                                | Long-Term Compensation       |
|---|------|---------------------|------------|--------------------------------|------------------------------|
|   |      | Salary (\$)         | Bonus (\$) | Other Annual Compensation (\$) | Restricted Stock Awards (\$) |
| Jerald L. Fenstermaker<br>President and Chief Executive<br>Officer          | 2004 | \$170,833           | \$35,000   | —                              | (1)                          |
|   | 2003 | \$165,000           | \$35,000   | —                              | (1)                          |
|   | 2002 | \$366,625           | —          | —                              | —                            |
| Daniel F. Graham<br>Executive Vice President and<br>Chief Financial Officer | 2004 | \$137,500           | \$15,000   | —                              | (1)                          |
|   | 2003 | \$125,000           | \$19,200   | —                              | (1)                          |
|   | 2002 | \$94,584            | —          | —                              | —                            |
| James K. Browne<br>President and Chief Operating<br>Officer of TCG          | 2004 | \$109,346           | \$16,601   | \$10,435                       | (1)                          |
|   | 2003 | \$95,670            | \$10,605   | \$9,103                        | (1)                          |
|   | 2002 | \$83,991            | \$14,662   | \$7,796                        | —                            |

(1) See “Stock Grants” below.

**Stock Grants.** The Plan of Reorganization provided for the grant of shares of the Company’s common stock to certain members of management in an amount equal to 10% of the total shares of common stock issued pursuant to the Plan of Reorganization. On March 3, 2003 the Company’s Board of Directors granted shares of common stock to certain members of management (“Management Shareholders”) as follows:

| Management Member      | Number of Shares |
|------------------------|------------------|
| Jerald L. Fenstermaker | 700,000          |
| Daniel F. Graham       | 200,000          |
| James K. Browne        | 70,000           |

The shares were issued subject to forfeiture provisions that required that any of the above Management Shareholders who voluntarily resign, terminate employment, or are terminated for good cause, surrender his or her shares to the Company, with no consideration to be paid for such forfeiture as follows:

| Resignation / Termination |                    | % of Shares |
|---------------------------|--------------------|-------------|
| On or After               | And Prior To       | Forfeited   |
| March 3, 2003             | September 14, 2003 | 100%        |
| September 14, 2003        | September 14, 2004 | 75%         |
| September 14, 2004        | September 14, 2005 | 50%         |
| September 14, 2005        | September 14, 2006 | 25%         |
| September 14, 2006        | N/A                | 0%          |

The terms of the stock grant allow management, upon resignation, voluntary or involuntary, to sell any shares then vested (according to the schedule above) to the Company for 90% of the then current fair market value of the shares. The stock grant further stipulates that upon the death or disability of a Management Shareholder, all shares owned by such shareholder shall be deemed immediately vested and that all such shares can be sold to the Company for 100% of the then current fair market value of the shares. The Management Shareholders have the following additional rights with respect to the shares issued pursuant to the stock grant:

- In the event the Company issues additional common shares in exchange for any valuable consideration, each Management Shareholder shall receive, as a bonus, the number of shares of common stock he would have received if he had the preemptive right to subscribe for and receive such shares.
- In the event that any preferred shares are converted into common shares, then each Management Shareholder shall receive, as a bonus, a number of common shares necessary to maintain the same voting percentage of the common stock as such person possessed prior to the conversion.

No compensation cost was recognized in connection with this restricted stock grant because the fair value of these common shares was determined to be nominal at the date of grant. The value of these common shares continues to be nominal at the present time.

Approximately 30,000 shares remain to be granted under the terms of this stock grant. The Board of Directors may grant these shares to members of management during 2005.

**Director Compensation.** Each director who is not an employee of the Company is eligible to receive a fee of \$1,000 per regularly scheduled Board of Directors meeting attended. No compensation is paid for attending committee meetings. All directors are entitled to reimbursement of reasonable fees and expenses incurred in connection with attendance at Board and committee meetings. No stock or stock options are provided as compensation to directors. Mr. Schweigert has elected not to receive the \$1,000 meeting attendance fee.

**Employment Agreements.** Mr. Fenstermaker is employed as the Company's President under the terms of an employment agreement (the "Agreement") effective from September 15, 2004 through September 14, 2006. The Agreement calls for Mr. Fenstermaker to be paid an annual base salary of \$185,000, and a yearly bonus of \$65,000 payable quarterly upon attainment of certain operating income targets. The Agreement can be terminated with 30 days' written notice by either party. If the Company terminates the Agreement for reasons other than cause, the Company is required to provide severance pay to Mr. Fenstermaker through September 14, 2006 consisting of \$3,000 per month and all fringe benefits provided to similarly situated employees of the Company. None of the Company's other executive officers are subject to employment agreements.

## ITEM 7. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

We paid \$28,966 and \$149,802 to Biltmore Associates during 2004 and 2003, respectively, for bankruptcy trustee services rendered. Mr. Schweigert is the Owner and President of Biltmore Associates. All fees paid to Biltmore Associates were reviewed and approved by the United States Bankruptcy Court for the District of Arizona.

## ITEM 8. DESCRIPTION OF SECURITIES

### Common Stock.

The Company is authorized to issue 36,000,000 shares of common stock, par value \$0.0001, of which 9,965,759 shares are issued and outstanding, and 8,994,357 shares are reserved for the conversion of preferred stock into common stock. An additional 30,000 shares are reserved for issuance to certain officers and directors. All outstanding shares of common stock are fully paid and non-assessable.

*Dividend Rights:* The holders of common stock are not entitled to receive any dividends as long as any preferred stock remains outstanding. When all shares of preferred stock have been either redeemed or converted, then common stockholders are entitled to dividends when and as declared by the Board of Directors.

*Voting Rights:* The holders of common stock vote together as a class with the holders of preferred stock on all matters upon which the common stock is entitled to vote. Each share of common stock is entitled to one vote.

Pursuant to the Company's bylaws, at all meetings of stockholders, the presence in person or by proxy of a majority of the outstanding shares constitutes a quorum for the transaction of business, except as otherwise provided by law, the Certificate of Incorporation or the bylaws. When a quorum is present at any meeting of the stockholders, the affirmative vote of a majority of the shares present, in person or by proxy, at the meeting and entitled to vote on the subject matter will decide any questions brought before such meeting, unless the question is one upon which, by express provision of law, the Certificate of Incorporation or the bylaws, a different vote is required.

In addition to voting at duly called meetings at which a quorum is present in person or by proxy, Delaware law and the Company's bylaws provide that stockholders may take action without the holding of a meeting by written consent or consents signed by the holders of not less than the minimum number of shares that would be necessary to take such action at a meeting at which the holders of all shares entitled to vote on the action were present and voted. Prompt notice of the taking of any action without a meeting by less than unanimous consent of the stockholders will be given to those stockholders who do not consent in writing to the action.

*Preemption Rights:* The holders of common stock do not have any preemption rights.

**Preferred Stock / Preferred Stock Trust and Trust Certificates.**

The Company is authorized to issue 8,994,357 shares of convertible preferred stock, par value \$0.0001, all of which are issued and outstanding - all currently held by the Freedom Financial Group I Statutory Trust (the "Preferred Stock Trust").

*Preferred Stock Trust.* The Preferred Stock Trust is a Delaware Statutory Trust that was created in accordance with the bankruptcy Trustee's Plan of Reorganization for the Company's predecessor, SFG. The beneficiaries of the Preferred Stock Trust are those former creditors of SFG who elected to participate in the Plan of Reorganization (the "Participating Creditors"). The Preferred Stock Trust holds, for the benefit of the Participating Creditors, all preferred stock issued by the Company, and serves as a vehicle by which the Company can, over time, pay the Participating Creditors an amount, defined in the Plan of Reorganization as the "Preferred Stock Redemption Value" or "Net Investment Amount" (an amount representing the Participating Creditors' adjusted claims against the bankruptcy estate - approximately \$53,800,000) by periodically redeeming shares of preferred stock in exchange for funds which can be distributed proportionately to the Participating Creditors. The Company's Certificate of Incorporation dictates the terms by which shares of preferred stock can be redeemed (see below under the heading "Redemption").

Each Participating Creditor was issued a "Trust Certificate" representing a number of shares of the Preferred Stock Trust ("Trust Shares"). The total number of outstanding Trust Shares is equal to the number of shares of preferred stock held by the Preferred Stock Trust (8,994,357). Trust Shares are transferable, subject to certain restrictions set forth in the Amended and Restated Trust Agreement ("Trust Agreement"), which contains the terms of the Preferred Stock Trust.

The Trust Agreement establishes a "Regular Trustee" (currently Vernon S. Schweigert) to generally administer the trust. The Regular Trustee serves at the pleasure of, and under the direction of, a "Trust Supervision Committee," which is comprised of three members (currently, Vernon S. Schweigert, Jerald L. Fenstermaker, and Gary G. Lipscomb) selected by the Board of Directors of the Company. The Trust Supervision Committee has the power to direct the Regular Trustee in all actions related to the administration and management of the Preferred Stock Trust.

The preferred stock has the following rights, privileges and preferences:

*Voting Rights:* The holders of preferred stock are entitled to one vote per share, and vote together as a class with the holders of common stock upon all such matters as the common stock is entitled to vote. The Regular Trustee, at the direction of the Trust Supervision Committee, votes 100% of the shares of preferred stock.

*Dividends:* The holders of preferred stock are not entitled to receive dividends.

*Conversion Rights:* Each share of preferred stock is convertible, at \$.01 per share, into one share of fully paid and nonassessable common stock (subject to appropriate adjustments for stock splits, stock dividends, or other recapitalizations) at any time at the option of the holder.

In addition, each share of preferred stock shall automatically be converted into one share of common stock immediately upon the earlier of the following:

1. the sale of the Company's common stock in a public offering pursuant to a registration statement on Form S-1 or Form SB-2 under the Securities Act of 1933, with aggregate proceeds to the Company and/or any selling stockholders (after deduction for expenses related to the issuance) of at least \$54,000,000;
2. the written consent of the holders of at least 70% of the outstanding shares of preferred stock voting together as a separate class<sup>1</sup>; or
3. if a majority of the preferred stock waives its right to a liquidation preference (described below), then upon the consolidation or merger of the Company into or with any other entity or entities which results in the exchange of 50% or more of the outstanding shares of voting capital stock of the Company for securities or other consideration issued or paid or caused to be issued or paid by any such entity or affiliate thereof, or the sale or transfer by the Company of all or substantially all of its assets.

The Company is required at all times to reserve and keep available from its authorized but unissued shares of common stock a sufficient number of shares to enable the conversion of all outstanding shares of preferred stock.

*Liquidation Preference:* In the event of a "Liquidation Event" (defined below), the holders of preferred stock are entitled to receive, prior and in preference to any distribution of any assets of the Company to the holders of common stock, the lesser of (i) an aggregate amount equal to the "Preferred Stock Redemption Value" (approximately \$53,800,000) less the aggregate of any redemption payments previously made by the Company to the preferred stockholders, or (ii) all of the assets and funds of the Company that are legally available for distribution. The remaining assets, if any, shall be distributed proportionately among the holders of common stock.

<sup>1</sup>So long as the Freedom Financial Group I Statutory Trust continues in existence, the Regular Trustee, under the direction of the Trust Supervision Committee, effectively votes 100% of the preferred stock and is not required to seek direction from the trust's beneficiaries (i.e., the holders of Trust Certificates).

A “Liquidation Event” is defined in the Certificate of Incorporation as (i) any liquidation, dissolution or winding up of the Company; or (ii) the consolidation or merger of the Company into or with any other entity or entities which results in the exchange of shares representing 50% or more of the outstanding shares of voting capital stock of the Company for securities or other consideration issued or paid by such entity or entities; or (iii) the sale or transfer by the Company of all or substantially all of its assets.

*Redemption:* The preferred stock is subject at all times to redemption, or a call, by the Company. In such event, the Company is required to use its best efforts (to the extent it may lawfully do so and to the extent funds are available) to pay to the preferred stockholders, an amount defined in the Company’s Certificate of Incorporation as the “Preferred Stock Redemption Value” in cash in 28 quarterly installments. Once the Preferred Stock Redemption Value has been paid in full, all shares of preferred stock shall be deemed cancelled.

### **Change in Control Provisions.**

Section 4.4(E) of the Certificate of Incorporation states that as long as at least 30% of the total number of shares of preferred stock that have ever been issued remain outstanding, the Company shall not without first obtaining the approval of the holders of a majority of the then outstanding shares of preferred stock, voting together as a separate class:

1. voluntarily dissolve, liquidate or declare bankruptcy;
2. amend the Certificate of Incorporation or bylaws; or
3. sell, convey, or otherwise dispose of all or substantially all of its property or business, or merge into or consolidate with any other corporation (other than a wholly-owned subsidiary corporation), or effect any transaction or series of related transactions in which more than fifty percent (50%) of the voting power of the Company is transferred or disposed.

## **PART II.**

### **ITEM 1. MARKET PRICE AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS**

#### **(a) Market Information**

(1) There currently is no public trading market for the Company’s common stock, and the Company currently is not making any, and has not proposed to make any, public offerings of stock.

(2) Other than certain rights of Management Shareholders with respect to shares of common stock granted to them (see the discussion of “Stock Grants” in Part I, Item 5), there are no outstanding options or warrants to purchase the Company’s common stock. There are 8,994,357 outstanding shares of preferred stock that are convertible into an equal number of shares of common stock. As of the date of this Registration Statement, the Company has 9,965,759 shares of common stock outstanding, of which 8,995,759 may be sold by non-affiliates pursuant to Rule 144(k) of the Securities Act of 1933. In addition, subject to the applicable “current public information” and “manner of sale” requirements of Rule 144, persons deemed to be “affiliates” under Rule 144, are each permitted to sell an amount not to exceed the greater of:

- (i) one percent of the shares or other units of the class outstanding as shown by the most recent report or statement published by the Company, or
- (ii) the average weekly reported volume of trading in such securities on all national securities exchanges and/or reported through the automated quotation system of a registered securities association during the four calendar weeks preceding the filing of the Form 144 notice required by Rule 144, or if no such notice is required the date of receipt of the order to execute the transaction by the broker or the date of execution of the transaction directly with a market maker, or
- (iii) the average weekly volume of trading in such securities reported through the consolidated transaction reporting system contemplated by Rule 11Aa3-1 under the Securities Exchange Act of 1934 during the four-week period specified in paragraph (ii) above.

(b) Holders. As of the date of this Registration, there were approximately 2,800 holders of the Company's common stock.

(c) Dividends.

(1) The Company has not declared any dividends for the last two fiscal years.

(2) Pursuant to the Company's Certificate of Incorporation, so long as any preferred stock is outstanding, no dividend or distribution may be declared or paid on any shares of common stock.

(d) Except for the stock grants to Management Shareholders referenced above, no securities are authorized for issuance under any equity compensation plans.

## **ITEM 2. LEGAL PROCEEDINGS**

The Company is not a party to any material legal proceeding, nor is the Company's property the subject of any material legal proceeding.

## **ITEM 3. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS**

We have had no disagreements with nor change in our independent accountant during the last two fiscal years.

## **ITEM 4. RECENT SALES OF UNREGISTERED SECURITIES**

Other than those securities issued pursuant to the confirmed Plan of Reorganization, and common stock issued to certain members of management as described under Part I, Item 6, we have not sold any securities since the Company's emergence from bankruptcy on January 1, 2003.

## **ITEM 5. INDEMNIFICATION OF DIRECTORS AND OFFICERS**

The Delaware General Corporate Law provides, in part, that a corporation may indemnify a director, officer or other person who was, is or is threatened to be made a party to a proceeding because such person is or was a director, officer, employee or agent of the corporation, or any other enterprise if he is or was serving such enterprise at the request of the corporation. A corporation may indemnify such person against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with a proceeding, if such person acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, if he had no reasonable cause to believe his conduct was unlawful. If the person is found liable to the corporation, no indemnification shall be made unless and only to the extent that the court determines that such person is fairly and reasonably entitled to indemnity for expenses as the court deems proper. Delaware law also provides for mandatory indemnification by a corporation, including indemnification for expenses (including attorneys' fees) actually and reasonably incurred by a director or officer of the corporation, in the event that such person is successful on the merits or in defense of a proceeding or matter.

The Company's Certificate of Incorporation and bylaws provide that the Company will indemnify, to the fullest extent authorized by the Delaware General Corporate Law, any person made or threatened to be made a party to an action, suit or proceeding, whether civil, criminal, administrative, or investigative, by reason of the fact that he is or was a director or officer of the Company or served any other enterprise as a director, officer, employee or agent at the request of the Company.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers or persons controlling the Company, pursuant to the foregoing provisions, the Company has been advised that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in that Act and is, therefore, unenforceable.

**PART F/S**

**Freedom Financial Group, Inc.  
Consolidated Financial Statements  
December 31, 2004 and 2003**

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## Report of Independent Registered Public Accounting Firm

Audit Committee, Board of Directors and Stockholders  
Freedom Financial Group, Inc.  
Springfield, Missouri

We have audited the accompanying consolidated balance sheets of Freedom Financial Group, Inc. as of December 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Freedom Financial Group, Inc. as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**/s/ BKD, LLP**

April 21, 2005

**Freedom Financial Group, Inc.**  
**Consolidated Balance Sheets**  
**December 31, 2004 and 2003**

**Assets**

|   | <u>2004</u>                | <u>2003</u>                |
|---|----------------------------|----------------------------|
| Cash and cash equivalents   | \$8,779,211                | \$4,280,766                |
| Finance receivables, net  | 4,090,708                  | 2,015,439                  |
| Notes receivable, net   | 77,398                     | 215,265                    |
| Assets receivable under pending claims  | —                          | 6,000,000                  |
| Property and equipment, net   | 294,305                    | 271,562                    |
| Other assets  | 69,303                     | 38,973                     |
| <b>Total assets</b>   | <b><u>\$13,310,925</u></b> | <b><u>\$12,822,005</u></b> |
| <b>Liabilities and Stockholders' Equity</b>   |                            |                            |
| <b>Liabilities</b>  |                            |                            |
| Accounts payable  | \$218,954                  | \$33,188                   |
| Accrued expenses  | 18,091                     | 38,883                     |
| Dealer holdbacks  | 90,578                     | 56,160                     |
| Accrued compensation costs  | 62,507                     | 50,768                     |
| Dealer reserves   | 44,119                     | 25,414                     |
| Reorganization costs payable  | 5,000                      | 15,000                     |
|   | <u>439,249</u>             | <u>219,413</u>             |
| <b>Stockholders' Equity</b>   |                            |                            |
| Redeemable convertible preferred stock, \$0.0001 par value; 8,994,357 and 8,997,368 shares authorized, issued and outstanding at December 31, 2004 and 2003, respectively | 13,798,817                 | 13,798,817                 |
| Common stock, \$0.0001 par value; 19,000,000 shares authorized; 9,965,759 and 9,967,485 shares issued and outstanding at December 31, 2004 and 2003, respectively         | 997                        | 997                        |
| Retained earnings (deficit)   | (1,731,382 )               | (1,747,658 )               |
| Accumulated other comprehensive income  | 803,244                    | 550,436                    |
| <b>Total stockholders' equity</b>   | <b><u>12,871,676</u></b>   | <b><u>12,602,592</u></b>   |
| <b>Total liabilities and stockholders' equity</b>   | <b><u>\$13,310,925</u></b> | <b><u>\$12,822,005</u></b> |

*See Notes to Consolidated Financial Statements*

**Freedom Financial Group, Inc.**  
**Consolidated Statements of Operations**  
**Years Ended December 31, 2004 and 2003**

|   | <u>2004</u>         | <u>2003</u>           |
|---|---------------------|-----------------------|
| <b>Revenues</b>   |                     |                       |
| Interest income   | \$1,141,690         | \$573,514             |
| Recovery of charged-off finance receivables   | 156,481             | 222,003               |
| Other income  | 99,318              | 143,212               |
| <b>Total revenues</b>   | <u>1,397,489</u>    | <u>938,729</u>        |
| <b>Provision for Credit Losses</b>  | <u>187,030</u>      | <u>215,728</u>        |
| <b>Net Revenues After Provision for Credit Losses</b>   | 1,210,459           | 723,001               |
| <b>Operating Expenses</b>   | <u>2,211,178</u>    | <u>2,001,038</u>      |
| <b>Operating Loss</b>   | <u>(1,000,719 )</u> | <u>(1,278,037 )</u>   |
| <b>Nonoperating Income (Expense)</b>  |                     |                       |
| Gain on settlement of pending claims  | 955,973             | 12,500                |
| Gain on settlement of note receivable   | 61,022              | —                     |
| Gain on sale of real estate   | —                   | 56,455                |
| Impairment of reorganization value recorded in excess of amounts attributable to identifiable assets (goodwill) | —                   | (538,576 )            |
| <b>Total nonoperating income (expense)</b>  | <u>1,016,995</u>    | <u>(469,621 )</u>     |
| <b>Income (Loss) Before Income Taxes</b>  | 16,276              | (1,747,658 )          |
| <b>Provision for Income Taxes</b>   | <u>—</u>            | <u>—</u>              |
| <b>Net Income (Loss)</b>  | <u>\$16,276</u>     | <u>\$(1,747,658 )</u> |
| <b>Basic Income (Loss) Per Share</b>  | <u>\$0.00</u>       | <u>\$(0.18 )</u>      |
| <b>Diluted Income (Loss) Per Share</b>  | <u>\$0.00</u>       | <u>\$(0.18 )</u>      |

See Notes to Consolidated Financial Statements

**Freedom Financial Group, Inc.**  
**Consolidated Statements of Stockholders' Equity**  
**Years Ended December 31, 2004 and 2003**

|   | Redeemable<br>Convertible<br>Preferred<br>Stock | Common Stock<br>Shares | Common Stock<br>Amount | Retained<br>Earnings  | Accumulated<br>Other<br>Comprehensive<br>Income | Total                |
|---|---|------------------------|------------------------|-----------------------|---|----------------------|
| <b>Balance, January 1, 2003</b>         | \$ 13,799,003                                   | 9,967,953              | \$ 997                 | \$—                   | \$—   | <u>\$ 13,800,000</u> |
| Net loss                                | —   | —                      | —                      | (1,747,658 )          | —   | (1,747,658 )         |
| Foreign currency translation adjustment | —   | —                      | —                      | —                     | 550,436   | <u>550,436</u>       |
| Comprehensive loss                      | —   | —                      | —                      | —                     | —   | (1,197,222 )         |
| Repurchase of stock issued in error     | (186 )  | (468 )                 | —                      | —                     | —   | (186 )               |
| <b>Balance, December 31, 2003</b>       | 13,798,817                                      | 9,967,485              | 997                    | (1,747,658 )          | 550,436   | <u>12,602,592</u>    |
| Net income                              | —   | —                      | —                      | 16,276                | —   | 16,276               |
| Foreign currency translation adjustment | —   | —                      | —                      | —                     | 252,808   | <u>252,808</u>       |
| Comprehensive income                    | —   | —                      | —                      | —                     | —   | <u>269,084</u>       |
| Cancellation of stock issued in error   | —   | (1,726 )               | —                      | —                     | —   | —                    |
| <b>Balance, December 31, 2004</b>       | <u>\$ 13,798,817</u>                            | <u>9,965,759</u>       | <u>\$ 997</u>          | <u>\$(1,731,382 )</u> | <u>\$ 803,244</u>                               | <u>\$ 12,871,676</u> |

See Notes to Consolidated Financial Statements

**Freedom Financial Group, Inc.**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2004 and 2003**

|   | <u>2004</u>         | <u>2003</u>         |
|---|---------------------|---------------------|
| <b>Operating Activities</b>   |                     |                     |
| Net income (loss)   | \$16,276            | \$(1,747,658 )      |
| Adjustments to reconcile net income (loss) to net cash used in operating activities                             |                     |                     |
| Depreciation  | 59,492              | 45,256              |
| Provision for credit losses   | 187,030             | 215,728             |
| Deferred discount income  | (449,641 )          | (170,784 )          |
| Recovery of charged-off finance receivables   | 134,470             | 44,237              |
| Gain on sale of property and equipment  | —                   | (56,455 )           |
| Gain on settlement of pending claims  | (955,973 )          | (12,500 )           |
| Gain on settlement of note receivable   | (61,022 )           | —                   |
| Impairment of reorganization value recorded in excess of amounts attributable to identifiable assets (goodwill) | —                   | 538,576             |
| Changes in  |                     |                     |
| Other assets  | (31,113 )           | 4,984               |
| Accounts payable and accrued expenses   | 191,538             | (2,553 )            |
| Reorganization costs payable  | (10,000 )           | 15,000              |
| Net cash used in operating activities   | <u>(918,943 )</u>   | <u>(1,126,169 )</u> |
| <b>Investing Activities</b>   |                     |                     |
| Purchase of finance receivables   | (4,971,242 )        | (2,573,050 )        |
| Principal collected on finance receivables  | 3,397,540           | 2,417,902           |
| Payments of dealer reserves   | (19,132 )           | (12,687 )           |
| Payments of dealer holdbacks  | (138,604 )          | (45,709 )           |
| Principal collected on notes receivable   | 198,891             | 514,429             |
| Principal collected on contracts held for sale  | —                   | 213,027             |
| Purchase of property and equipment  | (64,973 )           | (223,951 )          |
| Investment in real estate held for sale   | —                   | (6,820 )            |
| Payment of assumed reorganization costs   | —                   | (655,078 )          |
| Proceeds from sale of real estate held for sale   | —                   | 233,882             |
| Net cash used in investing activities   | <u>(1,597,520 )</u> | <u>(138,055 )</u>   |
| <b>Financing Activities</b>   |                     |                     |
| Collection of cash settlements receivable   | —                   | 2,273,296           |
| Settlement proceeds from pending claims   | 6,955,973           | 462,500             |
| Redemption of preferred stock   | —                   | (187 )              |
| Net cash provided by financing activities   | <u>6,955,973</u>    | <u>2,735,609</u>    |
| <b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>   | <u>58,935</u>       | <u>237,083</u>      |
| <b>Net Increase in Cash and Cash Equivalents</b>  | <u>4,498,445</u>    | <u>1,708,468</u>    |
| <b>Cash and Cash Equivalents, Beginning of Year</b>   | <u>4,280,766</u>    | <u>2,572,298</u>    |

*See Notes to Consolidated Financial Statements*

**Freedom Financial Group, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2004 and 2003**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

***Basis of Presentation***

The consolidated financial statements include the accounts of Freedom Financial Group, Inc. (FFG), successor by merger to Stevens Financial Group, Inc. (SFG) and SFG's wholly owned subsidiaries, SFC Funding Corporation (SFC) and SFC Automobile Receivables Trust 2000A (SFC Trust) and FFG's wholly owned Canadian subsidiary, T.C.G. - The Credit Group Inc. (TCG), formerly Sinclair Credit Group Co., all of which collectively comprise a single reporting segment, the "Company." All significant intercompany transactions have been eliminated in consolidation.

On March 19, 2001, Stevens Financial Group, Inc. filed a petition in the United States Bankruptcy Court for the District of Arizona (the "Bankruptcy Court") for relief under Chapter 11 of Title 11 of the United States Code (the "Code"). SFG's Amended Plan of Reorganization dated October 30, 2001, (the "Plan" or "Plan of Reorganization"), was confirmed by order of the Bankruptcy Court on March 14, 2002 (see *Note 2, Reorganization Under Chapter 11*).

In accordance with the American Institute of Certified Public Accountants' Statement of Position 90-7, *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code* (SOP 90-7), the Company adopted fresh start reporting as of January 1, 2003, the effective date of the Plan of Reorganization (see *Note 3, Fresh Start Reporting*).

***Nature of Operations***

SFG was a consumer finance company. SFG and its subsidiaries purchased consumer finance receivables, typically at a discount and secured by automobiles or consumer goods, from a network of dealers in approximately 16 states. SFG ceased purchasing finance receivables concurrent with SFG's bankruptcy filing on March 19, 2001. From March 19, 2001, through December 31, 2002, (the "Reorganization Period"), SFG focused its efforts on servicing its existing portfolio of finance receivables and preparing to commence operating activities after its emergence from bankruptcy.

FFG is a consumer finance company. Since its emergence from Chapter 11 on January 1, 2003, FFG has been positioning itself to reenter the business of purchasing and servicing consumer finance receivables. FFG re-entered the business in October 2003. Since that time, FFG has been buying automobile-secured finance receivables originated by others. FFG purchases individual finance receivables through a point of sale program with a network of car dealers principally in Missouri, Kansas and Illinois. FFG also purchases groups of finance receivables in bulk transactions consisting of between 10 and 50 loans per group. FFG intends to hold these receivables for a period of time sufficient to establish their payment history and, if circumstances warrant, package and sell groups of these receivables without recourse to third parties and without retaining the servicing rights thereon. As of December 31, 2004, FFG has not identified any receivables that it intends to sell.

TCG is a Winnipeg, Manitoba, based consumer finance company. TCG purchases consumer finance receivables, typically at a discount, from a network of dealers in five Canadian provinces. TCG continued operating and purchasing finance receivables throughout the Reorganization Period. TCG accounts for approximately 29% and 47% of consolidated total assets as of December 31, 2004 and 2003, respectively.

**Freedom Financial Group, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2004 and 2003**

The makers of the finance receivables purchased by the Company typically have limited or no access to traditional sources of consumer credit due to past negative credit history, limited or unstable employment history, the inability to make sufficient down payments or other negative factors typically evaluated in the credit granting process. As a result, finance receivables acquired by the Company are generally considered to have a higher risk of default and loss than those typically held in the portfolios of commercial banks, credit unions and similar institutions.

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

A material estimate that is particularly susceptible to significant change relates to the determination of the allowance for credit losses.

***Cash Equivalents***

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. Cash equivalents consist of overnight repurchase agreements, certificates of deposit, Eurodollar time deposits and commercial paper. The Company's cash and cash equivalents not covered by federal deposit insurance totaled approximately \$8,479,500 and \$3,961,600 as of December 31, 2004 and 2003, respectively.

***Finance Receivables***

Finance receivables are reported at their outstanding principal balances adjusted for unamortized purchase discounts and an allowance for credit losses. Discounts on purchased finance receivables are recognized as income over the respective contractual terms using methods that approximate the interest method.

The Company accrues interest on all loans until they become more than 90 days contractually past due, at which time all accrued interest is reversed.

FFG owns a portfolio of delinquent finance receivables which the Company purchased prior to March 19, 2001, and all of which were charged off prior to January 1, 2003. The Company sold the majority of this portfolio in June 2004 realizing net proceeds of approximately \$20,000. The Company continues to pursue collection of the remainder of this portfolio and recognizes all amounts recovered as income when received. Collections of \$156,481 and \$222,003 were made on these receivables during the years ended December 31, 2004 and 2003, respectively.

**Freedom Financial Group, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2004 and 2003**

***Allowance for Credit Losses***

The Company maintains an allowance for credit losses at an amount it believes is adequate to absorb reasonably estimable probable losses in its portfolio of finance receivables. The Company's management evaluates the allowance for credit losses on a regular basis. This evaluation considers the Company's historical experience, the nature and volume of the portfolio, adverse situations that may affect the ability to collect payments when due, the estimated value of underlying collateral, if any, and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance is increased through provisions for credit losses charged against earnings.

Finance receivables are charged to the allowance for credit losses when they become more than 120 days contractually past due. With the exception of recoveries of FFG receivables charged off prior to January 1, 2003, subsequent recoveries of finance receivables previously charged against the allowance for credit losses are credited back to the allowance for credit losses when received.

Because the Company's portfolio of finance receivables is primarily comprised of homogenous accounts with relatively small balances, management does not separately identify finance receivables for impairment. Management evaluates the portfolio in its entirety for impairment.

***Property and Equipment***

On January 1, 2003, all of the Company's depreciable assets were restated to their respective estimated fair values. Property and equipment acquired after January 1, 2003, are recorded at historical cost. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets. Estimated useful lives are 2 to 8 years for computers, office equipment and software, 3 to 8 years for furniture and fixtures and 25 years for the Canadian office building.

***Reorganization Value in Excess of Amounts Attributable to Identifiable Assets (Goodwill)***

Reorganization value in excess of amounts attributable to identifiable assets (goodwill) is tested annually for impairment. If the implied fair value is lower than its carrying amount, an impairment is indicated and goodwill is written down to its implied fair value. Subsequent increases in goodwill value are not recognized in the financial statements.

***Income Taxes***

Deferred tax assets and liabilities are recognized for the tax effects of differences between the financial statement and tax bases of assets and liabilities. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that a deferred tax asset will not be realized.

**Freedom Financial Group, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2004 and 2003**

***Earnings Per Share***

Earnings per share have been computed based upon the weighted average common shares outstanding during the year. Diluted earnings per share is computed using the weighted average common shares and all potentially dilutive common shares outstanding during the year.

***Reclassifications***

Certain reclassifications have been made to the December 31, 2003, financial statements to conform to the December 31, 2004, financial statement presentation. These reclassifications had no effect on net earnings.

**Note 2:        **Reorganization Under Chapter 11****

The Company's predecessor (the "Debtor") commenced operations as a consumer finance company in August 1993 as First Financial Credit Corp., a Missouri corporation, headquartered in Springfield, Missouri. During 1995 Damian and Susan Sinclair became the sole owners of First Financial Credit Corp. and changed its name to Sinclair Financial Group, Inc. In October 1999 Clarence Stevens became the sole owner of the Company and shortly thereafter changed the name to Stevens Financial Group, Inc.

The Debtor's primary source of capital was the issuance of debt obligations known as fixed rate investment certificates (the "FRI Certificates") to individual investors. The FRI Certificates bore interest at rates ranging from 7.5% to 13.95%.

The Debtor invested the capital acquired through the issuance of the FRI Certificates in subprime consumer finance receivables, primarily collateralized by automobiles, vacuums or other consumer goods and typically acquired at a discount from various third-party dealers.

On March 19, 2001, the management of Stevens Financial Group, Inc., after determining that SFG could no longer satisfy its obligations (primarily the repayment of FRI Certificates) as they became due, filed a petition (the "Filing") in the United States Bankruptcy Court for the District of Arizona for relief under Chapter 11 of Title 11 of the United States Code. At the time of the Filing, SFG controlled three wholly owned subsidiaries: SFC Funding Corporation (SFC), SFC Automobile Receivables Trust 2000A (SFC Trust) and Sinclair Credit Group Co. (SCG). The operations of SFG, SFC and SFC Trust were indefinitely suspended concurrent with the Filing. The operations of SCG were not significantly affected.

On May 15, 2001, Mr. Vern Schweigert (the "Trustee") was appointed Trustee of the estate created by the Filing. Shortly after his appointment, Mr. Schweigert removed the Company's then-existing management and employed Mr. Jerry Fenstermaker to act as the Company's President and Chief Executive Officer during the Reorganization Period.

The Trustee filed a Plan of Reorganization with the Bankruptcy Court on August 31, 2001, that was subsequently amended on October 30, 2001.

**Freedom Financial Group, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2004 and 2003**

The Plan provided for the formation of a Delaware corporation, Freedom Financial Group, Inc., the subsequent merger of the Debtor into FFG and the assumption of the assets and liabilities of SFC and SFC Trust by FFG.

The Plan also provided for the continuation of the Debtor's U.S. consumer loan business and the formation of a joint venture, to be called Venture Funding Resources, Inc. (VFR), between FFG and Innovative Financial Resources, Inc. (a Springfield, Missouri, based consumer finance company) for the purpose of carrying out this business (see *Note 5, Termination of Joint Venture and Loan Servicing Agreements*). The Plan envisioned FFG's initial contribution to the joint venture would be funded in part by approximately \$6.0 million of the approximately \$8.0 million the Debtor anticipated receiving in the settlement of claims it asserted against certain of the parties (Potential Defendants) to the bankruptcy. The Potential Defendants included former owners and officers of the Debtor, companies related to the Debtor through common ownership, companies owned by a former officer of the Debtor and other companies and professional firms with which the Debtor conducted business.

The Plan allowed for the Debtor's creditors to choose one of two options: 1) exchange their debt for shares of preferred and common stock in the reorganized company (Participating Creditors) or 2) settle their debt for approximately \$0.04588 per dollar (Non-Participants). The Plan further stipulated that all prior ownership interests in the Debtor would be cancelled. The Company's creditors voted overwhelmingly to approve the Plan and on March 14, 2002, the Trustee's Amended Plan of Reorganization dated October 30, 2001, was confirmed by order of the Bankruptcy Court.

Approximately 35 of the Debtor's creditors elected to be Non-Participants. The Company made payments totaling \$35,646 to these Non-Participants during April 2003, in full settlement of their claims against the Debtor.

In anticipation of settling a significant portion of the Debtor's claims against the Potential Defendants, the Trustee, with the concurrence of the Company's management, petitioned the Bankruptcy Court for and was granted the Debtor's release from Chapter 11 effective January 1, 2003. Under the terms of certain agreements (the "Settlement Agreements") with certain of the Potential Defendants, assets totaling \$3,380,018 were transferred to the Company during 2003. The Settlement Agreements called for the transfer of these assets to the Company and the concurrent release of the Debtor's claims against those Potential Defendants.

Shortly prior to January 1, 2003, the Debtor was merged into FFG and on January 1, 2003, FFG issued 8,997,869 shares of redeemable convertible preferred stock to the Freedom Financial Group I Statutory Trust for the benefit of the Debtor's participating creditors, 8,997,953 shares of common stock to the Debtor's participating creditors and 970,000 shares of common stock to FFG's new management group. A portion of the shares held by management must be returned to the Company without any payment for the returned shares in the event of a manager's voluntary termination of employment prior to September 15, 2005. Concurrent with the issuance of stock FFG assumed the remaining assets and liabilities of SFC and SFC Trust. No dividends can be paid on shares of common stock until such time as all redeemable convertible preferred stock is fully paid or converted to common stock. The full amount of repayment is approximately \$54,000,000. Holders of both common and preferred stock are allowed one vote for each share owned. No compensation cost was recognized for the restricted common stock granted to management as its fair value was determined to be immaterial at the grant date.

**Freedom Financial Group, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2004 and 2003**

The Company received assets, net of related contingent legal fees, totaling \$10,798,491 from the settlement of various bankruptcy claims, including its claims against Wolf Haldenstein Adler Freeman & Herz LLP and FFTC/BancInsure (see *Note 8, Assets Receivable Under Pending Claims*). The Company has no other bankruptcy-related claims outstanding at December 31, 2004.

**Note 3: Fresh Start Reporting**

As of January 1, 2003, the Company adopted fresh start reporting in accordance with SOP 90-7. Fresh start reporting assumes that a new reporting entity has been created and requires assets and liabilities be reported at their fair values as of the effective date.

The reorganization value, as that term is defined in SOP 90-7, of \$13,800,000 was based on many factors, assumptions, significant estimates and valuation methods, including estimating the present value of future cash flows discounted at appropriate risk-adjusted market rates, professional appraisals of real property, analysis performed by an independent Certified Valuation Analyst and other valuation techniques the Company believes are appropriate.

The following table presents the adjustments made to adopt fresh start reporting.

|   | Predecessor<br>Company | Fresh Start Adjustments |            | Reorganized<br>Company |
|---|------------------------|-------------------------|------------|------------------------|
|   | January 1,<br>2003     | Debit                   | Credit     | January 1,<br>2003     |
| <b>Assets</b>   |                        |                         |            |                        |
| Cash and cash equivalents   | \$2,572,298            | \$—                     | \$—        | \$2,572,298            |
| Cash settlements receivable   | —                      | 2,273,295               | (a)        | 2,273,295              |
| Finance receivables, net  | 1,432,282              | —                       | —          | 1,432,282              |
| Notes receivable  | 100,000                | —                       | —          | 100,000                |
| Settlement assets receivable, net   | —                      | 1,106,723               | (a)        | 1,106,723              |
| Furniture, fixtures and equipment   | 67,452                 | 6,269                   | (b)        | 73,721                 |
| Assets receivable under pending claims  | —                      | 6,450,000               | (c)        | 6,450,000              |
| Reorganization value in excess of amounts allocable to identifiable assets (goodwill) | —                      | 538,576                 | (d)        | 538,576                |
| Other assets  | 46,912                 | —                       | —          | 46,912                 |
| <b>Total assets</b>   | <b>\$4,218,944</b>     | <b>\$10,374,863</b>     | <b>\$0</b> | <b>\$14,593,807</b>    |

**Freedom Financial Group, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2004 and 2003**

|   | Predecessor  |              | Fresh Start Adjustments |              | Reorganized |              |
|---|--------------|--------------|-------------------------|--------------|-------------|--------------|
|   | Company      |              |                         | Company      |             |              |
|   | January 1,   |              |                         | January 1,   |             |              |
|   | 2003         | Debit        | Credit                  | 2003         |             |              |
| <b>Liabilities and Stockholders' Equity</b>   |              |              |                         |              |             |              |
| <b>Liabilities</b>                            |              |              |                         |              |             |              |
| Accounts payable and accrued expenses         | \$622,082    | \$519,000    | (f)                     | \$35,646     | (e)         | \$138,728    |
| Accrued reorganization expenses               | 655,079      | —            |                         | —            |             | 655,079      |
| Time certificates payable                     | 65,104,713   | 65,104,713   | (f)                     | —            |             | —            |
| Accrued interest payable on time certificates | 14,262,308   | 14,262,308   | (f)                     | —            |             | —            |
| Total liabilities                             | 80,644,182   | 79,886,021   |                         | 35,646       |             | 793,807      |
| <b>Stockholders' Equity</b>                   |              |              |                         |              |             |              |
| Redeemable convertible preferred stock        | —            | —            |                         | 13,799,003   | (g)         | 13,799,003   |
| Common stock                                  | 5,000,000    | 5,000,000    | (h)                     | 997          | (i)         | 997          |
| Retained deficit                              | (81,425,238) | —            |                         | 81,425,238   | (h)         | —            |
| Total stockholders' equity                    | (76,425,238) | 5,000,000    |                         | 95,225,238   |             | 13,800,000   |
| Total liabilities and stockholders' equity    | \$4,218,944  | \$84,886,021 |                         | \$95,260,884 |             | \$14,593,807 |

- (a) To reflect settlement agreements reached in Chapter 11.
- (b) To adjust carrying amount to fair value.
- (c) To reflect estimated fair value of assets receivable under claims pending as of January 1, 2003.
- (d) To record reorganization value in excess of amounts allocable to identifiable assets (goodwill).
- (e) To reflect liability to Non-Participant creditors.
- (f) To reflect cancellation of liabilities satisfied with issuance of preferred and common stock.
- (g) To record issuance of preferred stock at fair value.
- (h) To eliminate stockholder's equity of predecessor company.
- (i) To record issuance of common stock at par value.

**Note 4: Reorganization Value in Excess of Amounts Allocable to Identifiable Assets**

The Company's adoption of fresh start reporting in accordance with SOP 90-7 resulted in the Company recording an intangible asset, reorganization value in excess of amounts allocable to identifiable assets (goodwill), of \$538,576 on its consolidated balance sheet as of January 1, 2003. The Company tested this intangible asset, which was not subject to amortization, for impairment as of December 31, 2003, by comparing the estimated fair value of the reporting unit to its carrying value. Due to the significant operating loss and negative operating cash flows suffered by the Company during the year ended December 31, 2003, and the impact on its ability to fully implement its planned business activity because of the uncertainty surrounding the ultimate realization of the assets receivable under pending claims as of December 31, 2003, the Company determined that this intangible asset was fully impaired at December 31, 2003. The Company recognized an impairment loss of \$538,576 in its consolidated statement of operations for the year ended December 31, 2003.

**Freedom Financial Group, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2004 and 2003**

**Note 5: Termination of Joint Venture and Loan Servicing Agreements**

On April 28, 2003, after consultation with legal counsel, the Company's management determined that the joint venture with Innovative Financial Resources, Inc. (IFR) contemplated by the Plan of Reorganization had failed to become effective. Shortly thereafter the Company provided legal notice to IFR of the joint venture's termination. The termination was confirmed by order of the Bankruptcy Court on September 2, 2003.

Concurrent with the termination of the joint venture, the Company terminated certain loan servicing agreements with Eagle Financial Solutions, Inc. (EFS), under which EFS performed account collection activities for loans owned by the Company. EFS is related to IFR through common ownership.

Shortly after the termination of the joint venture and loan servicing agreements, IFR, Eagle and VFR filed suit against the Company contesting the termination of the joint venture and alleging various harmful acts by the Company. On January 10, 2005, the Bankruptcy Court entered a notice of summary judgment in favor of the Company with respects to all counts.

EFS owes the Company \$95,000 under the terms of two promissory note agreements, both of which are in default for failure to pay at maturity. The Bankruptcy Court, on January 10, 2005, entered a judgment in favor of the Company with respect to these promissory notes. The Company intends to foreclose on the notes and liquidate any available underlying collateral to satisfy the obligations. The proceeds, if any, the Company might realize in such a collateral liquidation may not be enough to fully satisfy the underlying obligations. The Company provided an allowance for credit losses of \$95,000 through a charge to earnings in 2003 (see *Note 7, Notes Receivable*).

The Company has assumed the activities previously proposed to be carried out by the joint venture and the account collection activities performed by EFS under the loan servicing agreements.

**Note 6: Finance Receivables and Allowance for Credit Losses**

Finance receivables consist of the following at December 31, 2004 and 2003:

|                                  | <u>2004</u>      | <u>2003</u>      |
|----------------------------------|------------------|------------------|
| Automobiles                      | \$2,183,510      | \$411,066        |
| Equipment leases                 | 999,724          | 784,632          |
| Bulk food                        | 962,070          | 850,007          |
| Home appliances                  | 274,800          | 196,368          |
| Other                            | <u>485,736</u>   | <u>164,150</u>   |
| <b>Total finance receivables</b> | <u>4,905,840</u> | <u>2,406,223</u> |

**Freedom Financial Group, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2004 and 2003**

|                             | 2004        | 2003        |
|-----------------------------|-------------|-------------|
| Less                        |             |             |
| Unearned discount           | \$518,899   | \$194,086   |
| Allowance for credit losses | 296,233     | 196,698     |
|                             | 815,132     | 390,784     |
| Net finance receivables     | \$4,090,708 | \$2,015,439 |

Approximately 60% and 91% of the above finance receivables as of December 31, 2004 and 2003, respectively, are Canadian in origin.

Activity in the allowance for credit losses related to finance receivables for the years ended December 31, 2004 and 2003, was as follows:

|  | 2004       | 2003       |
|--|------------|------------|
| Balance, beginning of period                 | \$196,698  | \$145,448  |
| Purchase discount allocation                 | —          | 86,669     |
| Provision charged to expense                 | 187,030    | 120,728    |
| Losses charged off                           | (232,647 ) | (226,409 ) |
| Recoveries of previously charged off amounts | 134,470    | 44,237     |
| Effect of foreign currency translation       | 10,682     | 26,025     |
| Balance, end of period                       | \$296,233  | \$196,698  |

**Note 7: Notes Receivable**

Notes receivable are comprised of the following at December 31, 2004 and 2003:

|  | 2004     | 2003     |
|--|----------|----------|
| Note receivable from Eagle Financial Solutions, Inc., in default for failure to pay at maturity, bearing interest at 9.0%, secured by certain consumer installment loans (see <i>Note 5, Termination of Joint Venture and Loan Servicing Agreements</i> )                          | \$45,000 | \$45,000 |
| Note receivable from Eagle Financial Solutions, Inc., in default for failure to pay at maturity, bearing interest at 9.0%, secured by substantially all assets of Eagle Financial Solutions, Inc. (see <i>Note 5, Termination of Joint Venture and Loan Servicing Agreements</i> ) | 50,000   | 50,000   |

|               |        |        |
|---------------|--------|--------|
| Total forward | 95,000 | 95,000 |
|---------------|--------|--------|

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**Freedom Financial Group, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2004 and 2003**

|   | 2004     | 2003      |
|---|----------|-----------|
| Total forward   | \$95,000 | \$95,000  |
| Note receivable, bearing interest at 9.5%, payable in equal monthly installments, including interest of \$3,600 commencing January 19, 2003, and maturing March 19, 2006, secured by a deed of trust on commercial real estate in Tucson, Arizona | 60,780   | 90,650    |
| Unsecured noninterest-bearing note receivable, payable in equal annual installments of \$7,000 commencing October 31, 2003, and maturing October 31, 2007, personally guaranteed by the principles of First Financial Consultants, Inc.           | 16,618   | 20,959    |
| Noninterest-bearing note receivable, payable in equal annual installments of \$20,000 commencing November 1, 2003, and maturing November 1, 2012, secured by a deed of trust on residential real estate in Greene County, Missouri                | —        | 103,656   |
|   | 172,398  | 310,265   |
| Less allowance for credit losses  | 95,000   | 95,000    |
| Net notes receivable  | \$77,398 | \$215,265 |

**Note 8: Assets Receivable Under Pending Claims**

The Debtor had two claims pending against other parties that had not been resolved as of January 1, 2003:

| Defendant   | Estimated<br>Fair Value at<br>January 1,<br>2003 |
|---|--|
| Wolf Haldenstein Adler Freeman & Herz LLP (Wolf)      | \$450,000  |
| First Financial Trust Company/BancInsure (BancInsure) | \$6,000,000                                      |

On September 8, 2003, the Company settled its claim against Wolf. In accordance with the terms of the agreement, the Company received \$462,500. The Company recognized a gain of \$12,500 which is recorded as gain on settlement of pending claims in the 2003 consolidated statement of operations.

On June 9, 2004, the Company and BancInsure entered into a Settlement Agreement under which BancInsure agreed to pay FFG \$7,050,000 in settlement of all of FFG's claims against FFTC and BancInsure. In accordance with the terms of the Settlement Agreement, on August 13, 2004, the Company received \$7,060,973 including interest and subsequently paid contingent legal fees of \$105,000. The Company recognized a net gain of \$955,973 which is recorded as gain on settlement of pending claims in the 2004 consolidated statement of operations.

**Freedom Financial Group, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2004 and 2003**

The Company has no other bankruptcy-related claims outstanding at December 31, 2004.

**Note 9: Property and Equipment**

Major classifications of property and equipment are as follows at December 31, 2004 and 2003:

|                               | <u>2004</u>      | <u>2003</u>      |
|-------------------------------|------------------|------------------|
| Land                          | \$41,533         | \$38,671         |
| Building                      | 185,797          | 144,946          |
| Computer and office equipment | 155,244          | 125,902          |
| Software                      | 45,088           | 35,311           |
| Furniture and fixtures        | 34,705           | 28,511           |
| Other                         | 4,500            | 4,500            |
|                               | <u>466,867</u>   | <u>377,841</u>   |
| Less accumulated depreciation | <u>172,562</u>   | <u>106,279</u>   |
| Net property and equipment    | <u>\$294,305</u> | <u>\$271,562</u> |

**Note 10: Income Taxes**

The provision for income taxes for the years ended December 31, 2004 and 2003, includes these components:

|  | <u>2004</u>       | <u>2003</u>       |
|--|-------------------|-------------------|
| Taxes currently payable  | \$—               | \$—               |
| Adjustment to beginning of the year deferred tax valuation allowance | 294,745           | 189,887           |
| Deferred income taxes  | <u>(294,745 )</u> | <u>(189,887 )</u> |
| Income tax expense   | <u>\$0</u>        | <u>\$0</u>        |

A reconciliation of income tax expense at the statutory rate to the Company's actual income tax expense for the years ended December 31, 2004 and 2003, is shown below:

**Freedom Financial Group, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2004 and 2003**

|   | <u>2004</u> | <u>2003</u>  |
|---|-------------|--------------|
| Computed at the statutory rate (34%)                  | \$88,282    | \$(594,204 ) |
| <b>Increase (decrease) resulting from</b>             |             |              |
| State income taxes                                    | (31,996 )   | (20,613 )    |
| Changes in the deferred tax asset valuation allowance | 294,745     | 189,887      |
| (Income) loss from foreign subsidiary                 | (28,562 )   | 72,857       |
| Basis difference in settlements received              | (342,044 )  | 153,000      |
| <b>Nondeductible expenses</b>                         |             |              |
| Impairment of goodwill                                | —           | 183,116      |
| Reorganization costs                                  | 18,011      | 14,971       |
| Other   | 1,564       | 986          |
| <b>Actual tax expense</b>                             | <u>\$0</u>  | <u>\$0</u>   |

The tax effects of temporary differences related to deferred taxes shown on the consolidated balance sheets as of December 31, 2004 and 2003, were:

|  | <u>2004</u>       | <u>2003</u>       |
|--|-------------------|-------------------|
| <b>Deferred tax assets</b>                               |                   |                   |
| Accrued compensated absences                             | \$4,958           | \$12,150          |
| Accrued compensation                                     | —                 | 3,879             |
| Property and equipment                                   | 20,865            | 10,032            |
| Allowance for credit losses                              | 89,270            | 48,436            |
| Net operating loss carryforwards                         | 10,302,489        | 10,048,340        |
| <b>Net deferred tax asset before valuation allowance</b> | <u>10,417,582</u> | <u>10,122,837</u> |
| <b>Valuation allowance</b>                               |                   |                   |
| Beginning of period                                      | 10,122,837        | 9,932,950         |
| Increase (decrease) during the period                    | 294,745           | 189,887           |
| <b>Ending balance</b>                                    | <u>10,417,582</u> | <u>10,122,837</u> |
| <b>Net deferred tax asset</b>                            | <u>\$0</u>        | <u>\$0</u>        |

As of December 31, 2004, the Company had approximately \$27,000,000 of net operating loss carryforwards available to offset future federal income taxes. The carryforwards expire in 2021 through 2024.

**Freedom Financial Group, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2004 and 2003**

**Note 11: Redeemable Convertible Preferred Stock**

On January 1, 2003, pursuant to the Plan of Reorganization, the Company issued 8,997,869 shares of redeemable convertible preferred stock, which is recorded at fair value. The stock is held by the Freedom Financial Group I Statutory Trust, a Delaware Trust, for the benefit of the Debtor's Participating Creditors. The Trust Supervision Committee, as elected by the Company's Board of Directors, is comprised of three Directors of the Company, Jerry Fenstermaker, Gary Lipscomb and Vern Schweigert. The Trust shall be dissolved upon the earlier of 1) the redemption of all outstanding preferred stock or 2) the affirmative vote to do so of at least two-thirds of the outstanding common stock of Freedom Financial Group, Inc.

The preferred stock is subject at all times to redemption by the Company subject to certain conditions. The Company shall, as Company funds allow, as determined by the Board of Directors, redeem approximately 320,000 shares each and every calendar quarter commencing June 30, 2003, until all such shares have been redeemed, at the redemption price of \$5.9852 per share. In the event sufficient funds are not available to make a scheduled redemption payment, the amount of such redemption payment not made shall be carried over to and is payable, subject to the same conditions, on the next scheduled redemption payment date. At its regularly scheduled January 31, 2005, meeting, the Company's Board of Directors determined that the Company did not have sufficient funds to make all or any part of the December 31, 2004, or earlier preferred stock redemption payments. In accordance with the redemption provisions of the preferred stock, these redemption payments shall be carried over to and are payable on the next scheduled redemption payment date, March 31, 2005, subject to the satisfaction of the conditions described above.

In the event of any liquidation or dissolution of the Company, each holder of preferred stock shall be entitled to receive on a pro rata basis, prior and in preference to any distribution of any assets of the Company to the holders of common stock, an amount, as such funds are available, up to but not to exceed the redemption price per share.

Each share of preferred stock is convertible, at the holder's option, into one share of common stock of Freedom Financial Group, Inc. at the conversion price of \$0.01 per share. Furthermore, each share of preferred stock shall be automatically converted into one share of common stock at the conversion price of \$0.01 per share upon the occurrence of any of the following: 1) an affirmative vote to do so by 70% or more of the then outstanding shares of preferred stock, 2) a public offering and sale of the Company's common stock under the Securities Act of 1933 of at least \$54,000,000, 3) the consolidation or merger of the Company into or with any other entity resulting in the exchange of shares representing 50% or more of the outstanding shares of voting capital stock of the Company or 4) the sale or transfer by the Company of substantially all of its assets. The Company is required at all times to maintain a sufficient number of authorized and unissued shares of common stock to effect the conversion of all currently outstanding shares of preferred stock into common stock.

**Freedom Financial Group, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2004 and 2003**

**Note 12: Commitments**

The Company had outstanding commitments to purchase finance receivables totaling \$402,992 as of December 31, 2004. These commitments generally expire 30 days after they are issued if unused.

The Company is also obligated under certain noncancelable operating leases for premises and equipment with terms ranging up to three years. Rental expense for these leases was \$44,268 and \$74,819 for the years ended December 31, 2004 and 2003, respectively. Future minimum payments under noncancelable operating leases as of December 31, 2004, are:

|      |                 |
|------|-----------------|
| 2005 | \$43,697        |
| 2006 | 25,715          |
| 2007 | <u>3,222</u>    |
|      | <u>\$72,634</u> |

**Note 13: Earnings Per Share**

Basic earnings per share is computed by dividing net income/(loss) by the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed similar to basic earnings per share except the denominator is increased to include the number of additional common shares that would have been outstanding if dilutive potential common shares had been issued. Since the effect of converting the shares of redeemable preferred stock would be antidilutive for the year ended December 31, 2003, basic and diluted loss per share amounts for 2003 are based on the weighted average number of common shares outstanding.

So long as any preferred stock is outstanding, no dividend or distribution shall be declared or paid on any shares of common stock (see *Note 11, Redeemable Convertible Preferred Stock*).

Basic and diluted earnings per share for the year ended December 31, 2004, were computed as follows:

|  | <u>Income</u>   | <u>Weighted<br/>Average<br/>Shares</u> | <u>Per Share<br/>Amount</u> |
|--|-----------------|--|-----------------------------|
| Net income   | \$16,276        | 9,966,188                              |                             |
| Basic earnings per share                                     |                 |  | <u>\$0.00</u>               |
| Effect of presumed conversion of convertible preferred stock | —               | <u>8,994,851</u>                       |                             |
| Diluted earnings per share                                   | <u>\$16,276</u> | <u>18,961,039</u>                      | <u>\$0.00</u>               |

**Freedom Financial Group, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2004 and 2003**

Loss per share for the year ended December 31, 2003, was computed as follows:

|                                  | <u>Loss</u>    | <u>Weighted<br/>Average<br/>Shares</u> | <u>Per Share<br/>Amount</u> |
|----------------------------------|----------------|--|-----------------------------|
| Net loss                         | \$(1,747,658 ) | 9,967,636                              |                             |
| Basic and diluted loss per share |                |  | <u><u>\$(0.18 )</u></u>     |

**Note 14: Operating Expenses**

The components of operating expenses for the years ended December 31, 2004 and 2003, are as follows:

|                                     | <u>2004</u>        | <u>2003</u>        |
|-------------------------------------|--------------------|--------------------|
| Salaries and benefits               | \$1,146,355        | \$962,040          |
| Professional fees                   | 458,240            | 193,634            |
| Reorganization costs                | 95,941             | 121,746            |
| Insurance                           | 84,319             | 67,569             |
| Pending claims - related legal fees | 64,084             | 191,065            |
| Occupancy costs                     | 61,361             | 79,673             |
| Depreciation                        | 59,492             | 45,256             |
| Licenses and taxes                  | 45,158             | 44,142             |
| Travel                              | 38,119             | 23,265             |
| Supplies and postage                | 34,566             | 24,786             |
| Communications                      | 31,042             | 29,906             |
| Stockholder relations               | 30,425             | 11,522             |
| Servicing and collecting            | 29,169             | 142,570            |
| Statutory trust administration      | 14,145             | 46,082             |
| Other                               | 18,762             | 17,782             |
|                                     | <u>\$2,211,178</u> | <u>\$2,001,038</u> |

**Note 15: Foreign Operations**

The Company's foreign operations, all of which are in Canada, are conducted through its wholly owned subsidiary, T.C.G. - The Credit Group Inc. based in Winnipeg, Manitoba. Total assets, net of valuation allowances, associated with foreign operations were \$3,797,725 and \$3,179,060 at December 31, 2004 and 2003, respectively. Total revenues, income (loss) before taxes and net income (loss) from foreign operations for the years ended December 31, 2004 and 2003, were as follows:



**Freedom Financial Group, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2004 and 2003**

|                                   | <b>2004</b> | <b>2003</b> |
|-----------------------------------|-------------|-------------|
| Total revenues                    | \$823,203   | \$575,827   |
| Income (loss) before income taxes | 84,012      | (214,291 )  |
| Net income (loss)                 | 84,012      | (214,291 )  |

**Note 16: Additional Cash Flow Information**

|  | <b>2004</b> | <b>2003</b> |
|--|-------------|-------------|
| <b>Noncash Investing and Financing Activities</b>                            |             |             |
| Notes receivable acquired from collection of settlement assets receivable    | \$—         | \$606,436   |
| Finance receivables acquired from collection of settlement assets receivable | —           | 213,027     |
| Real estate acquired from collection of settlement assets receivable         | —           | 169,000     |
| <b>Additional Cash Payment Information</b>                                   |             |             |
| Interest paid  | —           | —           |
| Income taxes paid  | —           | —           |

**Note 17: Disclosures About Fair Value of Financial Instruments**

The following table presents estimated fair values of the Company's financial instruments as of December 31, 2004 and 2003. The fair values of certain of these instruments were calculated by discounting expected cash flows, which involves significant judgments by management and uncertainties. Fair value is the estimated amount at which financial assets or liabilities could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Because no market exists for certain of these financial instruments and because management does not intend to sell these financial instruments, the Company does not know whether the fair values shown below represent values at which the respective financial instruments could be sold individually or in the aggregate.

**Freedom Financial Group, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2004 and 2003**

|   | <u>Carrying<br/>Amount</u> | <u>Approximate<br/>Fair<br/>Value</u> |
|---|----------------------------|---------------------------------------|
| <b>December 31, 2004</b>                    |                            |                                       |
| Financial assets                            |                            |                                       |
| Cash and cash equivalents                   | \$8,779,211                | \$8,779,211                           |
| Finance receivables, net                    | 4,090,708                  | 4,169,279                             |
| Notes receivables, net                      | 77,398                     | 76,388                                |
| Interest receivable                         | 52,167                     | 52,167                                |
| Financial liabilities                       |                            |                                       |
| Trade accounts payable                      | 13,095                     | 13,095                                |
| Dealer holdbacks                            | 90,578                     | 90,578                                |
| Dealer reserves                             | 44,119                     | 44,119                                |
| Commitments to purchase finance receivable  | —                          | —                                     |
| <b>December 31, 2003</b>                    |                            |                                       |
| Financial assets                            |                            |                                       |
| Cash and cash equivalents                   | 4,280,766                  | 4,280,766                             |
| Finance receivables, net                    | 2,015,439                  | 2,015,439                             |
| Assets receivable under pending claims      | 6,000,000                  | 6,000,000                             |
| Notes receivables, net                      | 215,265                    | 215,265                               |
| Interest receivable                         | 26,444                     | 26,444                                |
| Financial liabilities                       |                            |                                       |
| Trade accounts payable                      | 33,187                     | 33,187                                |
| Dealer holdbacks                            | 56,160                     | 56,160                                |
| Dealer reserves                             | 25,414                     | 25,414                                |
| Commitments to purchase finance liabilities | —                          | —                                     |

The following methods and assumptions were used to estimate the fair value of each class of financial instruments.

***Cash and Cash Equivalents and Assets Receivable Under Pending Claims***

The carrying amount approximates fair value.

***Finance Receivables***

The fair value of finance receivables is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. Loans with similar characteristics were aggregated for the purposes of the calculations.



**Freedom Financial Group, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2004 and 2003**

***Notes Receivable***

The fair value of notes receivable is estimated by discounting the future cash flows using discount rates reflecting the makers' capacity to make the scheduled payments, the value of the underlying collateral and the scheduled maturity date.

***Interest Receivable***

The carrying amount approximates fair value.

***Trade Accounts Payable, Dealer Holdbacks and Dealer Reserves***

The carrying amount approximates fair value.

***Commitments to Purchase Finance Receivables***

The fair value of commitments to purchase finance receivables is estimated using the fees currently charged to enter into similar agreements taking into account the difference between current levels of interest rates and the committed rates and the remaining terms of the commitments.

**Note 18: Significant Estimates**

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates. Significant estimates made by management affecting the consolidated financial statements include:

***Allowance for Credit Losses***

As described in *Note 1, Nature of Operations and Summary of Significant Accounting Policies*, the Company provides an allowance for credit losses on its finance receivables. Because of the Company's limited operating history since emerging from bankruptcy and the inherently high credit risk associated with many of the Company's finance receivables, actual credit losses may differ materially from the Company's estimates in the near term.

**Note 19: Concentration of Credit Risk**

The Company has consumer finance receivables secured by automobiles or consumer goods originally acquired from a network of dealers in approximately sixteen states and five Canadian provinces. The makers of the finance receivables purchased by the Company typically have limited or no access to traditional sources of consumer credit due to past negative credit history, limited or unstable employment history, the inability to make sufficient down payments or other negative factors typically evaluated in the credit granting process. As a result, finance receivables acquired by the Company are generally considered to have a higher risk of default and loss than those typically held in the portfolios of commercial banks, credit unions and similar institutions.

**Freedom Financial Group, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2004 and 2003**

**Note 20: Future Change in Accounting Principle**

On December 16, 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123(R), *Share Based Payment*. FASB Statement No. 123(R) revised the previously issued FASB Statement No. 123, *Accounting for Stock-Based Compensation*, supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees* and amends FASB Statement No. 95, *Statement of Cash Flows*. FASB Statement No. 123(R) established standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services, including transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of the equity instruments. The Company expects to adopt FASB Statement No. 123(R) beginning January 1, 2006. Adoption of this statement is not expected to have any effect on the financial position or operating results of the Company.

PART III.

ITEM 1. INDEX TO EXHIBITS

| <b>Exhibit<br/>Number</b> | <b>Description</b>   |
|---------------------------|--|
| 2.1                       | Corrected Trustee's Amended Plan of Reorganization   |
| 2.2                       | Disclosure Statement for Trustee's Amended Plan of Reorganization                          |
| 3.1                       | First Amended and Restated Certificate of Incorporation                                    |
| 3.1.1                     | Certificate of Amendment to Certificate of Incorporation                                   |
| 3.2                       | Bylaws   |
| 3.2.1                     | Amendment to Bylaws  |
| 4.1                       | Amended and Restated Trust Agreement of Freedom Financial Group I Statutory Trust          |
| 10.1                      | Employment Agreement with Jerald L. Fenstermaker   |
| 10.2                      | Investment Banking Agreement with Milestone Advisors, LLC                                  |
| 10.3                      | Unanimous Consent of the Board of Directors Adopting Executive Management Stock Bonus Plan |
| 10.4                      | Office Lease - 3058 East Elm   |
| 10.5                      | Office Lease - 3050 East Elm   |
| 21.1                      | Subsidiaries   |
| 23.1                      | Consent of BKD, LLP  |

## SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

### FREEDOM FINANCIAL GROUP, INC.

**Date: May 2, 2005**

\_\_\_\_\_

**By:/s/ Jerald L. Fenstermaker**

\_\_\_\_\_

Jerald L. Fenstermaker, President  
and Chief Executive Officer

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Attorneys for Vern Schweigert, Trustee

UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF ARIZONA

-----  
In re:

Case No. 01-3105-ECF-RTB

STEVENS FINANCIAL GROUP, INC., a  
Missouri corporation

Chapter 11

Debtor.  
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CORRECTED TRUSTEE'S  
AMENDED PLAN OF REORGANIZATION

DATED OCTOBER 30, 2001

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UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF ARIZONA

In re:

Case No. 01-3105-ECF-RTB

STEVENS FINANCIAL GROUP, INC., a  
Missouri corporation

Chapter 11

Debtor.

CORRECTED TRUSTEE'S  
AMENDED PLAN OF REORGANIZATION

DATED OCTOBER 30, 2001

Vern Schweigert, Trustee of the Estate of STEVENS FINANCIAL GROUP, INC., the Debtor in the above-captioned and numbered Chapter 11 case, proposes the following Amended Plan of Reorganization.

1.0 INTRODUCTION.

The Trustee proposes this Plan to creditors and interest holders to provide for the continuation of Debtor's consumer lending business under new management and under a new equity structure. This Section 1.0 provides only a summary of the Plan and is not intended to modify or affect the interpretation of the remaining sections of the Plan. Accordingly, each interested party is encouraged to read the Plan in its entirety.

### 1.1 CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS.

Section 3.0 of the Plan provides for the separate classification of all claims against, and interests in, the Debtor, based upon the legal priority of the claim, and the secured status of such claim. Section 4.0 describes the treatment afforded each such class. Priority Claims (claims entitled to priority treatment under ss.ss. 507, 503(b), and 1129(a)(9) of the Bankruptcy Code) will be paid in full on the Effective Date of the Plan. Secured Claims

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(claims secured by liens on property of the Debtor as determined under ss. 506 of the Bankruptcy Code) will be paid in full with any allowable interest, from the proceeds of the sale of the collateral. Unsecured, non-priority claims (except those of Debtor's affiliates) will be classified either as FRI Investor Claims or General Claims. The holders of these Claims, at their individual election, will receive either a prorated share of stock issued in the reorganized business or a prorated share of the "Liquidation Amount," to be determined by the Bankruptcy Court based upon the liquidation value of the Debtor. All existing equity interests in Debtor will be cancelled and the holders of such interests will receive nothing on account of their interests.

### 1.2 ESTATE CLAIMS AND CREDITOR CLAIMS AGAINST POTENTIAL DEFENDANTS.

Section 5.0 of the Plan describes the expected funding of the Plan and the re-capitalizing of Debtor's operations through the proceeds of claims against, or settlements with, the current and former principals of Debtor and others who provided professional services to Debtor and the FRI Investors. Because both the Bankruptcy Estate and FRI Investors may have overlapping claims against these Potential Defendants, the Plan provides for "Participating Creditors" (those electing to receive stock under the Plan) to assign their claims to Freedom Financial Group, a wholly owned subsidiary of the Reorganized Debtor, for joint prosecution and settlement. To the extent that the Trustee is able to settle some or all of these claims prior to the Effective Date, the settlement proceeds would be available to fund Priority Claims and make other Effective Date payments to creditors. All additional settlement proceeds would be available to fund continued business operations.

### 1.3 EQUITY AND MANAGEMENT STRUCTURE.

Section 6.0 of the Plan provides that prior to the Effective Date of the Plan, all outstanding stock of the Debtor will be canceled and directly following the Effective Date two

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separate classes of stock in the Reorganized Debtor will be issued pursuant to the Plan. Preferred Stock will be issued to a trustee (the "Preferred Stock Trustee") for the benefit of the holders of FRI Investor Claims and General Claims who elect to be Participating Creditors. Participating Creditors will also receive Common Stock. Additional Common Stock will be reserved for issuance to the new management.

Section 6.0 of the Plan also provides for the selection of management for the Reorganized Debtor. Jerry Fenstermaker, who has been selected by the Trustee to act as Chief Executive Officer during the pendency of the Bankruptcy Case, will be the initial Chief Executive Officer of the Reorganized Debtor. The Trustee, Mr. Fenstermaker, and the Investor Committee will each designate one person to serve on the initial board of directors of the Reorganized Debtor. Directors will thereafter be selected by shareholder vote at annual shareholder meetings.

#### 1.4 TREATMENT OF PARTICIPATING AND NON-PARTICIPATING CREDITORS.

Section 5.0 provides for each FRI Investor and each holder of a General Claim to make an election to be a Participating Creditor or a Non-Participating Creditor and thus determine the treatment of its Claim under the Plan. Each Participating Creditor will assign all claims it may have against the Potential Defendants referred to above; and will also release any claim it may have against other Participating Creditors. In exchange for these assignments and releases and in discharge of all Claims against the Debtor, Participating Creditors will receive shares of Common Stock in the Reorganized Debtor and the right to receive distributions from the Preferred Stock held by the Preferred Stock Trustee. Shares of Common Stock will be prorated among Participating Creditors based on their Allowed Claims. All distributions on account of the Preferred Stock will be prorated among Participating Creditors based on their "Net Investment Amount." The Net Investment Amount for each Participating FRI Investor will be calculated as (i) the aggregate of all

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payments by the FRI Investor for all certificates purchased from Debtor on or

after January 1, 1995, less (ii) the aggregate of all payments received from Debtor by the FRI Investor on account of all such certificates, whether such payments were denominated interest or return of principal. Each Participating Creditor will also receive a release from the Estate for any Investor Avoidance Claims, and releases from all other Participating Creditors.

An FRI Investor or holder of a General Claim may, alternatively, elect to be a Non-Participating Creditor. Each Non-Participating Creditor will not give or receive releases or assignments of claims and will not receive any interest in the Reorganized Debtor. Each Non-Participating Creditor's treatment under the Plan will be based upon the Bankruptcy Court's determination of the "Liquidation Amount," based upon the estimated liquidation value of the Debtor less the amount of all Priority Claims and Secured Claims. Each Non-Participating Creditor will receive a cash payment equal to its share of the Liquidation Amount, prorated among all FRI Investor Claims and all General Claims. Each Non-Participating Creditor may be subject to liability for Investor Avoidance Claims and will be subject to objections to the allowance of its Claim.

## 2.0 DEFINITIONS.

Certain terms used in the Plan have specific meanings, as set forth in this Section 2.0.

### 2.1 GENERAL DEFINITIONS.

The following definitions are generally applicable:

#### 2.1.1 ADMINISTRATIVE CLAIM.

A Claim or expense, or a portion of a Claim or expense, that is a cost or expense of the administration of Debtor's Estate allowed under ss.503(b) of the Bankruptcy Code that is entitled to priority under ss.507(a)(1) of the Bankruptcy Code, including but not limited to any actual and necessary cost and expense of preserving the Estate, or operating the business

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of Debtor, and all fees and expenses of professionals entitled to compensation pursuant to Sections 328, 330 and 503(b) of the Code. Administrative Claims shall include (i) any Cure Payments, and (ii) any and all pre- and post-confirmation fees due to the U.S. Trustee's Office. Administrative Claims are classified under the Plan as Class 1 A Claims.

#### 2.1.2 ASSUMED LEASES AND CONTRACTS.

Executory contracts and leases assumed by the Reorganized Debtor pursuant to Article 12.0 hereof.

### 2.1.3 AVOIDANCE CLAIMS.

Claims of the Estate to avoid transfers made by the Debtor to the extent such claims arise under ss.ss. 544-551 of the Bankruptcy Code.

### 2.1.4 BANKRUPTCY CODE.

The Bankruptcy Code, as set forth in Title 11 of the United States Code, 11 U.S.C. ss.ss. 101 et seq., as applicable to Chapter 11 cases filed on the Petition Date.

### 2.1.5 BANKRUPTCY COURT.

The United States Bankruptcy Court for the District of Arizona (or such other court as may have jurisdiction over this Chapter 11 case) and, with respect to any particular proceeding arising under Title 11 of the United States Code, or arising in or related to the Reorganization Case, any other court which has jurisdiction over such proceeding.

### 2.1.6 BANKRUPTCY RULES.

The Rules of Bankruptcy Procedure and the Local Rules of Bankruptcy Procedure for the District of Arizona, including any applicable General Orders.

### 2.1.7 BENEFIT PLAN CLAIM.

A Claim for contribution to an employee benefit plan, arising from services rendered within 180 days before the Petition Date, to the extent such claim is entitled to priority under

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ss.507(a)(4) of the Bankruptcy Code. Benefit Plan Claims are classified under the Plan as Class 1 C Claims.

### 2.1.8 CLAIM.

A claim against Debtor within the meaning of 101(5) of the Bankruptcy Code, arising prior to the Confirmation Date.

### 2.1.9 CLASS.

A category or group of holders of Claims or Interests as designated in Article 2.

### 2.1.10 COLONIAL TRUST.

Colonial Trust Company, Inc., the trustee under various indentures pursuant to which Debtor granted certain collateral and rights for the benefit of FRI Investors.

2.1.11 COLONIAL TRUST CLAIM.

The Claim of Colonial Trust, as Trustee for the benefit of holders of Fixed Rate Investment Certificates, to the extent such Claim is a Secured Claim. The Colonial Trust Claim is classified under the Plan as the Class 2D Claim.

2.1.12 CONFIRMATION.

The entry of the Confirmation Order.

2.1.13 CONFIRMATION DATE.

The date on which the Clerk of the Bankruptcy Court enters the Confirmation Order on the docket.

2.1.14 CONFIRMATION HEARING.

The hearing conducted by the Bankruptcy Court to consider confirmation of the Plan, as such hearing may be continued from time to time.

2.1.15 CONFIRMATION ORDER.

The order of the Bankruptcy Court confirming the Plan pursuant to ss. 1129 of the Bankruptcy Code.

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2.1.16 CURE PAYMENT.

A payment required under ss.365 of the Bankruptcy Code to cure defaults under Assumed Leases and Contracts. Claims for Cure Payments are treated under the Plan as Administrative Claims, and are classified hereunder as Class 1A Claims.

2.1.17 DEBTOR.

Stevens Financial Group, Inc., a Missouri corporation.

2.1.18 DEPOSIT CLAIM.

A claim of an individual, arising from the deposit, before the Petition Date, of money, in connection with the purchase from Debtor of property or

services for the personal, family, or household use of such individual, which property or services were not delivered or provided, to the extent such claim is entitled to priority under ss. 507(a)(6) of the Bankruptcy Code. Deposit Claims are classified under the Plan as Class 1D Claims.

#### 2.1.19 DEPOSIT SECURED CLAIM.

A Claim that is secured by a deposit of Debtor's funds held by, or for the benefit of, the holder of such Claim to the extent such claim is a secured claim under ss. 506 of the Bankruptcy Code. Deposit Secured Claims are classified under the Plan as Class 2F Claims.

#### 2.1.20 DISBURSING AGENT.

The person or entity appointed to make distributions under the Plan in accordance with Article 11 hereof.

#### 2.1.21 DISCLOSURE STATEMENT.

The written disclosure statement concerning the Plan approved by the Bankruptcy Court pursuant to ss. 1125(b) of the Bankruptcy Code, including any amendments authorized by the Bankruptcy Court.

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#### 2.1.22 EFFECTIVE DATE.

The date, not less than 10 nor more than 120 days after the entry of the Confirmation Order, upon which the events required for substantial consummation of the Plan occur. The Trustee shall determine the Effective Date, after consultation with the Investors Committee based upon the status of negotiations with the potential defendants.

#### 2.1.23 ESTATE.

The estate created in the Reorganization Case pursuant to ss. 541(a) of the Bankruptcy Code.

#### 2.1.24 FINAL ORDER.

An order, judgment or other decree of the Bankruptcy Court, including, without limitation, a stipulation or other agreement entered into that is "so ordered" by the Bankruptcy Court, the operation or effect of which has not been reversed or stayed and as to which order, judgment or other decree (or any revision, modification or amendment thereof) the time to appeal or seek review has expired, and as to which no appeal or petition for review or certiorari has been taken or is pending (or if such appeal or petition has been taken or

granted, it has been finally decided).

2.1.25 FIRST FINANCIAL.

First Financial Trust Company of New Mexico.

2.1.26 FREEDOM FINANCIAL GROUP.

Freedom Financial Group, Inc., a Delaware corporation to be formed prior to the Effective Date as a wholly owned subsidiary of the Debtor.

2.1.27 FRI INVESTOR.

The holder of a Claim arising out of or relating to a collateralized time certificate or a fixed rate investment certificate issued by Debtor.

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2.1.28 FRI INVESTOR CLAIM.

The Claim of an FRI Investor arising prior to the Petition Date, based upon, or relating to, a Fixed Rate Investment Certificate or similar instrument, document, or note, including any claim for return of principal, interest, reimbursement, or rescission, other than a Potential Defendant Claim. FRI Investor Claims are classified under the Plan as Class 3A Claims or Class 3B Claims.

2.1.29 GENERAL CLAIM.

A Claim that is not a Priority Claim, a Secured Claim, an FRI Investor Claim, or an Inter-Company Claim. General Claims are classified under the Plan as Class 3D Claims.

2.1.30 GREAT SOUTHERN.

Great Southern Bank, F.S.B.

2.1.31 GREAT SOUTHERN BUILDING CLAIM.

The Claim of Great Southern arising from a promissory note and mortgage, to the extent such Claim is a Secured Claim secured by a lien on Debtor's office building in Springfield, Missouri. The Great Southern Building Claim is classified under the Plan as the Class 2A Claim.

2.1.32 GREAT SOUTHERN LOAN PORTFOLIO CLAIM.

The Claim of Great Southern arising from transactions denominated

"purchase agreements" relating to consumer loans "sold" by Debtor to Great Southern to the extent such Claim is a Secured Claim secured by a lien on a portion of Debtor's consumer loan portfolio. The Great Southern Loan Portfolio Claim is classified under the Plan as the Class 2B Claim.

#### 2.1.33 HARNDEN & HAMILTON.

Harnden & Hamilton, L.L.G., the former independent accounting firm for Debtor.

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#### 2.1.34 INTER-COMPANY CLAIM.

A Claim initially owned by or now held by any shareholder, former shareholder, subsidiary of Debtor or any other corporation the equity of which is owned by the shareholders or former shareholders of Debtor, including, without limitation, any claim for reimbursement, indemnification or contribution. Inter-Company Claims are classified under the Plan as Class 3E Claims.

#### 2.1.35 INTEREST OR INTERESTS.

The rights of a holder of an equity interest in Debtor. Interests are classified under the Plan as Class 4A Interests.

#### 2.1.36 INVESTOR AVOIDANCE CLAIM.

An Avoidance Claim against the holder of an FRI Investor Claim.

#### 2.1.37 INVESTORS' COMMITTEE.

The Official Investors' Committee, appointed by the United States' Trustee's Office to serve in the Reorganization Case.

#### 2.1.38 LESSOR SECURED CLAIM.

A Secured Claim based upon an instrument entitled "Equipment Lease," or similar label, to the extent such instrument is re-characterized (by agreement between Debtor and the holder of such Claim, or by a Final Order of the Bankruptcy Court), as a purchase money obligation of Debtor secured by the goods or equipment identified, or referred to, in the "Equipment Lease." Lessor Secured Claims are classified under the Plan as Class 2E Claims.

#### 2.1.39 LIQUIDATION AMOUNT.

An amount used to determine distributions to Non-Participating Creditors based upon an estimate of distributions to non-priority, unsecured creditors if the Debtor were liquidated

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under Chapter 7 as of the Effective Date, to be determined in accordance with section 5.3.1 hereof.

2.1.40 NET INVESTMENT AMOUNT.

An amount used to determine the pro rata rights of Participating Creditors, calculated in accordance with section 5.2.7 hereof.

2.1.41 NON-PARTICIPATING CREDITOR.

A holder of an FRI Investor Claim or a General Claim who elects not to be a Participating Creditor in accordance with the provisions of section 5.1.

2.1.42 PARTICIPATING CREDITOR.

A holder of an FRI Investor Claim, Potential Defendant Claim or a General Claim who elects in accordance with the provisions of section 5.1 to receive stock in the Reorganized Debtor and to provide the assignment and releases specified in section 5.2.

2.1.43 PETITION DATE.

March 19, 2001, the date upon which the Reorganization Case commenced.

2.1.44 PLAN.

This plan of reorganization, including any amendment or modification made in accordance with the terms of the Plan or the applicable provisions of the Bankruptcy Code.

2.1.45 POTENTIAL DEFENDANTS.

The Sinclairs, Stevens, and Robarge, and their successors, assigns, and affiliated entities; and Harnden & Hamilton, securities brokerage companies and dealers who sold collateralized time or fixed rate investment certificates, First Financial, and Colonial, and their officers, directors, employees, agents and professionals who provided services relating to the issuance and management of fixed rate investment certificates.

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2.1.46 POTENTIAL DEFENDANTS CLAIM.

A Claim against Debtor which is not a Secured Claim or a Priority Claim and which is held by (or was incurred with) any Potential Defendant or a person or entity that was a defendant in an action commenced prior to the Petition Date on behalf of Debtor. Potential Defendant Claims are classified under the Plan as Class 3C Claims.

2.1.47 PREFERRED STOCK REDEMPTION VALUE.

The aggregate amount required to redeem all Preferred Stock issued under the Plan, determined based upon the Net Investment Amount of Participating Creditors, in accordance with section 6.7.1.

2.1.48 PREFERRED STOCK TRUST.

A trust to be established prior to the Effective Date to hold Preferred Stock in the Reorganized Debtor and to be managed in accordance with section 6.6 hereof.

2.1.49 PRIORITY CLAIM.

A claim entitled to priority treatment pursuant to ss. 507(a) of the Bankruptcy Code. Priority Claims are classified under the Plan as Administrative Claims (Class 1A), Wage Claims (Class 1B), Benefit Plan Claims (Class 1C), Deposit Claims (Class 1D) and Tax Claims (Class 1E).

2.1.50 PRO RATA OR PRO RATED.

The ratio of an Allowed Claim or Interest in a particular Class, or identified portion of such Class, to the aggregate amount of all Allowed Claims or Interests in that Class, or identified portion of such Class.

2.1.51 REORGANIZATION CASE.

The chapter 11 proceedings for Debtor, In re Stevens Financial Group, Inc., Case No. 01-03105-ECF-RTB.

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2.1.52 REORGANIZED DEBTOR.

Debtor on and after the Effective Date (to be renamed).

2.1.53 ROBARGE.

Patrick J. Robarge, a former officer and shareholder of Debtor and current owner of stock in P.R. Edge Finance Corporation, U.S. Financial and Canadian Finance Venture.

2.1.54 SECURED CLAIM.

A Claim defined as a secured claim under ss. 506(a) of the Bankruptcy Code. Secured Claims are classified under the Plan as the Great Southern Building Claim (Class 2A), the Great Southern Loan Portfolio Claim (Class 2B), the Sinclair Bank Loan Portfolio Claim (Class 2C), the Colonial Trust Claim (Class 2D), Lessor Secured Claims (Class 2E), or Deposit Secured Claims (Class 2F).

2.1.55 SECURED CLAIM RATE.

A rate of interest, to be determined by the Bankruptcy Court at the Confirmation Hearing, that, when applied to the amount of a Secured Claim paid in installments as provided herein, will result in such installments being of an aggregate value, as of the Effective Date, equal to the Allowed Secured Claim, consistent with the requirements of ss. 1129(b)(2)(B)(i). At the Confirmation Hearing, the Trustee will request the Bankruptcy Court to determine that the Secured Claim Rate is seven and one-half percent (7 1/2%) per annum.

2.1.56 SINCLAIR BANK.

Sinclair National Bank, a national bank the stock of which is currently owned by the Damian Sinclair.

2.1.57 SINCLAIR BANK LOAN PORTFOLIO CLAIM.

The Claim of Sinclair Bank arising from transactions denominated "purchase agreements" relating to consumer loans "sold" by Debtor to Sinclair Bank to the extent such

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Claim is a Secured Claim secured by a lien on a portion of Debtor's consumer loan portfolio. The Sinclair Bank Loan Portfolio Claim is classified under the Plan as the Class 2C Claim.

2.1.58 SINCLAIR'S.

Damien Sinclair and/or Susan W. Sinclair, the former shareholders of

Debtor.

2.1.59 STEVENS.

Clarence W. Stevens, the current owner of all of the issued and outstanding stock in Debtor.

2.1.60 STEVENS FUNDING.

Stevens Funding, Inc., a Missouri corporation and subsidiary of Debtor.

2.1.61 SUBORDINATED FRI INVESTOR CLAIMS.

FRI Investor Claims to the extent such Claims relate to certificates sold as subordinated time certificates, issued from March 1998 through March 1999.

2.1.62 TAX CLAIM.

A claim for taxes of the kind specified in ss. 507(a)(7) of the Bankruptcy Code, to the extent entitled to priority thereunder. Tax Claims are classified under the Plan as Class 1E Claims.

2.1.63 TAX CLAIM RATE.

A rate of interest, to be determined by the Bankruptcy Court at the Confirmation Hearing, that, when applied to the amount of a Tax Claim paid in installments as provided herein, will result in such installments being of an aggregate value, as of the Effective Date, equal to the Allowed Tax Claim, consistent with the requirements of ss. 1129(a)(9)(C). At the Confirmation Hearing, the Trustee will request the Bankruptcy Court to determine that the Tax Claim Rate is six percent (6%) per annum.

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2.1.64 TRUST SUPERVISION COMMITTEE.

A committee to be designated on the Effective Date pursuant to section 6.6 to provide supervision of the Preferred Stock Trust.

2.1.65 TRUSTEE.

Vern Schweigert, the trustee appointed in the Reorganization Case, or any successor trustee appointed by the Bankruptcy Court.

2.1.66 WAGE PRIORITY CLAIM.

A claim for wages, salaries, commissions, including vacation pay,

severance and sick leave pay, of the kind and in the amount specified in ss. 507(a)(3) of the Bankruptcy Code. Wage Priority Claims are classified under the Plan as Class 1 B Claims.

## 2.2 TERMS DEFINED IN BANKRUPTCY CODE.

A term not defined in the Plan but defined in the Bankruptcy Code shall have the meaning given in the Bankruptcy Code.

## 3.0 CLASSIFICATION OF CLAIMS AND INTERESTS.

For the purposes of the Plan, Claims against, and Interests in, the Debtor, of whatever nature, whether or not scheduled, liquidated or unliquidated, absolute or contingent, direct or indirect, including all Claims arising from the rejection of executory contracts, and all Claims or Interests arising from the ownership of equity securities of Debtor, shall be bound by the provisions of this Plan and are classified as follows:

### 3.1 PRIORITY CLAIMS.

All Priority Claims are classified in the Plan based upon the priorities established in ss. 507(a) of the Bankruptcy Code and are further separately classified as follows:

#### 3.1.1 CLASS 1A. ADMINISTRATIVE CLAIMS.

Class 1A shall consist of all Administrative Claims.

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#### 3.1.2 CLASS 1B. WAGE CLAIMS.

Class 1B shall consist of all Wage Claims.

#### 3.1.3 CLASS 1C. BENEFIT PLAN CLAIMS.

Class 1C shall consist of all Benefit Plan Claims.

#### 3.1.4 CLASS 1D. DEPOSIT CLAIMS.

Class 1D Claims shall consist of all Deposit Claims.

#### 3.1.5 CLASS 1E. TAX CLAIMS.

Class 1E shall consist of all Tax Claims.

## 3.2 SECURED CLAIMS.

Claims that are secured claims within the definition of ss. 506(a) of the Bankruptcy Code are separately classified in the following classes:

3.2.1 CLASS 2A. GREAT SOUTHERN BUILDING CLAIM.

Class 2A shall consist of the Great Southern Building Claim.

3.2.2 CLASS 2B. GREAT SOUTHERN LOAN PORTFOLIO CLAIM.

Class 2B shall consist of the Great Southern Loan Portfolio Claim.

3.2.3 CLASS 2C. SINCLAIR BANK LOAN PORTFOLIO CLAIM.

Class 2C shall consist of the Sinclair Bank Loan Portfolio Claim.

3.2.4 CLASS 2D. COLONIAL TRUST CLAIM.

Class 2D shall consist of the Colonial Trust Claim.

3.2.5 CLASS 2E. LESSOR SECURED CLAIMS.

Class 2E shall consist of all Lessor Secured Claims, which claims will be further separately classified for each Equipment Lease which has been re-characterized as a purchase money obligation secured by a security interest on the equipment.

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3.2.6 CLASS 2F. DEPOSIT SECURED CLAIMS.

Class 2F shall consist of all Claims for which the holder thereof holds a deposit from Debtor, to the extent the Claim is a Secured Claim. The Trustee believes that there are no Deposit Secured Claims.

3.3 UNSECURED CLAIMS.

Claims that are not Secured Claims and are not Priority Claims are classified in Class 3A, Class 3B, Class 3C, Class 3D or Class 3E, depending upon the nature of the claim and the identity of the holder of such claim, as follows:

3.3.1 CLASS 3A. FRI INVESTOR CLAIMS.

Class 3A shall consist of all FRI Investor Claims except Subordinated FRI Investor Claims (Class 3B) and Potential Defendant Claims (Class 3C).

3.3.2 CLASS 3B. SUBORDINATED FRI INVESTOR CLAIMS.

Class 3B shall consist of all Subordinated FRI Investor Claims except Potential Defendant Claims (Class 3C).

3.3.3 CLASS 3C. POTENTIAL DEFENDANT CLAIMS.

Class 3C shall consist of all Potential Defendant Claims.

3.3.4 CLASS 3D. GENERAL CLAIMS.

Class 3D shall consist of all General Claims.

3.3.5 CLASS 3E. INTER-COMPANY CLAIMS.

Class 3E Claims shall consist of all Inter-Company Claims.

3.4 INTERESTS.

All Interests or equity rights in the Debtor are classified in Class 4A as follows:

CLASS 4A. EQUITY INTERESTS.

Class 4A Interests shall consist of all Allowed Interests of the owner(s) of equity interests in Debtor.

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4.0 TREATMENT OF CLASSES

The treatment of each class of Claims or Interests is specified in this Article 4.0. The holder of a Claim may agree to deferred payment or a different treatment, provided such treatment is no more favorable than that provided for herein.

4.1 PRIORITY CLAIMS

In accordance with the requirements for plan confirmation set forth in ss.1129(a)(9), the Plan provides for the payment in full of all Priority Claims, as follows:

4.1.1 CLASS 1A. ADMINISTRATIVE CLAIMS.

4.1.2 CLASS 1B. WAGE CLAIMS.

4.1.3 CLASS 1C. BENEFIT PLAN CLAIMS.

4.1.4 CLASS 1D. DEPOSIT CLAIMS.

Each holder of a Class 1A, 1B, 1C, or 1D Claim, to the extent such Claim is an Allowed Claim, shall receive, on account of such Claim, payment of the Allowed amount of such Claim, in cash, on the later of (i) the Effective Date, (ii) the date on which the Claim becomes Allowed, or (iii) the date upon which such obligation becomes due in accordance with its terms.

Professionals and entities who may be entitled to allowance of fees and expenses from the Estate pursuant to ss. 503(b)(2) through (6) of the Bankruptcy Code will receive cash in the amount awarded to such professionals or entities in accordance with, and at such times as may be provided in, Final Orders entered pursuant to ss. 330 or 503(b)(2) through (6) of the Bankruptcy Code.

Class 1A, 1B, 1C, and 1D Claims are not impaired.

4.1.5 CLASS 1E. TAX CLAIMS.

Each holder of a Class 1E Claim, to the extent such Claim is an Allowed Claim, shall receive, on account of such Claim, deferred cash payments on account of such Claim over a

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period of four years, of an aggregate value, as of the Effective Date, equal to the Allowed amount of such Claim. The deferred cash payments shall be sixteen (16) equal quarterly installments of principal and interest at the Tax Claim Rate, with the first such payment being payable within ninety (90) days of the Effective Date.

Class 1E Claims are treated in accordance with ss. 1129(a)(9)(C) of the Bankruptcy Code and are, accordingly, not impaired for purposes of determining voting rights.

4.2 SECURED CLAIMS.

The Plan provides for the payment in full of all Allowed Secured Claims, as follows:

4.2.1 CLASS 2A. GREAT SOUTHERN BUILDING CLAIM.

The holder of the Class 2A Claim, to the extent such Claim is an Allowed Secured Claim, shall receive, on account of such Claim, deferred cash payments of an aggregate value, as of the Effective Date, equal to the Allowed amount of

such Claim. Such payments shall consist of (i) monthly payments of interest on the Allowed Amount of the Claim, at the Secured Claim Rate, commencing on the first day of the calendar month which is at least thirty (30) days after the Effective Date, and continuing until the sale of the collateral; and (ii) a lump sum payment of the Allowed amount of the Claim, from the proceeds of the sale of the collateral. The holder of the Class 2A claim shall retain its lien on the collateral to secure payment of the amounts provided herein.

The Class 2A Claim is impaired.

4.2.2 CLASS 2B. GREAT SOUTHERN LOAN PORTFOLIO CLAIM.

4.2.3 CLASS 2C. SINCLAIR BANK LOAN PORTFOLIO CLAIM.

The holder of the Class 2B or 2C Claim, to the extent such Claim is an Allowed Secured Claim, shall receive, on account of such Claim, deferred cash payments of an aggregate value, as of the Effective Date, equal to the Allowed amount of such Claim. Payments shall be made by the Reorganized Debtor in accordance with the terms of the

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applicable "purchase agreement," consisting of monthly payments of collections from the collateral portfolio, less, on a cumulative basis, the amount due Debtor as a "service fee." The holder of the Class 2B or 2C claim shall retain its lien on the collateral to secure payment of the amounts provided herein.

The Class 2B and 2C Claims are not impaired.

4.2.4 CLASS 2D. COLONIAL TRUST CLAIM.

The holder of the Class 2D Claim, to the extent such Claim is an Allowed Secured Claim, shall receive, on account of such claim, Class A Preferred Stock in the Reorganized Debtor, in the face amount equal to the aggregate of all Net Investment Amounts for all Participating Creditors, to be transferred to the Preferred Stock Trust. On the Effective Date, the holder of the Class 2D Claim shall release all liens on property of the Reorganized Debtor.

The Class 2D Claim is impaired.

4.2.5 CLASS 2E. LESSOR SECURED CLAIMS.

Each holder of a Class 2E Claim, to the extent such Claim is an Allowed Secured Claim, shall receive, on account of such Claim, deferred cash payments of an aggregate value, as of the Effective Date, equal to the Allowed amount of such Claim. Payments shall be made monthly or quarterly as provided in the applicable "Lease Agreement," commencing on the first day of the calendar month

that is at least thirty (30) days after the Effective Date. Each payment shall be in the amount necessary to pay the Allowed Secured Claim in full with interest at the Secured Claim Rate, over the term of the Lease Agreement, including any extensions or renewals provided for therein. The holder of the Class 2E claim shall retain its lien on the collateral to secure payment of the amounts provided herein.

Class 2E Claims are impaired.

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#### 4.2.6 CLASS 2F. DEPOSIT SECURED CLAIMS.

Each holder of a Class 2F Claim, to the extent such Claim is an Allowed Secured Claim, shall be entitled, on the Effective Date, to apply the deposit held in full satisfaction of its Allowed Secured Claim.

Class 2F Claims are impaired.

#### 4.3 UNSECURED CLAIMS WITHOUT PRIORITY.

The Plan provides for the following treatment of unsecured, non-priority Claims.

##### 4.3.1 CLASS 3A. FRI INVESTOR CLAIMS.

##### 4.3.2 CLASS 3B. SUBORDINATED FRI INVESTOR CLAIMS.

##### 4.3.3 CLASS 3C. POTENTIAL DEFENDANT CLAIMS.

##### 4.3.4 CLASS 3D. GENERAL CLAIMS.

Each holder of a Class 3A, 3B, 3C or 3D Claim, to the extent such Claim is an Allowed Claim, shall be entitled to elect, in the manner specified in Section 5.1 hereof, to be treated as a Participating Creditor or a Non-Participating Creditor. Participating Creditors shall receive Common Stock in the Reorganized Debtor, in accordance with the provisions of Section 5.2.1 hereof, and shall give and receive releases, as specified in Section 5.2.3 hereof, except that Participating Creditors who are holders of Potential Defendant Claims shall not receive releases. Non-Participating Creditors shall receive cash payments based on a prorated share of the Liquidation Amount, as provided in Section 5.3 hereof.

Class 3A, 3B, 3C and 3D Claims are impaired

##### 4.3.5 CLASS 3E. INTER-COMPANY CLAIMS.

Each holder of a Class 3E Claim shall receive nothing on account of its Claim. Class 3E Claims are impaired.

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#### 4.4 INTERESTS.

##### 4.4.1 CLASS 4A. EQUITY INTERESTS.

Each holder of a Class 4A Interest shall receive nothing on account of such Interest. All currently issued and outstanding stock, and any warrants, options or subscription rights thereto, will be cancelled as of the Effective Date.

Class 4A Interests are impaired.

#### 5.0 PARTICIPATING CREDITOR ELECTION.

Each holder of an Allowed FRI Investor Claim or General Claim will be requested to elect between two separate treatments under the Plan. Along with the ballot for acceptance or rejection of the Plan, each such Creditor will receive an election form to choose between being a Participating Creditor or a Non-Participating Creditor. The manner of voting, and the treatment of Claims is described in the following paragraphs of this Section 5.0.

##### 5.1 MANNER OF MAKING ELECTION.

Each holder of a Claim in Class 3A, 3B, 3C or 3D will receive an election form as part of its ballot to accept or reject the Plan, to be completed and returned by the date set for balloting on the Plan. Each holder of such a claim may designate its election to be a Participating Creditor or a Non-Participating Creditor, whether or not the holder accepts, rejects, or does not vote on the Plan. Absent the consent of the Trustee, a holder may not change its election after filing unless the Bankruptcy Court orders otherwise. The Trustee (prior to the Effective Date) or the Reorganized Debtor (on and after the Effective Date) may, but shall not be required to, accept a late election. If a Claim holder has submitted no election, the holder shall be conclusively deemed, for all purposes, to have made the same election as the majority (by dollar amount) of electing holders of claims in the same Class.

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5.2 TREATMENT OF PARTICIPATING CREDITORS.

On the Effective Date, each holder of an Allowed Claim who has elected, or is deemed to have elected, to be a Participating Creditor shall (i) receive Common Stock in the Reorganized Debtor, (ii) be entitled to distributions from the Preferred Stock, (iii) assign any interest such Participating Creditor has in Stevens Funding, and (iv) assign to Freedom Financial Group, a wholly owned subsidiary of the Reorganized Debtor, any and all claims it may have, against other Participating Creditors or any of the Potential Defendants, based on the following provisions of this section 5.2. In addition, any such Participating Creditors other than a holder of a Potential Defendant Claim will be released from any claims that the Estate or other Participating Creditors may have against it

5.2.1 COMMON STOCK.

On the Effective Date, the Reorganized Debtor will issue 9,000,000 shares of its Common Stock to the Disbursing Agent for distribution to Participating Creditors. Shares of Common Stock will be prorated among Participating Creditors based upon their Allowed claims.

5.2.2 DISTRIBUTIONS FROM PREFERRED STOCK.

On the Effective Date, the Reorganized Debtor will issue 9,000,000 shares of its Preferred Stock to the Preferred Stock Trustee for the benefit of Participating Creditors. Any funds or other distributions received by the Preferred Stock Trustee on account of such stock, whether sales proceeds, dividends, redemption payments or liquidation preferences, shall be distributed by the Preferred Stock Trustee, at least quarterly, to Participating Creditors, prorated on the basis of Net Investment Amount, as provided in section 5.2.7 hereof.

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5.2.3 PARTICIPATING CREDITORS RELEASE.

On the Effective Date, each Participating Creditor shall be conclusively deemed to have transferred and assigned to Freedom Financial Group, a wholly owned subsidiary of the Reorganized Debtor, any all claims the Participating Creditor may have against any other Participating Creditor arising out of or relating to the Debtor, or its businesses prior to the Effective Date. On the Effective Date, the Reorganized Debtor shall execute a release of all of such assigned claims for the benefit of each Participating Creditor except holders of Class 3C Claims.

#### 5.2.4 INTEREST IN STEVENS FUNDING.

On the Effective Date, each Participating Creditor with an interest in, or claim against, Stevens Funding, shall be conclusively deemed to have transferred and assigned to the Reorganized Debtor any and all such interests and claims.

#### 5.2.5 CLAIMS AGAINST POTENTIAL DEFENDANTS.

On the Effective Date, each Participating Creditor shall be conclusively deemed to have transferred and assigned to Freedom Financial Group, a wholly owned subsidiary of the Reorganized Debtor, any all claims the Participating Creditor may have against any and all of the Potential Defendants arising out of or relating to the Debtor, or its businesses prior to the Effective Date. On the Effective Date, the Reorganized Debtor shall execute a release of all of such assigned claims for the benefit of any of the Potential Defendants which have settled with the Trustee, in accordance with, and subject to, the terms of the settlement agreements. Thereafter, the Reorganized Debtor shall be free to investigate, pursue and settle all assigned claims against the remaining Potential Defendants, in the name of the Participating Creditors, for the benefit of the Reorganized Debtor.

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#### 5.2.6 ESTATE CLAIMS RELEASE.

On the Effective Date, the Reorganized Debtor shall release any and all claims Debtor or the Estate may have against any and all of the Participating Creditors other than holders of Class 3C Claims arising out of or relating to the Debtor, or its businesses prior to the Effective Date, including, without limitation, any Investor Avoidance Claims.

#### 5.2.7 NET INVESTMENT AMOUNT.

All distributions on account of the Preferred Stock in the Reorganized Debtor to be issued to the Preferred Stock Trustee, will be prorated based on the Net Investment Amount of each Participating Creditor. The Net Investment Amount for holders of General Claims shall be equal to the Allowed Amount of such Claim. The Net Investment Amount for FRI Investors shall be (i) the sum of all cash payments made by such Investor to purchase Fixed Rate Investment Certificates (or similar instruments) on and after January 1, 1995, less (ii) the sum of all cash payments received by such Investor from, or on behalf of, Debtor on account of such Fixed Rate investment certificates, whether such payments were denominated return of principal or interest; PROVIDED, the Net Investment Amount shall not be less than \$1,000. Thus, each FRI Investor will have a minimum claim of \$1,000. For purposes of calculating Net Investment

Amount, the Participating Creditor's investments in and distributions from Stevens Funding shall be included. Each Participating Creditor's pro rata share shall be calculated by dividing the Participating Creditor's Net Investment Amount by the aggregate of the Net Investment Amounts for all Participating Creditors. For purposes of determining a Participating Creditor's Net Investment Amount, all payments made by and to the Participating Creditor will be aggregated, and certificates purchased in the name of the husband and/or wife, or for the benefit of children for a revocable or irrevocable trust will be combined. Certificates purchased for individual retirement accounts, pension plans or similar tax-exempt retirement plans will not be aggregated with certificates purchased

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individually. The Bankruptcy Court will resolve any dispute over aggregate or other matters relating to the calculation of the Net Investment Amount.

### 5.3 TREATMENT OF NON-PARTICIPATING CREDITORS.

Within 120 days of the Effective Date, the Disbursing Agent shall distribute cash to each holder of an Allowed General Claim or an Allowed FRI Investor Claim who has elected treatment as a Non-Participating Creditor. The total amount distributed on account of such Claims will be determined on the basis of the Non-Participating Creditor's share of the Liquidation Amount, calculated in accordance with sections 5.3.1 and 5.3.2 hereof, and shall be prorated among Non-Participating Creditors based upon their share of the total Allowed Claims of Non-Participating Creditors. Non-Participating Creditors shall not assign claims they may have against the Potential Defendants or other creditors, shall not be released by other creditors, and shall be subject to any claims the Estate may have, including without limitation, Investor Avoidance Claims.

#### 5.3.1 LIQUIDATION AMOUNT.

The Liquidation Amount shall be the amount that would be distributed to non-priority, unsecured creditors if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code as of the Effective Date. The Bankruptcy Court will determine the Liquidation Amount at the Confirmation Hearing.

#### 5.3.2 NON-PARTICIPATING CREDITORS' SHARE OF LIQUIDATION AMOUNT.

The aggregate amount to be distributed to all Non-Participating Creditors shall be determined by dividing the aggregate amount of Allowed Claims of Non-Participating Creditors by the aggregate amount of all Allowed FRI Investor Claims and General Claims.

## 6.0 STOCK RIGHTS IN REORGANIZED DEBTOR.

## 6.1 STOCK OF REORGANIZE DEBTOR.

Prior to the Effective Date, all outstanding stock of the Debtor will be canceled and directly following the Effective Date, Debtor will issue 9,000,000 shares of Common Stock to be distributed to Participating Creditors and 9,000,000 share of Preferred Stock to the Preferred Stock Trustee for the benefit of Participating Creditors. Shares of Common Stock distributed among Participating Creditors will be prorated based upon their Allowed claims.

## 6.2 INITIAL BOARD OF DIRECTORS

The initial board of directors of the Reorganized Debtor will consist of three members, one each designated by the Trustee, Jerry Fenstermaker and the Investors' Committee. All director positions will be subject to election at the first annual shareholders' meeting for the Reorganized Debtor.

## 6.3 ELECTION OF SUCCESSOR BOARD MEMBERS.

At the annual shareholder's meetings, successor Board of Director members shall be selected by the shareholders of the Reorganized Debtor, and the outstanding Preferred Stock shall be voted in the same manner as Common Stock. Should a vacancy occur in the board of directors, the shareholders will be entitled to elect a replacement.

## 6.4 VOTING RIGHTS ON OTHER MATTERS.

Except as otherwise specifically set forth herein, on all matters submitted to shareholders for a vote, each share of Preferred or Common Stock will be entitled to one vote, without regard to Class and the outstanding Preferred Stock shall be voted in the same manner as Common Stock; provided, however, that as long as any Preferred Stock remains outstanding, (i) the rights and privileges of the Preferred Stock may not be altered without the approval of a majority (by face amount) of the holders of Preferred Stock, and (ii) no class of stock may be issued by the Reorganized Debtor providing for higher priority in

redemption, dividends, or liquidation preference without the consent of a

majority of the holders of the Preferred Stock.

#### 6.5 EMPLOYEE STOCK ISSUANCE

Directly after the Effective Date, and subject to the approval of the Bankruptcy Court, the Reorganized Debtor shall issue up to 1,000,000 shares of Common Stock to the management members and employees, as designated by the Board of Directors.

#### 6.6 MANAGEMENT OF PREFERRED STOCK TRUST

On the Effective Date, the existing trusts for the benefit of FRI Investors will be terminated and the Preferred Stock Trustee will become the trustee of the Preferred Stock Trust, which shall hold the Preferred Stock for the benefit of Participating Creditors until all such stock has been sold or redeemed. The initial Trustee of the Preferred Stock Trust will be selected by the Trustee and the Investors' Committee and shall be responsible for making distributions to Participating Creditors on a quarterly basis, if and when available, from any funds received on account of such Preferred Stock. Management of the Preferred Stock Trust will be subject to the decisions of a Trust Supervision Committee. The initial Trust Supervision Committee will consist of three members who will be selected by the Trustee, Jerry Fenstermaker, and the Investors' Committee. Immediately following the first annual shareholders meeting, each member of the Trust Supervision Committee shall be selected by the Board of Directors of the Reorganized Debtor for one-year terms. Vacancies on the Trust Supervision Committee will be filled by the Board of Directors of the Reorganized Debtor. The Trust Supervision Committee will be entitled to replace the trustee of the Preferred Stock Trust in the event of a vacancy, and will be entitled to remove such trustee, with or without cause, at any time. At any time after the one-year anniversary of the Effective Date, the Preferred Stock Trust may be terminated by a two-thirds majority of the

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Common Stock and upon such termination the Preferred Stock shall be distributed pro rata to the Participating Creditors on the basis of Net Investment Amount.

#### 6.7 PREFERRED STOCK ECONOMIC RIGHTS.

Preferred Stock in the Reorganized Debtor issued pursuant to the Plan shall be issued with the following rights and interests.

##### 6.7.1 REDEMPTION.

The Preferred Stock will be subject to mandatory redemption, on a pro rata basis, quarterly. The Preferred Stock Redemption Value of all Preferred Stock

shall be an amount equal to the aggregate Net Investment Amount of all Participating Creditors. To the extent funds are available, the Reorganized Debtor will pay 1/28th of the redemption value each quarter, commencing six (6) months after the Effective Date. In the event funds are not available in any given quarter to redeem 1/28th of the Preferred Stock, 1/28th of the Preferred Stock shall be redeemed in the next quarter in which funds are so available and redemption shall continue as set forth above until the entire Preferred Stock Redemption Value has been paid. Upon payment of the entire Preferred Stock Redemption Value, all shares of Preferred Stock shall be deemed redeemed and shall be cancelled.

#### 6.7.2 LIQUIDATION PREFERENCE.

The Preferred Stock will have a liquidation preference over Common Stock equal to the unpaid portion of the Preferred Stock Redemption Value. The liquidation preference will be payable in the event the Reorganized Debtor is merged with another entity or in the event substantially all of the assets of the Reorganized Debtor are sold.

#### 6.7.3 CONVERSION.

Each outstanding and unredeemed share of Preferred Stock shall automatically be convertible into one share of Common Stock upon the sale of such stock or the merger of the Reorganized Debtor.

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#### 6.7.4 DETERMINATION OF FUNDS AVAILABLE

As long as Preferred Stock remains outstanding, the Board of Directors shall determine, at the conclusion of each quarter, the amount of funds, if any, the Reorganized Debtor may devote to the payment of redemption and dividends. In making such determination, the Board shall consider the amount of funds available and any cash commitments of the company during the next quarter.

#### 7.0 OWNERSHIP OF ESTATE CLAIMS

On the Effective Date, Freedom Financial Group, a wholly owned subsidiary of the Reorganized Debtor, shall succeed to all claims and causes of action of the Debtor, and the Debtor's Estate, including, without limitation, any claims arising under ss. 544 et seq. of the Bankruptcy Code. The Board of Directors of the Reorganized Debtor shall have the authority to direct the pursuit or settlement of any such claims. Any proceeds or recoveries on account of such claims shall be considered by the Board of Directors in determining the amount of funds available for distribution in the quarter such proceeds are received.

## 8.0 THE DISBURSING AGENT

### 8.1 APPOINTMENT

A Disbursing Agent shall be appointed pursuant to the Confirmation Order. The Disbursing Agent shall, among other things, act instead of and as the nominee of the holders of Claims and Interests, receive payments from Debtor, the Estate, and the Reorganized Debtor, and make all payments and distributions to creditors contemplated by the Plan.

### 8.2 COMPENSATION OF THE DISBURSING AGENT

The Disbursing Agent shall not be entitled to compensation for services rendered. If any reimbursement of expenses is sought by the Disbursing Agent, the same shall be

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subject to the approval of the Bankruptcy Court and shall be payable from cash on hand after the entry of such an order by the Bankruptcy Court.

### 8.3 REORGANIZED DEBTOR AS DISBURSING AGENT

The Reorganized Debtor or Freedom Financial Group may be appointed as Disbursing Agent pursuant to the Confirmation Order to act in all such things as are required of the Disbursing Agent.

## 9.0 CONDITIONS PRECEDENT TO EFFECTIVE DATE

The following are conditions precedent to the occurrence of the Effective Date:

### 9.1 EXECUTION OF DOCUMENTS.

All documents necessary and appropriate to effectuate the Plan shall have been executed and delivered by all parties.

### 9.2 CORPORATE ACTION.

All corporate actions of Debtor shall be properly completed by the Effective Date.

## 10.0 CONDITIONS PRECEDENT TO DISTRIBUTIONS

### 10.1 DOCUMENTS OF EXCHANGE AND SURRENDER

The Disbursing Agent may, as a condition to receipt of distributions of

funds or stock, require a holder of a Claim to return and cancel instruments respecting such Claim.

## 10.2 UNCLAIMED FUNDS

For a period of one (1) year from the Effective Date, the Disbursing Agent shall retain any distribution of funds or stock otherwise distributable hereunder which remains unclaimed or as to which the Disbursing Agent has not received documents required under Section 10.1 hereof. Thereafter, any unclaimed stock in Reorganized Debtor shall be canceled and any unclaimed funds resulting will be paid over to the Reorganized Debtor.

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## 11.0 ALLOWANCE AND ESTIMATION OF CLAIMS

### 11.1 CATEGORIZATION OF CLAIMS.

A Claim shall be an Allowed Claim, an Estimated Claim, a Reserved-For Claim, or a Disallowed Claim, based on the following provisions.

#### 11.1.1 ALLOWED CLAIMS.

A Claim shall be an Allowed Claim only if, and to the extent, the Claim has been Timely Submitted, Allowable, and Determined, in accordance with the following:

Timely submission. A Claim shall be considered Timely Submitted if at least one of the following applies to such Claim:

Listed. The Claim is listed on the Schedules, and is not included within a Proof of Claim, and is not listed as contingent, unliquidated, or disputed;

Proof of Claim. The Claim is reflected in a Proof of Claim filed by the Bar Date applicable to such Claim;

Otherwise Timely Submitted. The Claim has been determined, by Final Order of the Bankruptcy Court, to be timely filed;

Informal Proof of Claim. The Claim has been determined, by Final Order of the Bankruptcy Court, to be the subject of a timely "informal Proof of Claim";

No Proof of Claim Required. The Claim has been determined, by Final Order of the Bankruptcy Court, to be deemed timely submitted, without a Proof of Claim.

Allowable. A Claim shall be considered Allowable if at least one of the following applies to such Claim:

No Objection. The Claim is Timely Submitted and is not the subject of a Timely Objection.

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Sustained Claim. The Claim has been allowed, after consideration of all Timely Objections, by Final Order of the Bankruptcy Court.

Determined. A Claim, and the amount thereof, shall be considered Determined if one of the following applies to such Claim:

No Objection. The Claim is Timely Submitted and Allowable, and the amount thereof is not subject to a Timely Objection.

Sustained Amount. The amount of the Claim has been determined, after consideration of all Timely Objections, by Final Order of the Bankruptcy Court.

#### 11.1.2 ESTIMATED CLAIMS.

A Claim shall be an Estimated Claim if the Claim is not an Allowed Claim, and the Bankruptcy Court has entered a Final Order estimating the Claim for distribution purposes.

#### 11.1.3 DISALLOWED CLAIMS.

A Claim shall be a Disallowed Claim if the Claim was not Timely Submitted, or has been disallowed by Final Order of the Bankruptcy Court.

#### 11.1.4 RESERVED-FOR CLAIMS.

A Claim shall be a Reserved-For Claim if the Claim is not an Allowed Claim, an Estimated Claim, or a Disallowed Claim. Each Reserved-For Claim shall be considered, for purposes of establishing reserves therefor, to be in an amount equal to (i) the amount listed on the Schedules, if no proof of claim has been filed, or (ii) the amount listed on a proof of claim.

#### 11.2 AGGREGATION OF MULTIPLE CLAIMS.

Multiple proofs of claim within the same Class filed by one claimant, to

the extent not duplicative, shall be aggregated and shall constitute a single Allowed Claim.

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### 11.3 OBJECTIONS AND BAR DATE FOR FILING OBJECTIONS

Except as provided above, an objection to a Claim shall be a Timely Objection if filed with the Bankruptcy Court, and served upon the holder of such Claim pursuant to the Bankruptcy Code and Bankruptcy Rules, no later than ninety (90) days after the Effective Date. The primary responsibility for objecting to claims shall be with the Reorganized Debtor.

### 11.4 SETTLEMENT OF CLAIMS

Settlement of any objection to a Claim not exceeding \$5,000 shall be permitted on the eleventh (11th) day after notice of the settlement has been provided to the Reorganized Debtor, and the Disbursing Agent, the settling party, and other persons specifically requesting such notice, and if on such date there is no written objection filed, such settlement shall be deemed approved. In the event of a written objection to the settlement, the settlement must be approved by the Bankruptcy Court on notice to the objecting party.

### 11.5 DISTRIBUTIONS ON ACCOUNT OF DISPUTED CLAIMS.

No distributions shall be made on account of a Disallowed Claim or a Reserved-For Claim.

### 11.6 PENALTIES AND FINES.

Except as specifically provided by Final Order of the Bankruptcy Court, no distribution shall be made on account of, any fine, penalty, exemplary or punitive damages, late charges or other monetary charge relating to or arising from any default or breach by Debtor, and any claim on account thereof shall be treated hereunder as such and disallowed to the extent of such fine, penalty, exemplary or punitive damages, late charges or other default-related charge, whether or not an objection is filed to it.

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## 12.0 LEASES AND EXECUTORY CONTRACTS

All leases and other executory contracts not assumed on or prior to the Effective Date shall be rejected as of the Effective Date, unless specific written notice of intent to assume is mailed or delivered to the lessor or other contracting party before the Effective Date. In the event of assumption, all pre-petition defaults will be cured on the Effective Date, or as soon thereafter as practicable.

### 13.0 RETENTION OF JURISDICTION

The Bankruptcy Court will retain jurisdiction to insure that the purposes and intent of the Plan are carried out. Without limiting the generality of the foregoing, the Bankruptcy Court will retain jurisdiction, until the Plan is fully consummated, for the following purposes:

CLAIMS DETERMINATION. The classification, allowance, subordination and liquidation of the Claim of any creditor (including Administrative Claims) and the reexamination of Allowed Claims for purposes of determining acceptances at the time of Confirmation, and the determination of such objections as may be filed. The failure by the Trustee or the Reorganized Debtor to object to or to examine any Claim for the purpose of determining Plan acceptance, shall not be deemed to be a waiver of any right to object to or reexamine any Claim in whole or in part.

ESTATE ASSETS. The determination of all questions and disputes regarding title to the assets of the Estate, and determination of all causes of action, controversies, disputes, or conflicts, known or unknown, whether or not subject to action pending as of the Confirmation Date, between Debtor and any other party, including but not limited to, Debtor's right to recover assets, avoid transfers, recover fraudulent transfers, offset claims, recover money or property from any party or return assets which were or are the property of the Estate pursuant to the provisions of the Bankruptcy Code.

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EXECUTORY CONTRACTS. The determination of all matters relating to the assumption, assignment, or rejection of executory contracts and unexpired leases, including claims for damages from the rejection of any executory contract or unexpired lease within such time as the Bankruptcy Court may direct.

UNLIQUIDATED CLAIMS. The liquidation or estimation of damages or the determination of the manner and time for such liquidation or estimation in connection with any contingent, disputed, or unliquidated Claims.

PLAN CORRECTIONS. The correction of any defect, the curing of any omission, or the reconciliation of any inconsistency in the Plan, the Confirmation Order, or any and all documents executed or to be executed in

connection therewith, as may be necessary to carry out the purposes and the intent of the Plan, on such notice as the Bankruptcy Court shall determine to be appropriate.

PLAN MODIFICATIONS. The modification of the Plan after Confirmation pursuant to the Bankruptcy Rules and the Bankruptcy Code.

ADVERSARY PROCEEDINGS. The adjudication of all claims, controversies, contested matters or adversary proceedings arising out of any purchases, sales, agreements or obligations made or undertaken by and between Debtor and any third party during the pendency of the Reorganization Cases.

PLAN INTERPRETATION. The enforcement and interpretation of the terms and conditions of the Plan and the determination of all controversies and disputes that may arise in connection with the enforcement, interpretation or consummation of the Plan.

DEADLINES. The shortening or extending, for cause, of the time fixed for doing any act or thing under the Plan, on such notice as the Bankruptcy Court shall determine to be appropriate.

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DISCHARGE INJUNCTIONS. The entry of any order, including injunctions, necessary to enforce the title, rights, and powers of the Reorganized Debtor, and to impose such limitations, restrictions, terms and conditions on such title, rights, and powers as the Bankruptcy Court may deem appropriate.

CASE CLOSING. The entry of an order concluding and terminating these Reorganization Cases.

ADDITIONAL MATTERS. The determination of such other matters as may be provided in the Confirmation Order or as may be authorized under the Bankruptcy Code.

#### 14.0 MODIFICATION OF THE PLAN

In addition to the modification rights under ss. 1127 of the Bankruptcy Code, the Trustee may propose amendments to or modifications of this Plan at any time prior to entry of the Confirmation Order, with leave of the Bankruptcy Court, upon such notice as may be prescribed by the Court. After entry of the Confirmation Order, the Trustee may, with the approval of the Court, and so long as it does not materially or adversely affect the interest of creditors, cure any omission, correct any defect, or reconcile any inconsistencies in the Plan, the Confirmation Order, or any and all documents executed or to be executed in

accordance therewith, in such manner as may be necessary to carry out the purposes and intent of this Plan.

## 15.0 EFFECT OF CONFIRMATION

### 15.1 DISCHARGE OF CLAIMS

Except as otherwise provided in the Plan or the Confirmation Order, entry of the Confirmation Order acts as a discharge, effective as of the Effective Date, of any and all debts, obligations, liabilities and claims, whether contingent or otherwise, of Debtor that arose at any time before the Effective Date, including, but not limited to, all interests in the Debtor, and all principal and any and all interest accrued thereon, pursuant to ss. 1141(d)(1)

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of the Bankruptcy Code. The discharge of Debtor shall be effective as to each Claim, regardless of whether a proof of claim thereof was filed, whether or not the Claim is an Allowed Claim, or whether the holder thereof voted to accept the Plan.

### 15.2 VESTING OF ASSETS.

Except as otherwise provided in the Plan or the Confirmation Order, entry of the Confirmation Order shall vest in the Reorganized Debtor, as of the Effective Date, all assets acquired pursuant to this Plan, free and clear of all liens, claims and encumbrances.

## 16.0 MISCELLANEOUS

### 16.1 NOTICES

All notices, requests, or demands for payment provided for in the Plan shall be in writing and shall be deemed to have been given to the Trustee when personally delivered by hand, or deposited in any general or branch post office of the United States Postal Service, or received by telecopy. Notices, requests and demands for payment shall be addressed and sent postage prepaid or delivered to:

Vern Schweigert  
Biltmore Associates  
1121 E. Missouri Street, Suite 100  
Phoenix, Arizona 85014

With copies to:

Osborn Maledon Attn: Alan Meda  
2929 N. Central Avenue, Suite 2100  
Phoenix, Arizona 85012-2794  
Email bked@omlaw\_com

16.2 HEADINGS

The headings used in the Plan are inserted for convenience only and shall not affect the interpretation of the Plan.

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16.3 TIME OF THE ESSENCE

Time is of the essence in the interpretation and enforcement of this Plan. Without limiting the generality of such statement, the rights provided hereunder are intended to expire immediately upon the expiration of the period provided for herein, and are intended not to be extended under ss. 362 or ss. 105 of the Bankruptcy Code for any reason.

16.4 CONFIRMATION WITHOUT ACCEPTANCE OF ALL CLASSES

The Trustee will request the Bankruptcy Court to confirm the Plan notwithstanding the rejection of the Plan by an impaired Class, pursuant to the provisions of ss. 1129(b) of the Bankruptcy Code.

DATED this 30th day of October, 2001.

By /s/ Vern Schweigert  
-----

Vern Schewigert, Trustee

By /s/ Alan M. Meda  
-----

Alan M. Meda  
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Attorneys for Vern Schweigert, Trustee

UNITED STATES BANKRUPTCY COURT  
 FOR THE DISTRICT OF ARIZONA

-----  
 In re:

STEVENS FINANCIAL GROUP, INC., a  
 Missouri corporation,

Case No. B-01-3105-ECF-RTB  
 Chapter 11

Debtor  
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DISCLOSURE STATEMENT FOR  
 TRUSTEE'S AMENDED PLAN OF REORGANIZATION  
 DATED OCTOBER 30, 2001

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equity interests adequate information to make an informed judgment about the Plan. Creditors and interest holders are urged to read the Plan in its entirety. In the event of a conflict between the Plan and the Disclosure Statement, the terms of the Plan and the Order of the Bankruptcy Court Confirming the Plan shall control.

Section II of the Disclosure Statement (beginning on page 14) provides historical information regarding the Debtor's business, assets and liabilities, and the circumstances surrounding the filing of this bankruptcy proceeding. Section III (beginning on page 27) summarizes developments during the course of this Chapter 11 case. Section IV (beginning on page 32) summarizes the provisions of the Plan, including the classification and treatment of Claims and Interests. Section V (beginning on page 53) contains financial information regarding Debtor and describes projections of distributions under the Plan based upon the assumptions identified in the projections. Section VI (beginning on page 54) identifies the current and intended future management of the Debtor. Section VII (beginning on page 55) discusses the legal requirements for confirmation of the Plan. Section VIII (beginning on page 58) discusses certain possible tax consequences of the Plan. Section IX (beginning on page 63) discusses certain federal securities law issues raised by the Plan. Section X (beginning on page 65) contains the recommendation of the Trustee with respect to the Plan.

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#### D. OVERVIEW OF THE PLAN.

The Trustee has proposed the accompanying Plan of Reorganization as an alternative to a discount liquidation of the Estate's assets followed by years of litigation between and among the Estate, certain parties who may be liable to the Estate and individual creditors of the Estate. The Trustee believes that the Plan offers a better opportunity for creditors to recover all or part of their losses for the following reasons:

- o GOING CONCERN VALUE OF EXISTING ASSETS. If the assets of the Estate were liquidated under Chapter 7 of the Bankruptcy Code, the remaining consumer loan portfolio would be disposed of at a substantial discount from its face value. It is the position of the Investor's Committee that a liquidating Chapter 11 could be formulated which would greatly decrease administrative expenses. However, in contrast to these two alternatives, the Plan proposes to retain the consumer loan portfolio and to continue consumer financing operations, so that the Estate and its creditors can achieve the "going concern" value of the portfolio.

- o EFFICIENT PURSUIT OF JOINTLY HELD CLAIMS. If the assets of the Estate were liquidated under Chapter 7, the Estate would, effectively, be in competition with individual creditors, such as holders of Fixed Rate Investment certificates in seeking recoveries from various parties who may have liabilities to both (referred to herein and in the Plan as "Potential Defendants." This competition would increase the costs and time spent pursuing these claims and would lessen any ultimate recoveries for the Estate and creditors. In contrast, the Plan proposes

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that that the claims of the Estate and the claims of individual creditors be pursued jointly for the benefit of all creditors.

- o PROMPT POSSIBLE SETTLEMENT OF CLAIMS LITIGATION. If the assets of the Estate were liquidated under Chapter 7, the Chapter 7 trustee would be compelled to pursue preference and fraudulent transfer claims and claims objections against most of the creditors pursuant to applicable bankruptcy principles discussed in Exhibit 2 to this Disclosure Statement. The Plan provides an alternative to this massive amount of litigation by affording each creditor an opportunity to participate in distributions from the Estate based upon the creditor's Net Investment Amount, as defined in the Plan, and thereby avoid litigation over the creditor's claim. The Plan provides that each unsecured, non-priority creditor may elect to accept this settlement or reject the settlement and be subject to challenges to its claim. CREDITORS MUST UNDERSTAND, HOWEVER, THAT THE ELECTION TO BECOME PARTICIPATING CREDITORS WILL RESULT IN THE CONVERSION OF THEIR CASH CLAIMS AGAINST SFG TO AN EQUITY SHAREHOLDER STATUS IN A COMPANY TO BE FORMED CALLED SFG HOLDINGS. THE INVESTOR'S COMMITTEE CONTENTS THAT THIS RESULT GENERALLY MEANS THAT THE PARTICIPATING CREDITORS' CLAIMS WILL BE SUBORDINATE TO THE NEW UNSECURED CLAIMS OF SFG HOLDINGS, IF ANY.

1. CONTINUATION OF DEBTOR'S CORE FINANCING BUSINESS.

The Plan provides for the continuation of Debtor's consumer loan business under new management, permitting creditors to exchange their claims for stock in the reorganized business. As discussed hereafter, the Trustee

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separately intends to seek Bankruptcy Court approval for a joint venture between the Reorganized Debtor and another company engaged in consumer loan financing. If the joint venture is approved and pursued, the combined operations of both businesses will achieve additional operating efficiencies and expanded financing opportunities. If the joint venture is not approved or completed, the Plan provides that Debtor's existing operations will continue under new management with additional capital furnished, initially, from the proceeds of claims against the Potential Defendants, estimated to be in the neighborhood of \$8.0 million.

2. CLAIMS AGAINST POTENTIAL DEFENDANTS.

The Plan provides for the investigation, prosecution and settlement of claims against the "Potential Defendants," consisting of (i) Damian Sinclair, a former shareholder and chief executive officer; and his ex-wife Susan W. Sinclair; (ii) Clarence W. Stevens, Jr., the current sole shareholder and chief executive officer; (iii) Pat Robarge, Debtor's former chief operating officer; (iv) entities affiliated with any of these individuals; (v) Colonial Trust Company, the trustee of Collateralized Time and Fixed Rate Investment certificate trust indentures; (vi) Harnden & Hamilton, P.C., Debtor's accounting firm, (vii) securities brokerage companies who sold Collateralized Time and Fixed Rate Investment Certificates, and (viii) First Financial Trust Company of New Mexico, which provided a guaranty of Debtor's obligations to repay the certificates; and (vii) officers, directors, employees and agents of these companies and professionals performing services for these companies in connection with the issuance or management of Fixed Rate Investment Certificates. The claims against the Potential Defendants are summarized in Exhibit 2 to this Disclosure

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Statement. The Trustee is currently engaged in negotiations with most of the Potential Defendants and anticipates that, prior to the Effective Date, proposed settlements with some of the Potential Defendants will be presented to the Bankruptcy Court for approval. PARTICIPATING CREDITORS, ESPECIALLY INVESTOR CREDITORS, MUST UNDERSTAND THAT AN ELECTION TO PARTICIPATE ASSIGNS ALL PERSONAL CAUSES OF ACTION TO SFG HOLDINGS, AND THE ASSIGNING CREDITOR WILL NO LONGER HAVE A RIGHT TO PURSUE THE CLAIM. FURTHER, THE INVESTORS COMMITTEE CONTENDS THAT SHOULD THE PLAN ULTIMATELY FAIL, THERE MAY NOT BE SUFFICIENT ASSETS TO PAY THE VALUE OF THE ASSIGNED CLAIMS TO THE ASSIGNING INVESTORS IN LIQUIDATION.

3. PRIORITY AND SECURED CLAIMS.

From any available settlement proceeds and from funds available from operations, Priority Claims (as described in sections IV.B.1.a through IV.B.1.d, beginning on page 33) will receive payment of the full amount of their Allowed Claims. From the sale of Debtor's Springfield office building, Debtor's primary secured creditor will be paid in full. Funds not required for these payments will re-vest in the Reorganized Debtor to fund future operations and priority claims.

4. DISTRIBUTIONS TO OTHER CREDITORS.

The Plan provides that all other creditors (creditors with unsecured claims not entitled to priority) will be permitted to elect between treatment as a Non-Participating Creditor, receiving a small cash distribution, based on the liquidation value of the Estate, or treatment as a Participating Creditor, receiving Common Stock and rights to distributions from Preferred Stock issued by SFG

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Holding Company, a corporation to be formed to hold the stock of the Reorganized Debtor. The Trustee only proposes a small cash distribution to the Non-Participating Creditors who do not assign their claims to SFG Holdings, which distribution will be based upon the Plan's estimated liquidation value of the Estate. Participating Creditors will assign their claims against the Potential Defendants to SFG Holding and will be released from any claims Debtor's Estate or other Participating Creditors may have against them. Claims to be assigned and/or released are summarized in Exhibit 2.

#### 5. STOCK ISSUED UNDER THE PLAN.

The Plan provides that Participating Creditors will receive (i) distribution rights from redeemable Preferred Stock, and (ii) Common stock. Both types of stock will be issued by SFG Holding, which will be the parent company of the Reorganized Debtor. The issuance of Preferred Stock is intended to assured that all Available Cash will be distributed first to Participating Creditors until they have recovered their entire Net Investment Amount. Rights in Preferred Stock will be prorated among Participating Creditors based upon their Net Investment Amount. The Net Investment Amount for each Participating FRI Investor will be calculated based upon all of such creditor's FRI transactions with Debtor prior to the filing.

Common Stock will be distributed directly to Participating Creditors and will be prorated among them based upon their actual Allowed Claim Amount. The Plan provides that, with Bankruptcy Court approval, the management of the

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new business may receive up to 10% of the Common Stock. Because no distributions will be made on account of Common Stock until all Preferred Stock has been redeemed, this corporate structure ensures that management's stock will have value only if substantial distributions are made to Participating Creditors.

#### 6. NEW MANAGEMENT.

The Plan provides for the appointment of three directors of SFG Holding, one to be selected by each of the Trustee, Debtor's acting Chief Executive Officer, and the Investors' Committee. At the first annual meeting of shareholders, which may be held not less than six (6) months following the Effective Date, the shareholders will vote for all directors. Thereafter, the shareholders will vote for directors annually. Jerry Fenstermaker, acting Chief Executive Officer, will continue to serve as Chief Executive Officer of SFG Holding after the Effective Date, and the board of directors will select the remaining officers and management.

#### 7. OTHER PLAN PROVISIONS.

The Plan contains other provisions regarding discharge of claims, the procedures for allowance or disallowance of Claims, and the retention of jurisdiction by the Bankruptcy Court. Reference is made to the more detailed description following and the Plan for a description of such provisions.

#### E. DEFINITIONS.

Most words or phrases used in this Disclosure Statement have their usual and customary meanings. Words or phrases with initial capital letters have the

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definitions set forth in the Plan or the Bankruptcy Code, unless otherwise defined herein.

#### F. MATTERS MERITING SPECIAL ATTENTION.

Creditors and other interested parties are urged to read the entire Disclosure Statement and the Plan. The following matters are considered of special importance:

#### DEADLINE FOR SUBMITTING BALLOTS

EXECUTED BALLOTS MUST BE RECEIVED NO LATER THAN 5:00 P.M., MOUNTAIN STANDARD TIME ON THE DUE DATE SET BY THE COURT. SINCE MAIL DELAYS MAY OCCUR, BALLOTS SHOULD BE MAILED OR DELIVERED WELL IN ADVANCE OF THE SPECIFIED DATE. ANY BALLOTS RECEIVED AFTER THE DUE DATE MAY NOT BE INCLUDED IN ANY CALCULATION TO DETERMINE WHETHER THE CREDITORS HAVE VOTED

TO ACCEPT OR REJECT THE PLAN.

IMPORTANCE OF VOTE

YOUR VOTE IS IMPORTANT AND MAY DETERMINE WHETHER THE PLAN IS CONFIRMED. YOU ARE URGED TO STUDY THE PLAN CAREFULLY AND TO CONSULT WITH YOUR COUNSEL ABOUT ITS IMPACT UPON YOUR LEGAL RIGHTS BEFORE VOTING.

TREATMENT ELECTION

CREDITORS WITH FRI INVESTOR CLAIMS AND GENERAL CLAIMS MAY ELECT BETWEEN TWO TREATMENTS UNDER THE PLAN. TO MAKE THE ELECTION, EACH CREDITOR MUST COMPLETE THE APPROPRIATE PORTION OF THE PLAN BALLOT ACCOMPANYING THIS DISCLOSURE STATEMENT.

HEARING ON CONFIRMATION OF PLAN

THE BANKRUPTCY COURT WILL HOLD A HEARING ON CONFIRMATION OF THE PLAN COMMENCING AT THE TIME AND PLACE STATED IN THE ACCOMPANYING ORDER AND NOTICE. THE HEARING MAY BE CONTINUED FROM TIME TO TIME

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THEREAFTER WITHOUT FURTHER NOTICE EXCEPT AS GIVEN IN OPEN COURT. THE PLAN SHALL NOT BE EFFECTIVE UNLESS THE COURT ENTERS AN ORDER CONFIRMING THE PLAN, AFTER THE COMPLETION OF SUCH HEARING.

NO OTHER REPRESENTATIONS AUTHORIZED

NO REPRESENTATIONS CONCERNING DEBTORS OR THE PLAN ARE AUTHORIZED OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT. YOU SHOULD NOT RELY ON ANY ADDITIONAL REPRESENTATIONS OR INDUCEMENTS TO SECURE YOUR VOTE ON THE PLAN.

ABSENCE OF AUDITED FINANCIAL INFORMATION

EXCEPT AS OTHERWISE SPECIFIED, THE FINANCIAL INFORMATION CONTAINED HEREIN HAS NOT BEEN SUBJECT TO A CERTIFIED AUDIT. SUCH INFORMATION AND OTHER STATEMENTS ARE BASED UPON DEBTOR'S BOOKS AND RECORDS AND THE ESTIMATES AND ASSUMPTIONS STATED. ALL INFORMATION IS ACCURATE TO THE BEST KNOWLEDGE, INFORMATION AND BELIEF OF THE TRUSTEE, ALTHOUGH THE TRUSTEE IS UNABLE TO WARRANT THAT NO INACCURACIES EXIST.

NO OBLIGATION TO SUPPLEMENT

THE STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF UNLESS ANOTHER TIME IS SPECIFIED HEREIN. NEITHER DELIVERY OF THIS DISCLOSURE STATEMENT NOR ANY EXCHANGE OF RIGHTS MADE IN CONNECTION WITH THE PLAN SHALL UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE INFORMATION SET FORTH HEREIN SINCE THE DATE OF THIS DISCLOSURE STATEMENT AND THE MATERIAL RELIED UPON IN PREPARATION OF THIS DISCLOSURE STATEMENT WERE COMPILED. THE TRUSTEE ASSUMES NO DUTY TO UPDATE OR SUPPLEMENT THE DISCLOSURES CONTAINED HEREIN AND DOES NOT INTEND TO UPDATE OR SUPPLEMENT THE DISCLOSURES.

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NO INDEPENDENT VERIFICATION BY COURT OR  
SECURITIES AND EXCHANGE COMMISSION

THE COURT HAS NOT VERIFIED THE ACCURACY OF THE INFORMATION, AND THE COURT'S APPROVAL OF THIS DISCLOSURE STATEMENT MEANS ONLY THAT, IF THE INFORMATION IS ACCURATE, IT IS SUFFICIENT TO PROVIDE AN ADEQUATE BASIS FOR CREDITORS AND INTEREST HOLDERS TO MAKE INFORMED DECISIONS WHETHER TO ACCEPT OR REJECT THE PLAN. THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE COMMISSION PASSED ON THE ACCURACY OR ADEQUACY OF THE STATEMENTS IN IT.

THE FOLLOWING PARAGRAPHS 1-6 ARE INCLUDED IN THIS DISCLOSURE STATEMENT AT THE REQUEST OF THE STATE OF MISSOURI, AND TO THE EXTENT THAT THIS INFORMATION REFLECTS AN OPINION, IT IS THE OPINION OF THE STATE OF MISSOURI:

NEITHER THE PLAN NOR THE DISCLOSURE STATEMENT HAVE BEEN APPROVED BY THE MISSOURI SECURITIES DIVISION, ANY OTHER STATES' SECURITIES DIVISION OR THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION.

1. The Reorganized Debtor (Stevens Financial, Inc.) will be a new, unproven corporation. As shareholders of this new company, you may ultimately lose your entire investment. This is a high-risk investment in a new corporation that has limited operations and assets.

2. Under the Plan, you have the option of receiving a percentage of your investment based on the Debtor's liquidation value or becoming a Participating Creditor. If you choose to become a Participating Creditor and receive stock in the Reorganized Debtor, then you will lose your cash claim under the

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liquidation and you will lose your rights to pursue your own lawsuits against the principals of the Debtor and others. There is no public market for your stock in the Reorganized Debtor, so you may not be able to sell your stock for a long time, if ever.

3. Under the Plan, the Reorganized Debtor intends to enter into a joint venture with Innovative Financial Resources, Inc., ("IFR") and its subsidiary Venture Funding Resources, Inc., ("VFR"). IFR was incorporated in Missouri on February 21, 2001. And VFR was incorporated in Missouri on March 7, 2001. The Disclosure Statement does not identify the principals or officers of IFR or VFR and does not contain financial statements showing the past financial performance of these companies.

4. The five year projections included in Exhibit 5 to the Disclosure Statement have been developed by the Debtor's current management, and these projections have not been audited or reviewed by an independent accountant and are not based on any formal valuation of the company. These projections are for illustration purposes only and are not in accordance with generally accepted accounting principles.

5. There is no guarantee that the Reorganized Debtor will achieve the income and profitability levels as indicated in the projections. Further, there is no assurance or guarantee that the

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Reorganized Debtor will ever be profitable or viable. There is no guarantee that the Reorganized Debtor will have sufficient funds to make distributions or to pay dividends to Participating Creditors, in either the amounts indicated in the projections, or at all. You may never receive a payment from the Reorganized Debtor.

6. If the Reorganized Debtor needs additional financing to fund its operations, it may have to give a security interest in some or all of its assets in order to obtain such financing. If the Reorganized Debtor were later to fail, then the Participating Creditors would only be paid if there were proceeds remaining after any secured creditors are paid and after any post-bankruptcy unsecured creditors are paid. This may leave no funds available to pay stockholders.

THE TRUSTEE DISAGREES WITH THE OPINIONS OF THE STATE OF MISSOURI AND BELIEVES THAT EACH UNSECURED, NON-PRIORITY CREDITOR AND/OR INVESTOR WOULD BE BETTER OFF VOTING IN FAVOR OF THE PLAN AND ELECTING TO BECOME A PARTICIPATING CREDITOR.

## II. HISTORY OF DEBTOR AND ITS OPERATIONS.

### A. OWNERSHIP AND MANAGEMENT.

Debtor was formed in July 1993 as "First Financial Credit Corp.," a Missouri corporation, and commenced operations the following month. Damian and Susan Sinclair, Pat Robarge, James Fail and Cynthia Jongewaard were the initial shareholders. Mr. Sinclair, Harry Carneal, and Mr. Robarge were the initial directors. Mr. Sinclair served as president and chief executive officer and

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Mr. Robarge served as chief operating officer. Mrs. Sinclair replaced Mr. Carneal as director in September, 1994, and served thereafter as executive vice-president.

In 1994, Debtor acquired the stock previously issued to Mr. Fail and Ms. Jongewaard. In June 1995, Mr. Sinclair acquired Mr. Robarge's stock and Mr. Robarge resigned as an officer and director. As a result, the Sinclair's became the sole shareholders of Debtor and, in March 1995, changed the company's name to "Sinclair Financial Group, Inc."

In October 1995, William J. Turner became President and Chief Operating Officer and John Paunovic became Treasurer and Chief Financial Officer. In December 1995, J. R. Edmiston became Executive Vice President. In July 1997, Messrs. Turner, Edmiston and Paunovic resigned, Joe Norton became president and Clarence W. Stevens, Jr. became Chief of Operations. The following month, Mr. Norton resigned and Mr. Stevens became president. Mr. Sinclair remained active in Debtor's operations as the Chief Executive Officer. Mr. Robarge also remained active in the business but also operated a separate consumer loan company in Phoenix. In 1998, Mr. Robarge moved to Debtor's Springfield office, retaining his Phoenix operations while devoting most of his time to the development and programming of Debtor's computer systems.

In October 1999, Debtor and Mr. Stevens acquired all of the Sinclair's stock. Upon completion of the stock sale, the Sinclair's resigned all offices in the Debtor and Mr. Stevens became the Chief Executive Officer. After the stock sale and until the Petition Date, the Sinclair's acted as consultants and

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Mr. Robarge served as a full-time employee with no official position. In May 2000, Debtor's name was changed to "Stevens Financial Group, Inc."

Debtor currently has two subsidiaries: Sinclair Credit Group, Inc., which conducts Debtor's Canadian operations, and Stevens Funding Corporation, which made an offering of fixed rate investment certificates in February 2001.

#### B. LENDING OPERATIONS.

Debtor commenced operations in August 1993 as a consumer credit loan company licensed by the State of Missouri. Debtor acquired a majority of its consumer loans through flooring or similar arrangements with used car dealers and retailers of household appliances, particularly vacuum cleaners. Debtor's Canadian operations finance household appliances and, through retail dealers, various bulk food products.

Typical consumer loans acquired by Debtor would have remaining maturities of eight (8) to (36) months, would provide for interest rates from ten to twenty-nine percent (10-29%), would have balances between \$3500 and \$4500, and would be secured by the automobile, mobile home, or consumer goods acquired with the loan proceeds. For most of its existence, Debtor has experienced a default rate of 20% to 25% on its consumer loan portfolio, consistent with industry standard, and has realized a net interest rate, after collection losses, of approximately 2%, also consistent with industry standards.

After 1997, Debtor also acquired mobile home and manufactured housing consumer loans. Typically, these loans had terms of 5-20 years and interest rates ranging from 11% to 15%. Consistent with industry standards, Debtor

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experienced a substantially lower (approximately 10%) default rate on these loans.

Debtor also bought and sold consumer loans in bulk transactions with other lenders. Typically, loans would be acquired at a substantial discount from face shortly after origination and before the loans had an established payment history. Debtor would collect these acquired loans from 6-12 months and sell them in bulk, at a lesser discount, as "seasoned" paper. Debtor's bulk sales agreements frequently required Debtor to convey the loans "with recourse," and often provided for Debtor to "service" the contracts for a fee.

In its first years of operations, Debtor's portfolio included a very limited amount of commercial, non-consumer, loans. As described below, however, the amount and percentage of non-consumer loans materially increased in later

years, primarily as a result of transactions with affiliates.

C. DEBTOR'S FINANCING .

1. INITIAL LINE OF CREDIT.

In 1993, Debtor obtained two lines of credit, providing for advances of up to \$1,000,000 and \$375,000, respectively, based upon 65% of the face amount of eligible consumer loans pledged to secure the loans. The balances due on these loans were \$312,500 and \$961,804, at the end of 1993 and 1994, respectively.

During 1994, the smaller line of credit was terminated and Debtor agreed to pay off the larger line, from CDSB of Dallas, in eighteen (18) monthly installments beginning in January 1995. In connection with the 1994 loan modification, Debtor agreed to acquire the stock of Mr. Fail and Ms.

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Jongewaard, CDSB's affiliates, and issued promissory notes to these two shareholders for \$112,500 each. The CDSB line of credit was paid in full in June 1995 and the shareholder notes were paid in full in October and November 1995.

2. FIXED RATE INVESTMENT CERTIFICATES.

Since January 1995, Debtor's primary source of financing has been the issuance of "Fixed Rate Investment Certificates," initially called "Collateralized Time Certificates." The certificates were sold to individual investors, under the "private offering" and/or intrastate exemptions of the Securities Act of 1933, and regulations promulgated under it, through registered brokers and through direct issuance by Debtor. The certificates were issued in a series of offerings, each described in separate Debtor-prepared prospectuses. From 1995 through 2000, Debtor made nine separate certificate offerings:

TABLE 1

FIXED RATE INVESTMENT OFFERINGS

| OFFERING | BEGIN DATE     | END DATE          | AMOUNT ISSUED |
|----------|----------------|-------------------|---------------|
| 1        | January 1995   | June 30, 1995     | 2,933,389.73  |
| 2        | July 1995      | July 1996         | 9,813,744.63  |
| 3        | July 1996      | March 9, 1997     | 9,110,210.76  |
| 4        | Sept. 1996     | March 9, 1997     | 18,513,558.90 |
| 5        | March 10, 1997 | March 1998        | 12,591,324.81 |
| 6        | October 1998   | October 1999      | 26,457,882.76 |
| 7        | October 1999   | June 2000         | 9,845,925.42  |
| 8        | June 8, 2000   | December 29, 2000 | 7,393,354.22  |
| Total    |                |                   | 96,659,391.23 |

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a. Terms

Fixed Rate Investment Certificates constitute long-term debt obligations of Debtor. Each certificate obligates Debtor to repay the amount invested by the certificate holder, with interest, at a specified maturity date. Certificate interest rates range from 7.5% to 13.95%, depending upon the amount of the certificate, the number of years until maturity, and whether the investor elects to receive periodic interest payments or to reinvest accrued and compounded interest until maturity.

b. Trust Indentures.

Each Fixed Rate Investment certificate offering provided for Debtor's execution of a separate trust indenture, designating Colonial Trust Company as

the trustee for the benefit of the certificate holders. The trust indentures were substantially similar in content. Each indenture provided for a security interest in Debtor's assets held by Colonial Trust as trustee, to secure payment of the certificates issued in connection with the indenture. Each trust indenture also contained provisions for the following:

- o The manner in which each certificate holder could register its name and address with Colonial Trust and record any transfer of its certificate;
- o "Events of default" that would authorize resort to remedies against Debtor or the collateral; and
- o Terms under which Debtor could obtain releases of the collateral;
- o Terms under which Debtor could grant superior security interest in the collateral;

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o Terms under which a majority of the certificate holders could direct Colonial Trust to take collection action or require the removal and replacement of Colonial, as trustee.

c. Guaranty.

In connection with each offering of certificates, Debtor arranged for the issuance of a guaranty of the certificates by First Financial Trust Company, a New Mexico Trust Company. Under a separate "Reserve Agreement" between Debtor and First Financial Trust Company, Debtor was required to deposit with First Financial Trust Company an amount equal to ten percent (10%) of the original face amount of the certificates covered by each offering, which First Financial Trust Company would hold to fund any payment on its guaranty. By separate agreements, however, First Financial Trust agreed to re-deliver these deposits to Debtor to acquire consumer loan portfolios, and to employ Debtor to act as servicing agent for the loans within the acquired portfolios.

d. Compliance Certificates

The various trust indentures required Debtor to provide Colonial with annual audited financial statements and with periodic certificates from the Debtor's independent auditors, certifying that Debtor was not in default under the trust indenture, and held collateral of a value in excess of all amounts due on all outstanding certificates. Until shortly before the filing of these Chapter 11 proceedings, Debtor timely made all payments on all Fixed Rate Investment Certificates, and provided Colonial Trust with all required audited financial

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statements. Debtor also timely provided all "compliance certificates" required under the trust indentures and the certificates -- supported by "comfort" letters prepared and signed by Debtor's independent auditors -- confirming that the value of the collateral exceeded the amount of certificates outstanding and met the standards specified in the trust indenture.

e. Fees for Offerings.

Securities brokers who sold the certificates received fees ranging from 6.0 % to 9.9 % of the face amount of each certificate. Colonial Trust Company received a fee of one percent (1 %) for acting as trustee under the indentures. First Financial Trust received a fee of one percent (1 %) as consideration for its guaranty of the certificates. Debtor also incurred other professional fees, and marketing and advertising costs associated with the issuance of the certificates.

D. GROWTH OF PORTFOLIO AND CERTIFICATE INDEBTEDNESS.

Funds raised through the issuance of fixed rate investment certificates permitted Debtor to increase its consumer loan portfolio significantly each year. However, because of the substantial costs associated with these issuances and other factors, Debtor's indebtedness grew more rapidly than its portfolio, as summarized below, based on Debtor's annual audited financial statements:

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TABLE 2 CONSUMER PORTFOLIO AND CERTIFICATE INDEBTEDNESS

<TABLE>  
<CAPTION>

|                       | Balance   |             | Increase (Decrease) Over Prior Year |             |              |              |
|-----------------------|-----------|-------------|-------------------------------------|-------------|--------------|--------------|
|                       | 12/31/94  | 1995        | 1996                                | 1997        | 1998         | 1999         |
| <S>                   | <C>       | <C>         | <C>                                 | <C>         | <C>          | <C>          |
| Unrestricted Cash     | 95,677    | 1,295,300   | (605,768)                           | 2,529,461   | (1,187,045)  | 45,576       |
| Consumer Portfolio    | 1,493,821 | 2,105,261   | 11,086,680                          | 13,961,698  | 15,533,602   | (4,292,656)  |
| Total*                | 1,589,498 | 3,364,561   | 10,480,912                          | 16,491,159  | 13,666,557   | (4,247,080)  |
| Certificate Principal | 0         | 6,085,971   | 11,856,999                          | 16,375,769  | 16,876,989   | 17,864,411   |
| Accrued Interest      | 0         | 285,710     | 1,138,024                           | 2,382,813   | 3,681,287    | 4,651,794    |
| Total                 | 0         | 6,371,381   | 12,995,023                          | 18,758,582  | 20,558,276   | 22,516,205   |
| Excess (Deficit)      |           | (3,007,681) | (2,514,111)                         | (2,267,423) | (6,891,719)  | (26,763,285) |
| Cum. Excess (Deficit) | 1,589,498 | (1,417,622) | (3,931,733)                         | (6,199,156) | (13,090,875) | (39,854,160) |

</TABLE>

\*This table does not include other assets, including the commercial lease portfolio, Debtor's real property, and Debtor's "goodwill," and other intangible assets.

#### E. REASONS FOR FILING CHAPTER 11.

Debtor commenced these Chapter 11 proceedings on March 19, 2001. The Trustee's investigation suggests several factors that adversely affected Debtor's financial condition and, ultimately, caused the bankruptcy filing.

##### 1. HIGH COST OF FUNDS.

The high cost of issuing collateralized time certificates and fixed rate investment certificates contributed substantially to Debtor's financial difficulties. Since January 1995, Debtor issued \$96.7 million in these certificates and has repaid \$32.2 million in principal and \$16.8 million in interest. Debtor accrued an additional \$13.8 million in interest as of the Petition Date. Debtor also incurred substantial additional expenses relating to the issuance of certificates, as summarized in audited financial statements. These costs, combined with the compounding interest rate paid on "jumbo" certificates, resulted in an effective cost of funds of over 25%, essentially equal

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to the effective interest rate Debtor could recover. Losses were, accordingly, inevitable.

The adverse impact of the high cost of funds was cumulative and compounding. Each year, Debtor was forced to devote more of the new funds raised to cover losses and certificate redemptions and less to the acquisition of additional interest-earning assets, as summarized in Table 2 above.

##### 2. COLLECTION PROBLEMS.

Because of Debtor's focus on "sub-prime" loans, Debtor experienced a high rate of delinquencies and defaults. The rate of loss in 1994 through 1996 was typical for the industry. Thereafter, Debtor experienced a materially higher loss rate.

The Trustee's investigation suggests that the increase in losses was caused in substantial part by serious defects in Debtor's computer loan tracking system. Specifically, the software acquired by Debtor in 1997 never functioned

properly and was not able to provide Debtor consistently with an accurate report of loan delinquencies. As a result, Debtor's collection employees were unable to follow up as soon as delinquencies occurred.

### 3. OCTOBER 1999 STOCK SALE.

In October 1999, Debtor and Mr. Stevens acquired all issued stock in Debtor from the Sinclair's for a total purchase price of \$14,500,000. Debtor paid \$9,500,000 of the purchase price with \$5,000,000 in cash, \$3,700,000 in the form of a promissory note secured by consumer loans, and \$800,000 by canceling a mortgage owed to Debtor by the Sinclair's. Prior to December 1999, Debtor "paid" the \$3,700,000 note by transferring the consumer loan

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collateral to Mrs. Sinclair. After the transfer, Debtor continued to collect the loans as servicing agent for Mrs. Sinclair.

The Trustee believes that the \$9,500,000 paid by Debtor for partial ownership of its own stock substantially exceeded the value of the stock. More importantly, the stock transaction was of no benefit to Debtor and removed \$5,000,000 in cash, \$3,700,000 in consumer loan portfolio, and \$800,000 in long-term mortgage assets from Debtor (over 18% of Debtor's cash and invested assets).

### 4. OTHER TRANSACTION WITH AFFILIATES.

Debtor's financial condition was also significantly weakened by a number of other transactions with Messrs. Sinclair, Robarge and Stevens and their affiliates. The following summarizes some of these transactions.

#### a. Prepaid Fees and Loans to Management Companies.

From 1995 through 1999, Debtor paid or prepaid almost \$7 million in servicing fees to Sinclair Management Services, Inc., a wholly owned subsidiary of Mr. Sinclair. In October 1999, Sinclair Management's service agreement was canceled, and Stevens Management Services, owned by Mr. Stevens, assumed servicing responsibilities. According to Debtor's audited financial statements, fees prepaid to Sinclair Management "would be refundable to the Company by SMS in the event the agreement is terminated." However, upon termination of the servicing agreement, Sinclair Management had no business operation and virtually no assets to repay over \$5,400,000 in refundable fees and advances by Debtor to Sinclair Management prior to the termination.

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The practice of prepaying fees and making advances to the affiliated servicing company continued under Mr. Stevens' ownership. Debtor's schedules filed in these proceedings listed a receivable of \$4,437,423 from Stevens Management arising from advances made to cover operating expenses. Again, Stevens Management has virtually no assets from which to replay their advances.

Clearly, a portion of the fees, prepaid fees and advances were used to pay operating expenses that Debtor would have incurred if no servicing agreement existed. However, the practice also permitted Debtor's principals to receive substantial amounts of compensation not reflected in Debtor's financial statements or prospectuses.

#### b. Sale of Computer System.

In February 2000, Debtor agreed to sell its loan servicing software and related computer systems to Stevens Management for \$4,284,674. Stevens Management executed a promissory note for the purchase price. As of May 31, 2001, Stevens Management is indebted on the note in the amount of \$4,446,225, including accrued interest.

#### c. Advances to Affiliated Entities.

Beginning in 1995, Debtor entered into a series of transactions with entities owned by Mr. Robarge, including P.R. Edge Financial Corp., Canadian Financial Venture, Inc., and Spartan Finance Company. The following obligations remain on Debtor's books as due and owing from Mr. Robarge, Mr. Sinclair, Mr. Stevens and their companies:

TABLE 4  
ROBARGE & OTHER AFFILIATE DEBTS

| OBLIGOR                  | AFFILIATED PRINCIPAL       | AMOUNT<br>OWING ON<br>PETITION DATE |
|--------------------------|----------------------------|-------------------------------------|
| P. R. Edge               | Patrick Robarge (100%)     | 472,349                             |
| Spartan                  | Patrick Robarge (100%)     | 6,274,675                           |
| Patrick J. Robarge       | Patrick Robarge (personal) | 33,031                              |
| Canadian Finance Venture | Patrick Robarge (100%)     | 7,683,814                           |
| P. R. Edge Revolver Note | Patrick Robarge (100%)     | 863,196                             |
| P.R. Edge                | Collections on SFG assets  | 985,900                             |
| Stevens Management       | Clarence Stevens (100%)    | 4,437,423                           |
| Stevens Management       | Clarence Stevens (100%)    | 4,446,265                           |
| Eagle Acceptance         | Clarence Stevens (100%)    | 3,657,897                           |
| Sinclair Mgmt Services   | Damien Sinclair (100%)     | 6,274,675                           |
| Total                    |                            | 35,129,225                          |

## 5. INACCURATE FINANCIAL REPORTING.

Debtor was able to perpetuate the sale of Fixed Rate Investment certificates, and thus worsen its financial condition, by disseminating financial statements that suggested it was in good financial health. In retrospect, these financial statements grossly overstated Debtor's net worth based upon a series of affiliate transactions with little or no substance. 6. CEASE AND DESIST ORDER.

During 1998 and 1999, Debtor was under continual investigation by the Missouri Securities Division investigating whether securities law violations had occurred in connection with the sale of Fixed Rate Investment certificates. On January 5, 2001, the Missouri Securities Commissioner entered a cease and desist order, requiring Debtor to cease the sale of all securities, including Fixed

Rate Investment certificates. The cease and desist order was subsequently modified, but Debtor agreed to cease future sales of certificates.

The cease and desist order left Debtor with an increasing number of certificates maturing and with no practical method to raise the funds to pay these maturities or continue the acquisition of new loans. Debtor's efforts to raise funds by selling large portions of its portfolio were insufficient, and Debtor was forced to commence these proceedings on March 19, 2001.

## III. POST PETITION OPERATIONS AND DEVELOPMENTS.

## A. SUMMARY OF DEBTOR'S PETITION DATE ASSETS AND LIABILITIES.

The Trustee has filed a monthly operating report for June 2001 containing a revised balance sheet for Debtor, based upon a re-evaluation of Debtor's assets. A copy of the balance sheet is attached as Exhibit 3, and reflects total assets of \$16,406,669.89 and total liabilities of \$83,925,881.73. The liabilities include \$1,619,270.42 in secured claims, \$64,536,291.85 in principal due on certificates, \$14,262,308.46 in interest on these certificates, and an additional \$622,976.52 in unsecured claims arising pre-petition.

## B. DEVELOPMENTS IN THE CHAPTER 11 CASES.

## 1. COLONIAL TRUST CASH COLLATERAL AGREEMENT.

Shortly after the commencement of these proceedings, Debtor and Colonial Trust entered into an interim agreement providing for Debtor's use of cash collateral for continued operations. Colonial Trust and the Trustee have subsequently agreed to extensions of this agreement.

## 2. EMPLOYMENT OF PROFESSIONALS.

Upon commencing these proceedings, Debtor obtained Bankruptcy Court approval for the employment of QUARLES, BRADY STREICH LANG, of Phoenix,

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Arizona, as bankruptcy counsel to the Debtor in Possession. Since the appointment of the Trustee, the law firm's role in these proceedings has been limited. The firm has filed an interim application for compensation seeking \$236,806.40 in fees and \$7,837.73 in costs, and the application has been approved by the Court, subject to final objection by the Investors' Committee.

Debtor also obtained approval to employ the accounting firm of MCA FINANCIAL GROUP LTD. to assist Debtor in evaluating its financial status and preparing required monthly reports. Since the appointment of the Trustee, the firm's involvement in the case has been limited. The firm has filed an interim application for compensation seeking \$131,165.00 in fees and \$19,345.97 in expenses, and the application has been approved by the Court, subject to final objection by the Investors' Committee.

After his appointment, the Trustee obtained Bankruptcy Court approval to employ the law firm of OSBORN MALEDON, to act as counsel for the Trustee. The Trustee has also obtained approval to employ the STOLAR PARTNERSHIP and DEACEY & DEACEY to act as special counsel to the Estate in connection with litigation in the federal district court in Missouri; RENEE JENKINS, to provide forensic accounting support; and BILTMORE ASSOCIATES to assist in preparing the Trustee's report and other monthly reports.

## 3. INVESTORS' COMMITTEE.

The United States Trustee's Office appointed an Official Investors' Committee to represent the interests of the holders of Fixed Rate Investment certificates. The members of the committee are set forth on Exhibit 4.

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## 4. TRUSTEE.

On May 8, Debtor moved for the appointment of a Trustee, joined by Colonial Trust. On May 15, Vern Schweigert was appointed Trustee. Immediately after appointment, the Trustee employed Jerry Fenstermaker to act as Chief Executive Officer during the reorganization proceedings. The Trustee has terminated the consulting agreements of the Sinclair's, and has removed Mr. Stevens and Mr. Robarge from management positions. Both were terminated as consultants on August 23, 2001.

## 5. MOTION TO TRANSFER VENUE.

On March 28, 2001, a creditor filed a motion to transfer venue of these proceedings to the Western District of Missouri. The motion was joined by others and was considered by the Bankruptcy Court at a hearing on May 22. On June 29, the Bankruptcy Court denied the motion to transfer without prejudice to a subsequent motion.

## 6. ADVERSARY PROCEEDINGS.

On May 2, Debtor filed a complaint in the Bankruptcy Court seeking to enjoin further proceedings in two lawsuits filed by Debtor prior to the bankruptcy proceedings. In one action, Debtor sought injunctive relief and damages against the State of Missouri in connection with the issuance of the cease and desist order. Debtor's request as to this lawsuit was mooted by the dismissal without prejudice of this lawsuit.

In the second action, pending in the federal district court in Kansas City, Debtor seeks to recover damages suffered as a result of alleged defects in billing and collection software purchased by Debtor from Allied Business Systems, Inc. Subsequently, the Trustee advised the Bankruptcy Court that the

Estate was ready to proceed with this action. As a result, the injunctive relief request in the Bankruptcy Court was dismissed with prejudice and the District Court action has resumed. The Trustee has continued to pursue these claims in the District Court action.

#### 7. GREAT SOUTHERN STIPULATION.

On July 11, the Trustee and Great Southern Bank entered into a stipulation relating to funds received on deposit with Great Southern Bank and other funds in connection with the sale of a consumer loan portfolio sold by Debtor to Great Southern in 1999 and 2000 and a servicing agreement under which Debtor services the loan portfolio for Great Southern. Under the stipulation, Debtor will turn over funds collected by it on the portfolio and will continue the servicing of the portfolio for a fee. The stipulation was approved by the Bankruptcy Court on July 23.

#### 8. SALE OF OFFICE BUILDING.

On September 4, 2001, the Trustee filed a motion to sell its office building in Springfield, Missouri to Lester E. Cox Medical Centers dba Cox Health Systems or a higher bidder. On October 9, 2001, the motion was granted, and the Trustee was authorized to sell the property for \$4,000,000. The Trustee anticipates the sale will close during October, 2001.

#### 9. INTERIM FINANCING.

In September, the Trustee applied for approval of up to \$800,000 in interim financing from Bank Midwest to be secured by a lien on the office building. On October 9, the Bankruptcy Court approved the financing, provided that the financing will not be used if the sale of the building occurs within a reasonable time.

#### 10. PROPOSED JOINT VENTURE.

The Trustee is currently finalizing the negotiation of a joint venture agreement with IFR and SFG Holding, contingent upon consummation of the Plan of Reorganization. Under the proposed joint venture, IFR, a Springfield company, would seek to raise up to \$10 million in financing for the operation of the joint venture, which would operate a consumer financing business. SFG Holding and the Reorganized Debtor would contribute approximately \$1 million in cash equity and a portion of the existing portfolio for servicing. SFG Holding would also be entitled to lend funds to the joint venture on favorable terms. The joint venture would enter into a servicing agreement with Eagle Financing, an existing consumer financing company to service new and existing consumer loans. Interest in the joint venture would be split between IFR and SFG Holding on the basis of the amount of equity funds contributed.

The Trustee believes that this potential joint venture will greatly enhance the profitability of continued operations because of efficiencies of scale and because of the availability of substantial financing to expand the existing

portfolio. In all events, the joint venture will not proceed unless it has been approved by the Bankruptcy Court, after notice to creditors, and the Plan is confirmed and consummated.

#### IV. DESCRIPTION OF THE PLAN

The following section of the Disclosure Statement contains a description of the more important terms of the Plan of Reorganization. The Plan itself is attached hereto as Exhibit 1. Creditors and other parties in interest are encouraged to read the Plan in its entirety. In case of a conflict between the description in this summary and the terms of the Plan, the terms of the Plan shall control.

##### A. GENERAL SUMMARY

The Plan provides for the classification of claims against Debtor into various classes, based upon the priority of the claims within the Bankruptcy Code's priority structure. As required by the Bankruptcy Code, the Plan provides for the payment in full of all non-tax priority claims on the Effective Date.

The Plan contains provisions governing the filing of claims, objections to such claims, and the allowance and disallowance of claims. The Plan provides that no distributions will be made on account of claims until such claims are Allowed or Estimated in accordance with the terms of the Plan and the Bankruptcy Code.

#### B. TREATMENT OF CLAIMS AND INTERESTS.

The Plan classifies, and specifies the treatment of all claims against, and interests in, Debtor, whether such claims are liquidated or unliquidated, fixed or contingent, disputed or acknowledged, and whether such claims or

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interests are the subject of proofs of claim or interest. The following sections describe the classes and specify their respective treatments.

##### 1. PRIORITY CLAIMS

Section 507 of the Bankruptcy Code identifies certain types of Claims entitled to payment before all other claims. Certain of the priority claims must be paid in full on the Effective Date of the Plan, pursuant to Section 1129(a)(9)(A) and (B) of the Bankruptcy Code, in order for a plan to be confirmed. The Plan defines five classes of such claims as Priority Claims and provides for payment in full of such claims as follows:

###### a. Class 1A. Administrative Claims

The Plan classifies all administrative claims and expenses allowable under ss. 503(b) and entitled to priority under ss. 507(a)(1) as Class 1 A. Administrative claims, as defined in ss. 503 of the Code and in the Plan, consist of the actual, necessary costs and expenses of preserving the Estate, including taxes incurred, salaries or commissions for services rendered after the commencement of the case, fees of professionals employed by Debtor, and fees and charges assessed against the Estate under Chapter 123 of Title 28 of the United States Code. Notwithstanding the foregoing, in accordance with the requirements of the Bankruptcy Code, professional fees classified within Class 1A shall be paid only pursuant to Court authorization.

Under ss. 1129(a)(9)(A), administrative claims must be paid in full on the Effective Date in order for a plan to be confirmed. The Plan complies with this requirement by providing that Class 1 A claims will be paid in full on the Effective Date of the Plan, or upon allowance, whichever occurs first, except to the extent a holder of an administrative claim otherwise agrees. Amounts due

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to holders of Class 1 A Claims would be funded either from Debtor's available cash flow or, on the Effective Date, from a portion of the settlement proceeds.

The Trustee anticipates that the following administrative expenses will accrue during these proceedings and will be payable on the Effective Date of the Plan.

**Professional Fees.** The Bankruptcy Code requires that fees and expenses of attorneys and other professionals are subject to Court approval under ss. 330 of the Bankruptcy Code. Accordingly, the Plan provides that the fees of such professionals shall not be paid until Final Orders of the Bankruptcy Court have been entered approving and authorizing payment of such fees. The Trustee anticipates that these fees will aggregate \$1,750,000 to \$2,000,000 through these proceedings, including the fees of Debtor's counsel, Debtor's accountants, special collection counsel, special litigation counsel, counsel for the Trustee, the Trustee, and counsel and the accountants for the Investors' Committee.

Because the Plan provides for payment in full of Class 1 A Claims as of the Effective Date, the Class 1 A Claims are not impaired.

###### b. Class 1B. Wage Priority Claims

The Plan classifies claims against the Estate for wages entitled to

priority under ss. 507(a)(3) as Class 1 C Claims. Such claims include claims for wages, salaries, and commissions, including severance, sick pay and vacation leave, to the extent the claims were incurred within the 90-day period immediately prior to the bankruptcy filing. The amount of each such claim entitled to priority is limited to \$4,000 per claimant. Claims for wages outside the 90-day period or

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in excess of the current dollar amount limitation shall be classified as non-priority claims, in Class 3D.

Under Section 1129(a)(9)(B) of the Bankruptcy Code, claims for wages entitled to priority must be paid in full in order to confirm a plan. The Plan complies with this requirement by providing that such claims will be paid in full in cash on the Effective Date. Debtor estimates that Wage Priority Claims total approximately \$12,000.

Because the Plan provides for payment in full of Class 1B Claims as of the Effective Date, the Class 1B Claims are not impaired.

c. Class 1 C. Benefit Plan Priority Claims

The Plan classifies claims against the Estate for contributions to employee benefit plans entitled to priority under ss. 507(a)(3) as Class 1C Claims. Such claims include claims for amounts due Debtor's 401(k) program and insurance benefit plans to the extent the claims were incurred for services rendered within the 180-day period immediately prior to the bankruptcy filing. The amount of claims entitled to priority is limited to \$4,000 per each employee less any Wage Priority Claims paid to employees under the Plan. Claims for employee benefit plan contributions outside the 180-day period or in excess of the dollar limitation are classified in the Plan as non-priority claims, in Class 3D.

Under ss. 1129(a)(9)(B) of the Bankruptcy Code, claims for employee benefit plan contributions entitled to priority must be paid in full in order to confirm a plan. The Plan complies with this requirement by providing that such claims will be paid in full in cash on the Effective Date. Debtor believes that there are no outstanding Benefit Plan Priority Claims.

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Because the Plan provides for payment in full of Class 1 C Claims as of the Effective Date, the Class 1 C Claims are not impaired.

d. Class 1D. Deposit Claims

The Plan classifies claims against the Estate for consumer deposits entitled to priority under ss. 507(a)(6) as Class 1D Claims. Under this provision of the Bankruptcy Code, a claim is entitled to priority treatment if it arises from the deposit of money by the claimant with a debtor in connection with the purchase of property or services for the personal, family or household use of the claimant. Debtor believes that such claims include claims made by customers for refunds or cancellations in accordance with Debtor's refund policies. The amount entitled to priority is limited to \$1,800 per claim. Claims for customer deposits outside the Code definition or in excess of the dollar limitation are classified in the Plan as Non-Priority Refund Claims, in Class 3A, and are afforded the same treatment as Priority Refund Claims.

Under ss. 1129(a)(9)(B) of the Bankruptcy Code, claims for consumer deposits entitled to priority must be paid in full as a condition to confirmation. The Plan complies with this requirement by providing that such claims will be paid in full in cash on the Effective Date. Debtor believes there are no Deposit Claims.

Because the Plan provides for payment in full of Class 1 D Claims as of the Effective Date, the Class 1 D Claims, if any, are not impaired.

e. Class 1E. Priority Tax Claims

The Plan classifies claims against the Estate for taxes entitled to priority under ss. 507(a)(8) as Class 1E Claims. Under Section 1129(a)(9)(C), claims for taxes entitled to priority must be paid in full within six years from the date of

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assessment in order to confirm a plan. The Plan complies with this requirement by providing that such claims will be paid in full in installments over four years after the Effective Date, with interest.

Until December 31, 2000, Debtor was a "flow-through" entity for federal and state income tax purposes, and, accordingly, did not have any liabilities for tax measured by their income. Debtor's operations do, however, create liability for taxes withheld from employee wages and employer tax contributions, as well as for sales and property taxes. Debtor estimates that Priority Tax Claims will be approximately \$55,000.

Because the Plan provides for payment in full of Class 1E Claims and complies with the requirements of ss. 1129(a)(9)(C), holders of Class 1E Claims are not considered a voting class pursuant to 1123(a)(1).

## 2. SECURED CLAIMS

Secured claims, as defined in ss. 506 and 1111 of the Bankruptcy Code, consist of claims secured by liens or security interests in property of the Estate. Under ss. 506(a) of the Bankruptcy Code, a secured claim is ordinarily limited to the lesser of (i) the amount of the claim secured, together with interest and costs, or (ii) the value of the collateral, as determined by the Court. If the value of the collateral is less than the amount of the claim, the balance of the claim is treated as an unsecured claim.

The Plan identifies and separately classifies classes of Secured Claims, as follows:

### a. Class 2A. Great Southern Building Claim.

The Plan classifies the Claim of Great Southern Bank secured by a mortgage on Debtor's office building as the Class 2A Claim. The Claim arises

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from funds advanced Debtor in 1997 to acquire and develop the property. As of the Petition Date, the Claim was \$1,619,039.53.

The Plan provides for payment in full of the Class 2A Claim from the proceeds of the sale of the collateral. The Trustee anticipates that this claim will be paid in full prior to the Effective Date upon the sale of the building. If the sale does not close prior to the Effective Date, the Plan provides for interest at the Secured Claim Rate for such claim until payment in full.

The Class 2A Claim is impaired.

### b. Class 2B. Great Southern Loan Portfolio Claim.

The Plan classifies the Claim, if any, of Great Southern Bank arising from the sale of loan portfolios by Debtor, to the extent such claim is a Secured Claim, as the Class 2B Claim. In 1999 and 2000, Debtor entered a number of "Purchase Agreements" with Great Southern. The agreements provided for the transfer of specified consumer loans by Debtor to Great Southern in exchange for a specified purchase price, usually equal to the aggregate balance of the loans. The agreements also provided that Debtor would continue to service the loans, and would retain any recoveries from the loan in excess of the principal amount plus twelve percent (12%) interest. The agreements further provided for full recourse against Debtor for any amounts not collected from the proceeds and required Debtor to buy back any defaulting loans.

Given the particular provisions of the purchase agreements, the Trustee believes it possible that the "purchase agreements" could be considered loan transactions, pursuant to which Great Southern loaned money to Debtor secured by the specified loan portfolio. If such a re-characterization occurred, Great Southern would be entitled to a Claim in an amount equal to the

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difference between amounts recovered by Great Southern from the portfolio and the purchase price with interest at the specified rate. Because a portion of the portfolio remains outstanding, the amount of the Claim cannot be determined at

this point.

The Plan provides that the holder of the Class 2B Claim shall be entitled to retain its lien on the loan portfolio and to receive all collections from the loans, subject to the agreements' provisions for a servicing fee for Debtor. To the extent that total collections from the loan portfolio are not sufficient to pay the full amount of the Class 2B Claim, Great Southern would be entitled to assert a general, unsecured claim for the balance.

The Class 2B Claim is impaired.

c. Class 2C. Sinclair National Loan Portfolio Claim.

The Plan classifies the Claim, if any, of Sinclair National Bank arising from the sale of loan portfolios by Debtor, to the extent such claim is a Secured Claim, as the Class 2C Claim. In 1999 and 2000, Debtor entered a number of "Purchase Agreements" with Sinclair National. The agreements provided for the transfer of specified consumer loans by Debtor to Sinclair National in exchange for a specified purchase price, usually equal to the aggregate balance of the loans. The agreements also provided that Debtor would continue to service the loans, and would retain any recoveries from the loan in excess of the principal amount plus twelve percent (12%) interest. The agreements further provided for limited recourse against Debtor for any amounts not collected from the proceeds for the establishment of reserve accounts, and for Debtor to buy back defaulting loans.

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Given the particular provisions of the purchase agreements, the Trustee believes it possible that the "purchase agreements" could be considered loan transactions, pursuant to which Sinclair National loaned money to Debtor secured by the specified loan portfolio. If such a re-characterization occurred, Sinclair National would be entitled to a Claim in an amount equal to the difference between amounts recovered by Sinclair National from the portfolio and the purchase price with interest at the specified rate. Because a portion of the portfolio remains outstanding, the amount of the Claim cannot be determined at this point.

The Federal Deposit Insurance Corporation, as receiver for Sinclair National Bank, has filed proofs of claim for \$10,196,961.44 and \$33,353.50, alleged to be secured by reserve accounts of \$160,000. The Trustee believes that these claims are overstated and that the value of the remaining consumer loans and the reserve accounts are sufficient to cover any liability to Sinclair National Bank.

The Plan provides that the holder of the Class 2C Claim shall be entitled to retain its lien on the loan portfolio and to receive all collections from the loans, subject to the agreements' provisions for a servicing fee for Debtor. To the extent that total collections from the loan portfolio are not sufficient to pay the full amount of the Class 2C Claim, Sinclair National would be entitled to assert a general, unsecured claim for the balance.

The Class 2C Claim is impaired.

d. Class 2D. Colonial Trust Claim.

The Plan classifies the Claim of Colonial Trust, as trustee under the various Fixed Rate Investment certificates' trust indentures, to the extent such

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claim is a Secured Claim, as the Class 2D Claim. The Trustee estimates that the total amount of all secured and unsecured Claims arising under the trust indentures is approximately \$77 million. Under ss. 506 of the Bankruptcy Code, the Secured Claim is limited to the value of the collateral securing the Claims, which Trustee estimates to be less than \$10 million.

The Plan provides that the holder of the Class 2D Claim shall release any continuing lien on the collateral it may now have and on account of such claim, the Preferred Stock Trustee, on behalf of the Participating Creditors, shall receive 100% of the Preferred Stock to be issued under the Plan, as described in section IV.C.5, beginning at page 52 hereof and in the Plan.

The Class 2D Claim is impaired.

e. Class 2E. Lessor Secured Claims.

The Plan classifies claims arising from "equipment lease agreements" that

are re-characterized as secured transactions as Class 2E Claims. Debtor has acquired interests in certain equipment through "equipment leases," some of which provide Debtor an option to acquire the equipment at the end of the lease term for a nominal amount. Under applicable law, such agreements are often re-characterized as an actual purchase of the equipment on terms.

The Trustee does not anticipate that it will request re-characterization of any of its "equipment leases" and that such leases will be assumed or rejected on or before the Effective Date. Nevertheless, the Plan provides that, if any such leases are re-characterized, the holders of such claims will receive, on the Effective Date, cash in an amount equal to the secured claim that arises as a result of such characterization, which claim will be the lesser of (i) the amount

remaining due under the lease, or (ii) the value of the equipment covered by the "equipment lease."

The Class 2E Claims are impaired.

f. Class 2F. Deposit Secured Claims.

The Plan classifies claims against Debtor that are secured by deposits furnished to the holder thereof by Debtor as Class 2F Claims. The Plan provides that the holders of such claims will be entitled, on the Effective Date, to apply the deposit in full payment of the secured portion of their claims. In the event that the total claim exceeds the amount of the deposit, the balance of the claim shall be treated as a General Claim. The Trustee believes that there are no Deposit Secured Claims.

The Class 2F Claims are impaired.

3. UNSECURED CLAIMS.

The remaining claims against Debtor consist of unsecured claims not entitled to priority under the Bankruptcy Code. The Plan identifies four separate classes of such claims, consisting of FRI Investor Claims (claims of the holders of Fixed Rate Investment certificates other than subordinated certificates) as Class 3A); Subordinated FRI Investor Claims (claims of the holders of Fixed Rate Investment certificates issued as subordinate debt) as Class 3B; General Claims (general, unsecured, non-priority claims not otherwise classified) as Class 3D; and Inter-Company Claims (claims of entities now or previously affiliated with Debtor) as Class 3E.

a. Class 3A. FRI Investor Claims.

The Plan classifies the Claims of FRI Investors, to the extent such Claims are unsecured Claims and not included in Class 3B or 3C, as the Class 3A

Claims. These Claims arise from Debtor's issuance of collateralized time certificates, and fixed rate investment certificates and include claims based amounts due under outstanding certificates and any other claims relating to their issuance, including, without limitation, claims arising under state or federal securities laws. Debtor estimates that all Claims held by FRI Investors and Subordinated FRI Investors aggregate approximately \$77 million, and that the unsecured portion of such Claims exceed \$67 million.

The Plan provides that each holder of a Class 3A Claim will be entitled to elect between two treatments for its Claim. First, a holder may elect to be a Participating Creditor. Each Participating Creditor will receive Common Stock and rights to distributions from Preferred Stock, will be released from any Avoidance Claims, and will be required to assign any claims it may have against the Potential Defendants. Alternatively, a holder may elect to be a Non-Participating Creditor. Each Non Participating Creditor will receive a cash payment based upon the liquidation value of Debtor, will not be required to release the Potential Defendants, and will not be released from any Avoidance Claims the Estate may have. The election and other provisions of the treatment are summarized in section IV.C.2 hereof, beginning at page 47.

Class 3A Claims are impaired.

b. Class 3B. Subordinated FRI Investor Claims.

The Plan classifies Subordinated FRI Investor Claims, to the extent such Claims are unsecured Claims and not included in Class 3C, as the Class 3B Claims. These Claims arise from Debtor's issuance of subordinated fixed rate investment certificates in 1998 and include claims based on amounts due under outstanding certificates and any other claims relating to their issuance,

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including, without limitation, claims arising under state or federal securities laws. Debtor estimates that such claims aggregate approximately \$11 million and are part of the \$77 million total certificate claims referred to above.

The Plan provides that holders of Subordinate FRI Investor Claims will receive the same treatment afforded holders of FRI Investor Claims, as described in the preceding section.

Class 3B Claims are impaired.

c. Class 3C. Claims of Potential Defendants.

The Plan classifies all unsecured, non-priority Claims of Potential Defendants or other persons or entities currently defendants in actions commenced by Debtor as Class 3C Claims. These Claims would include any claim of Allied Business Systems or any Potential Defendant whether such claim would otherwise be an FRI Investor Claim or a General Claim. The claim of Allied Business Systems is discussed in section III. B.6. at page 26. The Trustee believes that any such claims are disputed and/or unliquidated.

The Plan provides that each holder of a Class 3C Claim shall be entitled to make the same election, and receive the same treatment, as provided for FRI Investors, PROVIDED, that the holder of a Class 3C Claim electing to be a Participating Creditor shall not receive the releases described in section IV.C.2 beginning at page 47.

Class 3C Claims are impaired.

d. Class 3D. General Claims.

The Plan classifies all Claims not otherwise classified in the Plan as Class 3D Claims. Debtor estimates that Class 3D Claims aggregate \$400,000. The estimate of General Claims does not include an allowance for the contingent

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and disputed claims of the FDIC, as receiver for Sinclair National Bank. The claim asserted by the FDIC is discussed supra at (IV.B.2.c).

The Plan provides that each holder of a Class 3D Claim shall be entitled to make the same election, and receive the same treatment, as provided for FRI Investors.

Class 3D Claims are impaired.

e. Class 3E. Inter-Company Claims.

The Plan classifies all Claims held by entities affiliated with Debtor and its principals as the Class 3E Claims. Debtor estimates that no Claims in such Class are Allowed Claims.

The Plan provides that the holders of Class 3E Claims will receive nothing on account of such Claims.

Class 3E Claims are impaired.

4. EQUITY INTERESTS.

a. Class 4A. Interests in Debtor.

The Plan classifies all equity interest in Debtor (held by Mr. Stevens) as Class 4A. The Plan provides that the holder of Class 4A Interests will receive nothing on account of such interest.

C. IMPLEMENTATION OF PLAN.

1. CLAIMS AND SETTLEMENTS.

a. Assignment and Pursuit of Participating Creditor Claims. As described in Exhibit 2, the Bankruptcy Estate has substantial claims against Debtor's principals and their affiliates, Debtor's accountants, Colonial

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Trust Company, and First Financial Trust Company arising out of Debtor's financial failure. These claims may arise either under applicable non-bankruptcy law or under ss.ss. 544-551 of the Bankruptcy Code. Each Creditor may also have claims against these same parties based upon essentially the same facts, also as described in Exhibit 2 If these claims were pursued separately -- by individual creditor lawsuits, by class actions for groups of creditors, and/or by adversary proceedings filed by the Estate -- the limited assets of the Potential Defendants would be consumed with litigation costs and any recoveries on the claims would be distributed unevenly, based on who wins the "race to the courthouse."

The Plan provides a mechanism to pursue the various potential claims of the Estate and its creditors jointly and cooperatively. The Plan proposes to avoid duplicate and conflicting claims against limited assets in the following way: (i) All claims of the Estate and Participating Creditors will be assigned to SFG Holdings; (ii) SFG Holdings will undertake the expense of pursuing or settling the claims; (iii) the proceeds of these claims will be used to rehabilitate and re-capitalize Debtor; and (iv) the Participating Creditors will share ratably in the claims through ownership in SFG Holdings.

b. Possible Settlements.

To effectuate the Plan and insure the availability of sufficient funds to re-capitalize Debtor, the Trustee has proposed settlements with certain of the Potential Defendants that would become effective immediately upon the

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confirmation and consummation of the Plan of Reorganization. The Trustee anticipates that, prior to the consummation of the Plan, settlement agreements with some or all of the Potential Defendants will be presented to the Bankruptcy Court for approval and that these settlements will be conditioned upon obtaining releases of both Estate and Participating Creditor claims.

2. CREDITOR ELECTION.

a. Participating and Non-Participating Creditors.

The holders of FRI Investor Claims (Class 3A), Subordinated FRI Investor Claims (Class 3B), Potential Defendant Claims (Class 3C) and General Claims (Class 3D) will be requested to elect between treatment as Participating Creditors or treatment as Non-Participating Creditors. It is estimated that not less than 66.67% of creditors must elect to be Participating Creditors for the Plan to be viable.

EACH PARTICIPATING CREDITOR WILL

o Receive a pro rata share of 90,000 shares of Common Stock in SFG Holding, prorated among all Participating Creditors, on the basis of the Allowed Claim of the Participating Creditors.

o Receive the right to receive a pro rata share of any distributions on account of Preferred Stock issued, prorated among all Participating Creditors, on the basis of Net Investment Amount.

o Receive a release of any Avoidance Claims held by the Estate against the Participating Creditor (unless the Claim is a Class 3C Claim).

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o Assign any claims it may have against Stevens Funding to the Debtor.

o Receive a release of any Claims by other Participating Creditors (unless the Claim is a Class 3C Claim).

o Assign to the Reorganized Debtor any claims the Participating Creditor may have against the Potential Defendants.

o Release any Claims it may have against other Participating Creditors.

#### EACH NON-PARTICIPATING CREDITOR WILL

o Receive a pro rata share of the Liquidation Amount, as determined by the Bankruptcy Court, prorated among all FRI Investor Claims (Class 3A), Subordinated FRI Investors (Class 3B), Potential Defendant Claims (Class 3C) and General Claims (Class 3D).

o Neither transfer nor release any claims such creditor may have against any person other than Debtor, other than such creditor's pro rata share of the Estate's liquidation value. o Receive no release of any claims by any other creditor.

o Be subject to Avoidance Claims by the Estate.

#### b. Net Investment Amount

Under the Plan, distributions on account of the Preferred Stock will be based on each creditor's "Net Investment Amount." As defined in the Plan, a Fixed Rate Investor's Net Investment Amount is determined by aggregating all

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payments made to Debtor to purchase FRI Investments or similar investments and subtracting all payments made by Debtor to the investor on account of such investments, whether the payments were characterized as principal or interest. Investments in and payments from Stevens Funding will also be included in this calculation. For purposes of determining a Participating Creditor's Net Investment Amount, all payments made by and to the Participating Creditor will be aggregated, and certificates purchased in the name of the husband and/or wife, or for the benefit of children for a revocable or irrevocable trust will be combined. Certificates purchased for individual investment accounts, pension plans or similar tax-exempt retirement plans will not be aggregated with certificates purchased individually. The Bankruptcy Court will resolve any dispute over aggregate or other matters relating to the calculation of the Net Investment Amount. Based upon an initial review, the Trustee estimates that the aggregate Net Investment Amount of all current holders of FRI Investor Claims is \$53.9 million. The use of Net Investment Amount to prorate distributions among creditors may have a significant impact on the share of individual creditors, depending upon whether they have previously acquired, and been paid for, fixed rate investment certificates.

#### c. Liquidation Amount

Under the Plan, distributions to Non-Participating Creditors are determined based upon the "Liquidation Amount." As defined in the Plan, the Liquidation Amount is an amount, to be determined by the Bankruptcy Court,

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that would be available for distribution to unsecured, non-priority creditors if Debtor were liquidated in a Chapter 7 case. Based upon this determination, distributions will be made to Non-Participating Creditors based upon their pro rata share of the aggregate of all FRI Investor Claims and all General Claims.

As discussed in Exhibit 6, the Trustee estimates that the Liquidation Amount will be less than \$8 million, and that the total of all General Claims and FRI Investor Claims will be in excess of \$77.5 million, resulting in a distribution of less than 8% of the amount of allowed claims.

#### d. Manner of Making Election.

Each holder of an FRI Investor Claim (Class 3A), Subordinated FRI Investor Claims (Class 3B), Potential Defendant Claim (Class 3C) or General Claim (Class 3D) will be requested to indicate its treatment election on the ballot for acceptance or rejection of the Plan. The deadline for making the election will be the same deadline as that set by the Bankruptcy Court for voting on the Plan. Once an election is made, it may be changed only with the consent of the Trustee

or the Reorganized Debtor. Each Claim holder who does not timely make an election will be deemed, for all purposes, to have accepted the treatment selected by a majority (by dollar amount) of creditors making timely elections. Thus, should a majority of the creditors in dollar amount vote for liquidation, Non-Voting Creditors will be deemed to have voted for the Liquidation Amount. Conversely, should a majority of the creditors in dollar amount vote in favor of the Plan, then Non-Voting Creditors shall be presumed

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to have assigned their claims against the Potential Defendants to the extent allowable by law.

### 3. FORMATION OF SFG HOLDING.

On or prior to the Effective Date, the Trustee shall cause SFG Holding to be formed as a Delaware corporation. All currently issued and outstanding stock in Debtor will be cancelled and 100 shares of Common Stock in Debtor will be issued to SFG Holding. On the Effective Date, the name of Debtor will be changed to SFG Financial, Inc.

### 4. INITIAL PLAN DISTRIBUTIONS.

The Trustee estimates that payments required for priority claimants on the Effective Date will aggregate \$2,012,000, consisting of the following:

| USE OF FUNDS                     | AMOUNT    | CROSS-REFERENCE     |
|----------------------------------|-----------|---------------------|
| Post-Petition Professional Fees  | 2,000,000 | IV.B.1.a at page 33 |
| Pre-Petition Wage Claims         | 12,000    | IV.B.1.b at page 34 |
| Pre-Petition Benefit Plan Claims | 0         | IV.B.1.c at page 35 |
| Pre-Petition Deposit Claims      | 0         | IV.B.3.a at page 42 |
| Total                            | 2,012,000 |                     |

The Plan provides that payment of each Claim shall occur on the later of the Effective Date, the date upon which the Claim becomes an Allowed Claim, or the date upon which the Claim becomes due in accordance with its terms. The Plan also provides that the holder of a Claim otherwise entitled to payment may agree to defer payment or to accept other, less favorable treatment.

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### 5. PREFERRED STOCK.

On the Effective Date, SFG Holding shall issue 90,000 shares of Preferred Stock to the Preferred Stock Trust to be held for the benefit of all Participating Creditors.

#### a. Rights and Interests.

The Preferred Stock shall have the following rights and interests:

o The aggregate redemption price of all Preferred Stock shall be equal to the aggregate Net Investment Amount of all Participating Creditors, currently estimated to be \$53.9 million.

o Beginning six months after the Effective Date and continuing thereafter on a quarterly basis, SFG Holding shall make partial redemption payments from Available Cash, as determined by the Board of Directors.

o Each share shall be entitled to one vote on any matter upon which shareholders are entitled to vote.

o The Preferred Stock shall have a liquidation preference over Common Stock equal to the unpaid portion of the redemption value of the stock.

#### b. Preferred Stock Trust Management.

On or prior to the Effective Date, the Trustee, Jerry Fenstermaker, and the Investors' Committee shall select the initial trustee for the Preferred Stock Trust who shall serve until replaced by the Board of Directors six (6) months from the Effective Date. The Preferred Stock Trust Trustee shall be responsible

for making distributions to the beneficiaries of the Trust, and for voting the Preferred Stock.

For so long as the Preferred Stock remains issued and outstanding, the Preferred Stock Trust shall vote all shares in accordance with the manner in which common stock is voted. The initial board of trustees shall consist of three members who are each selected by the Trustee, Jerry Fenstermaker and Investor Committee. Six months from the Effective Date, each trustee shall be selected by the board of directors of SFG Holdings for one-year terms.

#### D. RETENTION OF BANKRUPTCY COURT JURISDICTION

The Plan provides for the retention of jurisdiction in the Bankruptcy Court to interpret and enforce the Plan, to resolve disputed claims and to enforce the obligations under the Plan.

THE FOREGOING IS ONLY A SUMMARY OF THE PLAN. CREDITORS ARE URGED TO READ THE PLAN IN FULL AND TO CONSULT WITH THEIR COUNSEL AND/OR FINANCIAL ADVISERS REGARDING THE PLAN'S TERMS AND LEGAL EFFECT. CREDITORS ARE ADVISED THAT, SHOULD THE PLAN BE CONFIRMED, THE PLAN AND THE ORDER CONFIRMING PLAN SHALL BE BINDING ON CREDITORS, DEBTORS, AND THE REORGANIZED DEBTOR.

#### V. FINANCIAL INFORMATION AND PROJECTIONS

##### A. DEBTOR'S CURRENT FINANCIAL CONDITION

The Trustee has prepared a balance sheet for Debtor as of June 30, 2001, which is attached as Exhibit 3. The balance sheet reflects the write-off, for accounting purposes only, of a substantial amount of assets relating to affiliated transactions described in section II.E.4, at page 24 hereof.

##### B. PROJECTIONS OF SOURCES AND USES OF CASH

The Trustee has prepared projections of the source and use of funds for the consummation of the Plan. Such projections and their assumptions are described on Exhibit 5.

#### VI. CURRENT AND PROPOSED MANAGEMENT

##### A. CURRENT MANAGEMENT

Debtor is currently being managed by Vern Schweigert as Trustee. In May, Mr. Schweigert caused Debtor to employ Jerry Fenstermaker of St. Louis, Missouri to act as chief executive officer of Debtor through the reorganization proceedings.

After the appointment of the Trustee, Messrs. Robarge and Stevens were removed from all offices with Debtor. At the Trustee's request, both became consultants to Debtor to assist in transition. Their services as consultants were terminated on August 23. Mr. Fenstermaker resides in Chesterfield, Missouri. He has had an extensive background in various financing businesses. He has served as the chief financial officer of a St. Louis mortgage company, chief operating officer of a Medicare claims recovery company, financial consultant to Merrill Lynch Co. and executive vice-president and chief financial officer of CitiCorp Mortgage in St. Louis.

##### B. REORGANIZED DEBTOR'S MANAGEMENT.

SFG Holdings' initial board of directors will consist of three members, one each selected by the Trustee, Jerry Fenstermaker and the Investors' Committee. Thereafter, directors will be selected by vote of the shareholders of SFG Holdings.

The Trustee anticipates that Mr. Fenstermaker will remain as chief

executive officer after the Effective Date and other officers of the Reorganized Debtor will be selected by the new board of directors. The Trustee also anticipates that Mr. Fenstermaker and other employees will be offered up to 10,000 shares of Common Stock in SFG Holding as incentive compensation, subject to approval of the Bankruptcy Court. It is anticipated that Mr. Fenstermaker will relocate to Springfield, Missouri prior to the Effective Date. The terms of Mr. Fenstermaker's employment will be presented to the Court for approval after comment or objection to the terms thereof by interested parties. After the first year term of Mr. Fenstermaker's employment, the board of directors will review the terms for renewal annually.

#### VII. LEGAL REQUIREMENTS FOR CONFIRMATION.

This Section of the Disclosure Statement discusses the legal requirements for Confirmation of the Plan as established by ss. 1129 and other provisions of the Bankruptcy Code.

##### A. ACCEPTANCE OF PLAN BY CREDITORS

A Class of Claims impaired under the Plan "accepts" the Plan only if (a) more than one-half of the holders who submit ballots for Claims in that Class vote to accept, and (b) the holders of Claims accepting the Plan hold at least two-thirds, by dollar amount, of the voted Claims within that Class. A Class of Interests impaired under the Plan "accepts" the Plan only if two-thirds of the voted Interests in such Class have voted to accept the Plan. If the requisite acceptances of each Class of Claims or Interests are obtained and the Plan is confirmed, the Plan will be binding with respect to all holders of Claims and

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Interests of each Class, including members who did not vote or who voted to reject the Plan.

##### B. BEST INTERESTS OF CREDITORS

Section 1129(a)(7) provides that, as a condition to confirmation, a Plan must provide that any creditor not voting to accept the Plan must receive, under the Plan, distributions of a value at least equal to that which such creditor would receive if Debtor were liquidated under Chapter 7 of the Bankruptcy Code. This provision is generally referred to as the "best interest test."

The Trustee believes that the best interests test is satisfied by the Plan. Under the Plan, Non-Participating Creditors will receive a distribution of cash equal to what such creditor would receive in a Chapter 7 liquidation. Participating Creditors will receive a pro rata share in SFG Holdings, which will own all of Debtor's remaining assets as well as the proceeds of the settlements previously described. The Trustee believes that the Reorganized Debtor's assets will have substantially more value if used as part of a going concern rather than liquidated.

For the purpose of applying the "best interest" test, the Trustee has prepared an estimate of the results of a liquidation, which is attached as Exhibit 6 to this Disclosure Statement. This estimate indicates that Debtor's liquidation would likely result in sufficient funds to pay Priority Claims and only about 8-10% of the face amount of Claims without priority.

##### C. CONFIRMATION POSSIBLE WITHOUT ACCEPTANCE BY ALL CLASSES

The Trustee intends to request the Bankruptcy Court to confirm the Plan even if a Class of Claims or Interests does not accept the Plan. To do so, the

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Bankruptcy Court must find that the Plan is fair and equitable with respect to each Class of Claims or Interests that is impaired and has not accepted the Plan. The Trustee believes that the Plan will satisfy the fair and equitable requirements of the Bankruptcy Code to the extent such requirements are applicable based upon the vote of Creditors on the Plan.

##### 1. FAIR AND EQUITABLE TREATMENT OF SECURED CLAIMS.

With respect to a Class of Secured Claims that does not accept the Plan, the Bankruptcy Code's "fair and equitable" standard includes a requirement that the holders of the Claims receive either (i) retain their liens on the collateral and receive cash payments, on the Effective Date or in installments,

of a value equal to the amount of the Secured Claim, or (ii) the realization of the indubitable equivalent of the Secured Claim. The Trustee believes that this standard is satisfied by the Plan, which provides that each holder of a Secured Claim will receive payment of the full amount of its Claim, with interest at a rate to be determined by the Bankruptcy Court, and will retain the holders' lien on the collateral to secure payment of the amounts specified by the Plan.

## 2. FAIR AND EQUITABLE TREATMENT OF UNSECURED CLAIMS.

With respect to an unsecured, non-accepting Class of Claims, the Bankruptcy Code's "fair and equitable" standard includes a requirement that either (i) the holders of the Claims receive cash payments, on the Effective Date or in installments, of a value equal to the amount of the Claim, or (ii) no Class of junior Claims or Interests receives anything on account of such junior Claim or Interest. The Trustee believes that this standard is satisfied by the Plan, which provides that the holders of all Interests will receive nothing on account of their Interests.

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## 3. FAIR AND EQUITABLE TREATMENT OF INTERESTS.

With respect to a non-accepting Class of Interests, the Bankruptcy Code's "fair and equitable" standard includes a requirement that either (i) the holders of the Interests receive cash payments, on the Effective Date or in installments, of a value equal to any fixed liquidation preference or redemption price to which such Class of Interests is entitled, or (ii) no Class of junior Interests receives anything on account of such junior Claim or Interest. The Trustee believes that this standard is satisfied by the Plan. To the Trustee's knowledge, Debtor's articles of incorporation do not provide for a liquidation preference or redemption price for its common stock. Moreover, no junior class of Interests exists and, thus, no junior class will receive anything on account of any junior Interest.

## 4. ACCEPTANCE BY AT LEAST ONE IMPAIRED CLASS OF CLAIMS.

Section 1129(a)(10) of the Bankruptcy Code requires that the Plan must be affirmatively accepted by at least one impaired Class of Claims, excluding any acceptances of any Insider. The Trustee believes that each Class of Secured Claims and each Class of unsecured Claims other than Class 3E (Inter-Company Claims) is impaired under the Plan and includes Claims by non-insiders, and that, accordingly, the acceptance of the Plan by any of such Classes will satisfy this requirement of the Bankruptcy Code.

## VIII. TAX CONSEQUENCES OF PLAN

### A. FEDERAL TAX CONSEQUENCES FOR DEBTOR AND REORGANIZED DEBTOR.

The filing of these Chapter 11 proceedings and/or the consummation of the Plan may have significant federal and state insured tax consequences on

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Debtor., its shareholders, and creditors. Some of the potential conveyances are summarized below. Since its formation, Debtor has elected treatment as a Subchapter S corporation. Accordingly, Debtor's income, expenses and tax attributes have, in general been "passed through" to Debtor's shareholders, and Debtor was not obligated directly as a federal income tax taxpayer. On the Effective Date of the Plan, Debtor's eligibility for Subchapter S treatment will terminate pursuant to ss.1362(d) of the Internal Revenue Code, 26 U.S.C. ss. 1, et seq. (the "Tax Code") and, as of such date, Debtor will be treated as a Subchapter C corporation taxpayer under ss.1361(a)(2) commencing as of the termination of Subchapter S treatment. Unless termination occurs on the December 31, Debtor will have a partial Sub S tax year ending on the termination date and a partial Sub C tax year (for the Reorganized Debtor) beginning on the termination date and ending on December 31. In general, the Reorganized Debtor will assume Debtor's basis in assets and certain other existing tax attributes, any net operating loss carryforward from Sub S periods will be recognized only at the shareholder level under ss.1371(b)(2) of the Tax Code. Income and expenses during the split calendar year will be allocated between the two years on a per diem basis, unless the Reorganized Debtor elects to close the books as of the termination date. The Trustee anticipates that SFG Holding and the Reorganized Debtor will file federal income tax returns as a consolidated group.

## 1. DISCHARGE OF INDEBTEDNESS.

The Trustee anticipates that the consummation of the Plan of Reorganization may result in Debtor's recognition of "discharge of indebtedness income," ordinarily taxable under ss. 61(a)(12) of the Tax Code. The Trustee believes that such income will likely be excluded from Debtor's gross income pursuant to ss.1361(a)(1). However, any cancellation of indebtedness income may require a reduction in Debtor's basis in its assets and other tax attributes in accordance with ss.108(b).

The amount of cancellation of indebtedness reduction in tax attributes will be based upon the treatment of claims against Debtor under the Plan. Because the Plan provides for payment in full of Priority Claims and Secured Claims, no cancellation of indebtedness should arise from the treatment of these claims. Because the Plan provides for a cash distribution to Non-Participating Creditors of approximately 8% of their claim amount, debt cancellation reduction of tax attributes should result in an amount equal to the 92% of these claims discharged under the Plan. Because Participating Creditors will receive Common stock and distribution rights on account of Preferred Stock, debt cancellation reduction of tax attributes should result in an amount equal to the difference between the amount of the Participating Creditors' claims less the fair market value of the stock and distribution rights.

As a result of the foregoing, the amount, if any, tax attribute reduction on account of cancellation of indebtedness will be affected by the amount of

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claims discharged, the amount of creditors electing to be Participating Creditors and the fair market value of the stock and distribution rights distributed under the Plan. None of these factors can be precisely estimated at this time. For purposes of the projections contained in Exhibit 5, the Trustee has estimated that cancellation of indebtedness reduction of tax attributes will result in a \$20 million reduction in taxable losses otherwise recognized by the Reorganized Debtor, as discussed in the following section.

## 2. BAD DEBT DEDUCTION; NET OPERATING LOSS CARRYFORWARD.

As discussed in previous sections, the Trustee has estimated that approximately \$55 million of the Debtor's Petition Date loan portfolio is probably uncollectible. The Trustee believes that the Reorganized Debtor should, therefore, be entitled to a bad debt tax deduction upon recognition of these losses, during the first year of operations of the Reorganized Debtor. The Trustee anticipates that this deduction will substantially exceed the taxable income from operations during that year and any cancellation of indebtedness reduction in tax attribute. As a result, the Trustee expects that the Reorganized Debtor (and the consolidated group) would create a net operating loss carry-forward available to reduce taxable income in subsequent years. Change of Ownership and Restrictions on Use of Net Operating Loss Carry-forward.

Section 382 places severe limitations on the use of net operating loss carry-forwards for corporations experiencing a "change of ownership." The

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Plan's provisions for the cancellation of all existing stock interests and the issuance of new stock to Participating Creditors would, ordinarily, result in a change of ownership under ss. 382(a) and (g). However, ss.382(1)(5) provides an exception for corporations in bankruptcy proceedings if at least 50% of the stock of such corporation is owned by previous owners or creditors. Because the Plan provides that 100% of the beneficial ownership of stock in Debtor will be held, indirectly by Participating Creditors, the Trustee believes that the restrictions on use of any net operating loss carry-forward will not be applicable and that the Reorganized Debtor (and the consolidated group) will be able to use the carry-forwards up to the amount of taxable income reported in subsequent years.

## B. TAX CONSEQUENCES FOR CREDITORS.

In general, creditors receiving cash under the Plan may recognize a ordinary or capital loss based upon the difference between the amount of their claim and the value of the assets received by them under the Plan. Creditors receiving stock under the Plan will, in most circumstances, transfer their basis in the indebtedness owed by Debtor to the creditor's basis in the stock received. The Trustee anticipates that distributions on account of the redemption of Preferred Stock will be treated, at the shareholder level, as a return of capital.

IN NO EVENT WILL DEBTOR OR ANY AFFILIATE OF PROFESSIONAL ADVISORS ENGAGED BY ANY OF THEM BE LIABLE IF, FOR ANY REASON, THE FEDERAL TAX

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CONSEQUENCES OF THE PLAN ARE OTHER THAN AS ANTICIPATED. CREDITORS MUST LOOK SOLELY TO AND RELY SOLELY UPON THEIR OWN ADVISORS AS TO THE FEDERAL TAX CONSEQUENCES OF THIS PLAN.

#### IX. FEDERAL SECURITIES LAW ISSUES

Stock in SFG Holding to be issued under the Plan will not be registered under the Securities Act of 1933 or any applicable state securities registration law. Debtors believe that the issuance of stock is exempt from registration pursuant to Section 1145 of the Bankruptcy Code, which provides, in pertinent part, as follows:

"(a) Except with respect to an entity that is an underwriter as defined in subsection (b) of this section, section 5 of the Securities Act of 1933 and any State or local law requiring registration for offer or sale of a security or registration or licensing of an issuer of, underwriter of, or broker or dealer in, a security does not apply to --

"(1) the offer or sale under a plan of a security of the debtor ..

"(A) in exchange for a claim against, an interest in, or a claim for an administrative expense in the case concerning the debtor . . . ; or

"(B) principally in exchange and partly for cash or property;

"(2) the offer of a security through any warrant, option, right to subscribe, or conversion privilege that was sold in the manner specified in paragraph (1) of this subsection, or the sale of a security upon the exercise of such a warrant, option, right or privilege."

The Trustee has not obtained a no-action letter from the Securities Exchange Commission or opinion of counsel as to the application of this exemption to the Plan. If the exemption is applicable, stock issued pursuant to

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the Plan will be deemed to be issued in a public offering and will be freely tradable by its recipient unless such recipient is deemed to be an underwriter under Section 1145(b).

Section 1145(b) defines an underwriter as follows:

(b)(1) Except as provided in paragraph (2) of this subsection and except with respect to ordinary trading transactions of an entity that is not an issuer, an entity is an underwriter under section 2(11) of the Securities Act of 1933, if such entity --

(A) purchases a claim against, interest in, or claim for an administrative expense in the case concerning, the debtor, if such purchase is with a view to distribution of any security received or to be received in exchange for such a claim or interest;

(B) offers to sell securities offered or sold under the plan for the holders of such securities;

(C) offers to buy securities offered or sold under the plan from the holders of such securities, if such offer to buy is

(i) with a view to distribution of such securities; and

(ii) under an agreement made in connection with the plan, with the consummation of the plan, or with the offer or sale of securities under the plan; or

(D) is an issuer, as used in such section 2(11), with respect to such securities.

An "issuer" under section 2(11) of the Securities Act includes, in addition to an issuer, "any person directly or indirectly controlling or controlled by the issuer, or any person under direct or indirect common control with the issuer."

The Trustee believes that Common Stock issued to Participating Creditors under the Plan will qualify as stock issued pursuant to the provisions of ss. 1145 and will be considered as issued in a public offering to any claim holder who is

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not an issuer or underwriter. The Trustee also believes that stock issued to the Preferred Stock Trust will be issued pursuant to these provisions and the Preferred Stock Trust will not be considered an underwriter since the trustee will hold the stock solely for the benefit of distributees under a chapter 11 plan.

PERSONS RECEIVING STOCK UNDER THE PLAN ARE URGED TO CONSULT WITH COUNSEL REGARDING THE AVAILABILITY OF THE EXEMPTION AND THE APPLICATION OF THE DEFINITION OF "UNDERWRITER" TO THEM .

#### X. RECOMMENDATION OF TRUSTEE AND INVESTORS' COMMITTEE

##### INTENT

The Trustee recommends that the Plan of Reorganization be approved. In light of the alternative of liquidation, the Trustee believes that the Plan is in the best interest of all creditors and parties in interest. The members of the Investors' Committee intend to vote in favor of the Plan.

DATED this 30th day of October 2001.

By /s/Vern Schweigert

-----  
Vern Schweigert, Trustee

OSBORN & MALEDON, P.A.

By /s/ Alan A. Meda

-----  
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EXHIBIT 1  
TO DISCLOSURE STATEMENT  
TRUSTEE'S  
AMENDED PLAN OF REORGANIZATION  
DATED OCTOBER 30, 2001

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UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF ARIZONA

=====  
In re:

STEVENS FINANCIAL GROUP, INC., a

Case No. 01-3105-ECF-RTB

Debtor.

TRUSTEE'S  
AMENDED PLAN OF REORGANIZATION  
DATED OCTOBER 30, 2001

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TRUSTEE'S PLAN OF REORGANIZATION Case No. 01-3105-ECF-RTB

UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF ARIZONA

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In re:

STEVENS FINANCIAL GROUP, INC., Case No. 01-3105-ECF-RTB  
a Missouri corporation Chapter 11

Debtor.

=====

TRUSTEE'S AMENDED PLAN OF REORGANIZATION  
DATED OCTOBER 30, 2001

Vern Schweigert, Trustee of the Estate of STEVENS FINANCIAL GROUP, INC., the Debtor in the above-captioned and numbered Chapter 11 case, proposes the

1.0 INTRODUCTION.

following Amended Plan of Reorganization.

The Trustee proposes this Plan to creditors and interest holders to provide for the continuation of Debtor's consumer lending business under new management and under a new equity structure. This Section 1.0 provides only a summary of the Plan and is not intended to modify or affect the interpretation of the remaining sections of the Plan. Accordingly, each interested party is encouraged to read the Plan in its entirety.

1.1 CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS.

Section 3.0 of the Plan provides for the separate classification of all claims against, and interests in, the Debtor, based upon the legal priority of the claim, and the secured status of such claim. Section 4.0 describes the

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treatment afforded each such class. Priority Claims (claims entitled to priority treatment under ss.ss. 507, 503(b), and 1129(a)(9) of the Bankruptcy Code) will be paid in full on the Effective Date of the Plan. Secured Claims (claims secured by liens on property of the Debtor as determined under ss. 506 of the Bankruptcy Code) will be paid in full with any allowable interest, from the proceeds of the sale of the collateral. Unsecured, non-priority claims (except those of Debtor's affiliates) will be classified either as FRI Investor Claims or General Claims. The holders of these Claims, at their individual election, will receive either a prorated share of stock issued in the reorganized business or a prorated share of the "Liquidation Amount," to be determined by the Bankruptcy Court based upon the liquidation value of the Debtor. All existing equity interests in Debtor will be cancelled and the holders of such interests will receive nothing on account of their interests.

#### 1.2 ESTATE CLAIMS AND CREDITOR CLAIMS AGAINST POTENTIAL DEFENDANTS.

Section 5.0 of the Plan describes the expected funding of the Plan and the re-capitalizing of Debtor's operations through the proceeds of claims against, or settlements with, the current and former principals of Debtor and others who provided professional services to Debtor and the FRI Investors. Because both the Bankruptcy Estate and FRI Investors may have overlapping claims against these Potential Defendants, the Plan provides for "Participating Creditors" (those electing to receive stock under the Plan) to assign their claims to the Reorganized Debtor for joint prosecution and settlement. To the extent that the Trustee is able to settle some or all of these claims prior to the Effective Date, the settlement proceeds would be available to fund Priority Claims and make other Effective Date payments to creditors. All additional settlement proceeds would be available to fund continued business operations.

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#### 1.3 EQUITY AND MANAGEMENT STRUCTURE.

Section 6.0 of the Plan provides for the formation of a new corporation, SFG Holdings, Inc., to own all of the stock in the Debtor (to be renamed SFG Financial, Inc.). Two separate classes of stock in SFG Holdings will be issued pursuant to the Plan. Preferred Stock will be issued to a trustee (the "Preferred Stock Trustee") for the benefit of the holders of FRI Investor Claims and General Claims who elect to be Participating Creditors. Participating Creditors will also receive Common Stock. Additional Common Stock will be reserved for issuance to the new management.

Section 6.0 of the Plan also provides for the selection of management for SFG Holdings. Jerry Fenstermaker, who has been selected by the Trustee to act as Chief Executive Officer during the pendency of the Bankruptcy Case, will be the initial Chief Executive Officer of SFG Holdings. The Trustee, Mr. Fenstermaker, and the Investor Committee will each designate one person to serve on the initial board of directors. Directors will thereafter be selected by shareholder vote at annual shareholder meetings.

#### 1.4 TREATMENT OF PARTICIPATING AND NON-PARTICIPATING CREDITORS.

Section 5.0 provides for each FRI Investor and each holder of a General Claim to make an election to be a Participating Creditor or a Non-Participating Creditor and thus determine the treatment of its Claim under the Plan. Each Participating Creditor will assign all claims it may have against the Potential Defendants referred to above; and will also release any claim it may have against other Participating Creditors. In exchange for these assignments and

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releases and in discharge of all Claims against the Debtor, Participating Creditors will receive shares of Common Stock in SFG Holdings and the right to receive distributions from the Preferred Stock held by the Preferred Stock Trustee. Shares of Common Stock will be prorated among Participating Creditors based on their Allowed Claims. All distributions on account of the Preferred Stock will be prorated among Participating Creditors based on their "Net Investment Amount." The Net Investment Amount for each Participating FRI

Investor will be calculated as (i) the aggregate of all payments by the FRI Investor for all certificates purchased from Debtor on or after January 1, 1995, less (ii) the aggregate of all payments received from SFG by the FRI Investor on account of all such certificates, whether such payments were denominated interest or return of principal. Each Participating Creditor will also receive a release from the Estate for any Investor Avoidance Claims, and releases from all other Participating Creditors.

An FRI Investor or holder of a General Claim may, alternatively, elect to be a Non-Participating Creditor. Each Non-Participating Creditor will not give or receive releases or assignments of claims and will not receive any interest in the Reorganized Debtor. Each Non-Participating Creditor's treatment under the Plan will be based upon the Bankruptcy Court's determination of the "Liquidation Amount," based upon the estimated liquidation value of the Debtor less the amount of all Priority Claims and Secured Claims. Each Non-Participating Creditor will receive a cash payment equal to its share of the Liquidation Amount, prorated among all FRI Investor Claims and all General Claims. Each Non-Participating Creditor may be subject to liability for Investor Avoidance Claims and will be subject to objections to the allowance of its Claim.

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## 2.0 DEFINITIONS.

Certain terms used in the Plan have specific meanings, as set forth in this Section 2.0.

### 2.1 GENERAL DEFINITIONS.

The following definitions are generally applicable:

#### 2.1.1 ADMINISTRATIVE CLAIM.

A Claim or expense, or a portion of a Claim or expense, that is a cost or expense of the administration of Debtor's Estate allowed under ss.503(b) of the Bankruptcy Code that is entitled to priority under ss.507(a)(1) of the Bankruptcy Code, including but not limited to any actual and necessary cost and expense of preserving the Estate, or operating the business of Debtor, and all fees and expenses of professionals entitled to compensation pursuant to Sections 328, 330 and 503(b) of the Code. Administrative Claims shall include (i) any Cure Payments, and (ii) any and all pre- and post-confirmation fees due to the U.S. Trustee's Office. Administrative Claims are classified under the Plan as Class 1A Claims.

#### 2.1.2 ASSUMED LEASES AND CONTRACTS.

Executory contracts and leases assumed by the Reorganized Debtor pursuant to Article 12.0 hereof.

#### 2.1.3 AVOIDANCE CLAIMS.

Claims of the Estate to avoid transfers made by the Debtor to the extent such claims arise under ss.ss. 544-551 of the Bankruptcy Code.

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#### 2.1.4 BANKRUPTCY CODE.

The Bankruptcy Code, as set forth in Title 11 of the United States Code, 11 U.S.C. ss.ss. 101 et seq., as applicable to Chapter 11 cases filed on the Petition Date.

#### 2.1.5 BANKRUPTCY COURT.

The United States Bankruptcy Court for the District of Arizona (or such other court as may have jurisdiction over this Chapter 11 case) and, with respect to any particular proceeding arising under Title 11 of the United States Code, or arising in or related to the Reorganization Case, any other court which has jurisdiction over such proceeding.

#### 2.1.6 BANKRUPTCY RULES.

The Rules of Bankruptcy Procedure and the Local Rules of Bankruptcy Procedure for the District of Arizona, including any applicable General Orders.

#### 2.1.7 BENEFIT PLAN CLAIM.

A Claim for contribution to an employee benefit plan, arising from services rendered within 180 days before the Petition Date, to the extent such claim is entitled to priority under ss.507(a)(4) of the Bankruptcy Code. Benefit Plan Claims are classified under the Plan as Class 1C Claims.

2.1.8 CLAIM.

A claim against Debtor within the meaning of 101(5) of the Bankruptcy Code, arising prior to the Confirmation Date.

2.1.9 CLASS.

A category or group of holders of Claims or Interests as designated in Article 2.

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2.1.10 COLONIAL TRUST.

Colonial Trust Company, Inc., the trustee under various indentures pursuant to which Debtor granted certain collateral and rights for the benefit of FRI Investors.

2.1.11 COLONIAL TRUST CLAIM.

The Claim of Colonial Trust, as Trustee for the benefit of holders of Fixed Rate Investment Certificates, to the extent such Claim is a Secured Claim. The Colonial Trust Claim is classified under the Plan as the Class 2D Claim.

2.1.12 CONFIRMATION.

The entry of the Confirmation Order.

2.1.13 CONFIRMATION DATE.

The date on which the Clerk of the Bankruptcy Court enters the Confirmation Order on the docket.

2.1.14 CONFIRMATION HEARING.

The hearing conducted by the Bankruptcy Court to consider confirmation of the Plan, as such hearing may be continued from time to time.

2.1.15 CONFIRMATION ORDER.

The order of the Bankruptcy Court confirming the Plan pursuant to ss. 1129 of the Bankruptcy Code.

2.1.16 CURE PAYMENT.

A payment required under ss.365 of the Bankruptcy Code to cure defaults under Assumed Leases and Contracts. Claims for Cure Payments are treated under the Plan as Administrative Claims, and are classified hereunder as Class 1 A Claims.

2.1.17 DEBTOR.

Stevens Financial Group, Inc., a Missouri corporation.

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2.1.18 DEPOSIT CLAIM.

A claim of an individual, arising from the deposit, before the Petition Date, of money, in connection with the purchase from Debtor of property or services for the personal, family, or household use of such individual, which property or services were not delivered or provided, to the extent such claim is entitled to priority under ss. 507(a)(6) of the Bankruptcy Code. Deposit Claims are classified under the Plan as Class 1D Claims.

2.1.19 DEPOSIT SECURED CLAIM.

A Claim that is secured by a deposit of Debtor's funds held by, or for the benefit of, the holder of such Claim to the extent such claim is a secured claim under ss. 506 of the Bankruptcy Code. Deposit Secured Claims are classified under the Plan as Class 2F Claims.

2.1.20 DISBURSING AGENT.

The person or entity appointed to make distributions under the Plan in accordance with Article 11 hereof.

2.1.21 DISCLOSURE STATEMENT.

The written disclosure statement concerning the Plan approved by the Bankruptcy Court pursuant to ss. 1125(b) of the Bankruptcy Code, including any amendments authorized by the Bankruptcy Court.

2.1.22 EFFECTIVE DATE.

The date, not less than 10 nor more than 120 days after the entry of the Confirmation Order, upon which the events required for substantial consummation of the Plan occur. The Trustee shall determine the Effective Date, after consultation with the Investors Committee based upon the status of negotiations with the potential defendants.

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2.1.23 ESTATE.

The estate created in the Reorganization Case pursuant to ss. 541(a) of the Bankruptcy Code.

2.1.24 FINAL ORDER.

An order, judgment or other decree of the Bankruptcy Court, including, without limitation, a stipulation or other agreement entered into that is "so ordered" by the Bankruptcy Court, the operation or effect of which has not been reversed or stayed and as to which order, judgment or other decree (or any revision, modification or amendment thereof) the time to appeal or seek review has expired, and as to which no appeal or petition for review or certiorari has been taken or is pending (or if such appeal or petition has been taken or granted, it has been finally decided).

2.1.25 FIRST FINANCIAL.

First Financial Trust Company of New Mexico.

2.1.26 FRI INVESTOR.

The holder of a Claim arising out of or relating to a collateralized time certificate or a fixed rate investment certificate issued by Debtor.

2.1.27 FRI INVESTOR CLAIM.

The Claim of an FRI Investor arising prior to the Petition Date, based upon, or relating to, a Fixed Rate Investment Certificate or similar instrument, document, or note, including any claim for return of principal, interest, reimbursement, or rescission, other than a Potential Defendant Claim. FRI Investor Claims are classified under the Plan as Class 3A Claims or Class 3B Claims.

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2.1.28 GENERAL CLAIM.

A Claim that is not a Priority Claim, a Secured Claim, an FRI Investor Claim, or an Inter-Company Claim. General Claims are classified under the Plan as Class 3D Claims.

2.1.29 GREAT SOUTHERN.

Great Southern Bank, F.S.B.

2.1.30 GREAT SOUTHERN BUILDING CLAIM.

The Claim of Great Southern arising from a promissory note and mortgage, to the extent such Claim is a Secured Claim secured by a lien on Debtor's office building in Springfield, Missouri. The Great Southern Building Claim is classified under the Plan as the Class 2A Claim.

2.1.31 GREAT SOUTHERN LOAN PORTFOLIO CLAIM. The Claim of Great Southern arising from transactions denominated "purchase agreements" relating to consumer loans "sold" by Debtor to Great Southern to the extent such Claim is a Secured

Claim secured by a lien on a portion of Debtor's consumer loan portfolio. The Great Southern Loan Portfolio Claim is classified under the Plan as the Class 2B Claim.

#### 2.1.32 HARNDEN & HAMILTON.

Harnden & Hamilton, L.L.C., the former independent accounting firm for Debtor.

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#### 2.1.33 INTER-COMPANY CLAIM.

A Claim initially owned by or now held by any shareholder, former shareholder, subsidiary of Debtor or any other corporation the equity of which is owned by the shareholders or former shareholders of Debtor, including, without limitation, any claim for reimbursement, indemnification or contribution. Inter-Company Claims are classified under the Plan as Class 3E Claims.

#### 2.1.34 INTEREST OR INTERESTS.

The rights of a holder of an equity interest in Debtor. Interests are classified under the Plan as Class 4A Interests.

#### 2.1.35 INVESTOR AVOIDANCE CLAIM.

An Avoidance Claim against the holder of an FRI Investor Claim.

#### 2.1.36 INVESTORS' COMMITTEE.

The Official Investors' Committee, appointed by the United States' Trustee's Office to serve in the Reorganization Case.

#### 2.1.37 LESSOR SECURED CLAIM.

A Secured Claim based upon an instrument entitled "Equipment Lease," or similar label, to the extent such instrument is re-characterized (by agreement between Debtor and the holder of such Claim, or by a Final Order of the Bankruptcy Court), as a purchase money obligation of Debtor secured by the goods or equipment identified, or referred to, in the "Equipment Lease." Lessor Secured Claims are classified under the Plan as Class 2E Claims.

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#### 2.1.38 LIQUIDATION AMOUNT.

An amount used to determine distributions to Non-Participating Creditors based upon an estimate of distributions to non-priority, unsecured creditors if the Debtor were liquidated under Chapter 7 as of the Effective Date, to be determined in accordance with section 5.3.1 hereof.

#### 2.1.39 NET INVESTMENT AMOUNT.

An amount used to determine the pro rata rights of Participating Creditors, calculated in accordance with section 5.2.7 hereof.

#### 2.1.40 NON-PARTICIPATING CREDITOR.

A holder of an FRI Investor Claim or a General Claim who elects not to be a Participating Creditor in accordance with the provisions of section 5.1.

#### 2.1.41 PARTICIPATING CREDITOR.

A holder of an FRI Investor Claim, Potential Defendant Claim or a General Claim who elects in accordance with the provisions of section 5.1 to receive stock in the Reorganized Debtor and to provide the assignment and releases specified in section 5.2.

#### 2.1.42 PETITION DATE.

March 19, 2001, the date upon which the Reorganization Case commenced.

#### 2.1.43 PLAN.

This plan of reorganization, including any amendment or modification made in accordance with the terms of the Plan or the applicable provisions of the Bankruptcy Code.

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#### 2.1.44 POTENTIAL DEFENDANTS.

The Sinclairs, Stevens, and Robarge, and their successors, assigns, and affiliated entities; and Harnden & Hamilton, securities brokerage companies and dealers who sold collateralized time or fixed rate investment certificates, First Financial, and Colonial, and their officers, directors, employees, agents and professionals who provided services relating to the issuance and management of fixed rate investment certificates.

#### 2.1.45 POTENTIAL DEFENDANTS CLAIM.

A Claim against Debtor which is not a Secured Claim or a Priority Claim and which is held by (or was incurred with) any Potential Defendant or a person or entity that was a defendant in an action commenced prior to the Petition Date on behalf of Debtor. Potential Defendant Claims are classified under the Plan as Class 3C Claims.

#### 2.1.46 PREFERRED STOCK REDEMPTION VALUE.

The aggregate amount required to redeem all Preferred Stock issued under the Plan, determined based upon the Net Investment Amount of Participating Creditors, in accordance with section 6.7.1.

#### 2.1.47 PREFERRED STOCK TRUST.

A trust to be established on the Effective Date to hold Preferred Stock in SFG Holdings and to be managed in accordance with section 6.6 hereof.

#### 2.1.48 PRIORITY CLAIM.

A claim entitled to priority treatment pursuant to ss. 507(a) of the Bankruptcy Code. Priority Claims are classified under the Plan as Administrative Claims (Class 1A), Wage Claims (Class 1B), Benefit Plan Claims (Class 1C), Deposit Claims (Class 1D) and Tax Claims (Class 1E).

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#### 2.1.49 PRO RATA OR PRO RATED.

The ratio of an Allowed Claim or Interest in a particular Class, or identified portion of such Class, to the aggregate amount of all Allowed Claims or Interests in that Class, or identified portion of such Class.

#### 2.1.50 REORGANIZATION CASE.

The chapter 11 proceedings for Debtor, In re Stevens Financial Group, Inc., Case No. 01- 03105-ECF-RTB.

#### 2.1.51 REORGANIZED DEBTOR.

Debtor on and after the Effective Date.

#### 2.1.52 ROBARGE.

Patrick J. Robarge, a former officer and shareholder of Debtor and current owner of stock in P.R. Edge Finance Corporation, U.S. Financial and Canadian Finance Venture.

#### 2.1.53 SECURED CLAIM.

A Claim defined as a secured claim under ss. 506(a) of the Bankruptcy Code. Secured Claims are classified under the Plan as the Great Southern Building Claim (Class 2A), the Great Southern Loan Portfolio Claim (Class 2B), the Sinclair Bank Loan Portfolio Claim (Class 2C), the Colonial Trust Claim (Class 2D), Lessor Secured Claims (Class 2E), or Deposit Secured Claims (Class 2F).

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2.1.54 SECURED CLAIM RATE.

A rate of interest, to be determined by the Bankruptcy Court at the Confirmation Hearing, that, when applied to the amount of a Secured Claim paid in installments as provided herein, will result in such installments being of an aggregate value, as of the Effective Date, equal to the Allowed Secured Claim, consistent with the requirements of ss. 1129(b)(2)(B)(i). At the Confirmation Hearing, the Trustee will request the Bankruptcy Court to determine that the Secured Claim Rate is seven and one-half percent (7 1/2%) per annum.

2.1.55 SFG FINANCIAL.

The Reorganized Debtor.

2.1.56 SFG HOLDINGS.

SFG Holdings, Inc., a Delaware corporation to be formed on or prior to the Effective Date to be the sole shareholder of SFG Financial.

2.1.57 SINCLAIR BANK.

Sinclair National Bank, a national bank the stock of which is currently owned by the Damian Sinclair.

2.1.58 SINCLAIR BANK LOAN PORTFOLIO CLAIM.

The Claim of Sinclair Bank arising from transactions denominated "purchase agreements" relating to consumer loans "sold" by Debtor to Sinclair Bank to the extent such Claim is a Secured Claim secured by a lien on a portion of Debtor's consumer loan portfolio. The Sinclair Bank Loan Portfolio Claim is classified under the Plan as the Class 2C Claim.

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2.1.59 SINCLAIR'S.

Damien Sinclair and/or Susan W. Sinclair, the former shareholders of Debtor.

2.1.60 STEVENS.

Clarence W. Stevens, the current owner of all of the issued and outstanding stock in Debtor.

2.1.61 STEVENS FUNDING.

Stevens Funding, Inc., a Missouri corporation and subsidiary of Debtor.

2.1.62 SUBORDINATED FRI INVESTOR CLAIMS.

FRI Investor Claims to the extent such Claims relate to certificates sold as subordinated time certificates, issued from March 1998 through March 1999.

2.1.63 TAX CLAIM.

A claim for taxes of the kind specified in ss. 507(a)(7) of the Bankruptcy Code, to the extent entitled to priority thereunder. Tax Claims are classified under the Plan as Class 1E Claims.

2.1.64 TAX CLAIM RATE.

A rate of interest, to be determined by the Bankruptcy Court at the Confirmation Hearing, that, when applied to the amount of a Tax Claim paid in installments as provided herein, will result in such installments being of an aggregate value, as of the Effective Date, equal to the Allowed Tax Claim, consistent with the requirements of ss. 1129(a)(9)(C). At the Confirmation Hearing, the Trustee will request the Bankruptcy Court to determine that the Tax Claim Rate is six percent (6%) per annum.

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2.1.65 TRUST SUPERVISION COMMITTEE.

A committee to be designated on the Effective Date pursuant to section 6.6 to provide supervision of the Preferred Stock Trust.

2.1.66 TRUSTEE.

Vern Schweigert, the trustee appointed in the Reorganization Case, or any successor trustee appointed by the Bankruptcy Court.

2.1.67 WAGE PRIORITY CLAIM.

A claim for wages, salaries, commissions, including vacation pay, severance and sick leave pay, of the kind and in the amount specified in ss. 507(a)(3) of the Bankruptcy Code. Wage Priority Claims are classified under the Plan as Class 1B Claims.

2.2 TERMS DEFINED IN BANKRUPTCY CODE.

A term not defined in the Plan but defined in the Bankruptcy Code shall have the meaning given in the Bankruptcy Code.

3.0 CLASSIFICATION OF CLAIMS AND INTERESTS.

For the purposes of the Plan, Claims against, and Interests in, the Debtor, of whatever nature, whether or not scheduled, liquidated or unliquidated, absolute or contingent, direct or indirect, including all Claims arising from the rejection of executory contracts, and all Claims or Interests arising from the ownership of equity securities of Debtor, shall be bound by the provisions of this Plan and are classified as follows:

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3.1 PRIORITY CLAIMS.

All Priority Claims are classified in the Plan based upon the priorities established in ss. 507(a) of the Bankruptcy Code and are further separately classified as follows:

3.1.1 CLASS 1A. ADMINISTRATIVE CLAIMS.

Class 1A shall consist of all Administrative Claims.

3.1.2 CLASS 1B. WAGE CLAIMS.

Class 1B shall consist of all Wage Claims.

3.1.3 CLASS 1C. BENEFIT PLAN CLAIMS.

Class 1C shall consist of all Benefit Plan Claims.

3.1.4 CLASS 1D. DEPOSIT CLAIMS.

Class 1D Claims shall consist of all Deposit Claims.

3.1.5 CLASS 1E. TAX CLAIMS.

Class 1E shall consist of all Tax Claims.

3.2 SECURED CLAIMS.

Claims that are secured claims within the definition of ss. 506(a) of the Bankruptcy Code are separately classified in the following classes:

3.2.1 CLASS 2A. GREAT SOUTHERN BUILDING CLAIM.

Class 2A shall consist of the Great Southern Building Claim.

3.2.2 CLASS 2B. GREAT SOUTHERN LOAN PORTFOLIO CLAIM.

Class 2B shall consist of the Great Southern Loan Portfolio Claim.

3.2.3 CLASS 2C. SINCLAIR BANK LOAN PORTFOLIO CLAIM.

Class 2C shall consist of the Sinclair Bank Loan Portfolio Claim.

3.2.4 CLASS 2D. COLONIAL TRUST CLAIM.

Class 2D shall consist of the Colonial Trust Claim.

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3.2.5 CLASS 2E. LESSOR SECURED CLAIMS.

Class 2E shall consist of all Lessor Secured Claims, which claims will be further separately classified for each Equipment Lease which has been re-characterized as a purchase money obligation secured by a security interest on the equipment.

3.2.6 CLASS 2F. DEPOSIT SECURED CLAIMS.

Class 2F shall consist of all Claims for which the holder thereof holds a deposit from Debtor, to the extent the Claim is a Secured Claim. The Trustee believes that there are no Deposit Secured Claims.

3.3 UNSECURED CLAIMS.

Claims that are not Secured Claims and are not Priority Claims are classified in Class 3A, Class 3B, Class 3C, Class 3D or Class 3E, depending upon the nature of the claim and the identity of the holder of such claim, as follows:

3.3.1 CLASS 3A. FRI INVESTOR CLAIMS.

Class 3A shall consist of all FRI Investor Claims except Subordinated FRI Investor Claims (Class 3B) and Potential Defendant Claims (Class 3C).

3.3.2 CLASS 3B. SUBORDINATED FRI INVESTOR CLAIMS.

Class 3B shall consist of all Subordinated FRI Investor Claims except Potential Defendant Claims (Class 3C).

3.3.3 CLASS 3C. POTENTIAL DEFENDANT CLAIMS.

Class 3C shall consist of all Potential Defendant Claims.

3.3.4 CLASS 3D. GENERAL CLAIMS.

Class 3D shall consist of all General Claims.

3.3.5 CLASS 3E. INTER-COMPANY CLAIMS.

Class 3E Claims shall consist of all Inter-Company Claims.

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3.4 INTERESTS.

All Interests or equity rights in the Debtor are classified in Class 4A as follows:

CLASS 4A. EQUITY INTERESTS.

Class 4A Interests shall consist of all Allowed Interests of the owner(s) of equity interests in Debtor.

4.0 TREATMENT OF CLASSES

The treatment of each class of Claims or Interests is specified in this Article 4.0. The holder of a Claim may agree to deferred payment or a different treatment, provided such treatment is no more favorable than that provided for herein.

4.1 PRIORITY CLAIMS

In accordance with the requirements for plan confirmation set forth in ss.1129(a)(9), the Plan provides for the payment in full of all Priority Claims, as follows:

4.1.1 CLASS 1A. ADMINISTRATIVE CLAIMS.

4.1.2 CLASS 1B. WAGE CLAIMS.

4.1.3 CLASS 1C. BENEFIT PLAN CLAIMS.

4.1.4 CLASS 1D. DEPOSIT CLAIMS.

Each holder of a Class 1A, 1B, 1C, or 1D Claim, to the extent such Claim is an Allowed Claim, shall receive, on account of such Claim, payment of the Allowed amount of such Claim, in cash, on the later of (i) the Effective Date, (ii) the date on which the Claim becomes Allowed, or (iii) the date upon which such obligation becomes due in accordance with its terms.

Professionals and entities who may be entitled to allowance of fees and expenses from the Estate pursuant to ss. 503(b)(2) through (6) of the Bankruptcy Code will receive cash in the amount awarded to such professionals or entities in accordance with, and at such times as may be provided in, Final Orders entered pursuant to ss. 330 or 503(b)(2) through (6) of the Bankruptcy Code.

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Class 1 A, 1 B, 1 C, and 1D Claims are not impaired.

#### 4.1.5 CLASS 1E. TAX CLAIMS.

Each holder of a Class 1E Claim, to the extent such Claim is an Allowed Claim, shall receive, on account of such Claim, deferred cash payments on account of such Claim over a period of four years, of an aggregate value, as of the Effective Date, equal to the Allowed amount of such Claim. The deferred cash payments shall be sixteen (16) equal quarterly installments of principal and interest at the Tax Claim Rate, with the first such payment being payable within ninety (90) days of the Effective Date.

Class 1E Claims are treated in accordance with ss. 1129(a)(9)(C) of the Bankruptcy Code and are, accordingly, not impaired for purposes of determining voting rights.

#### 4.2 SECURED CLAIMS.

The Plan provides for the payment in full of all Allowed Secured Claims, as follows:

##### 4.2.1 CLASS 2A. GREAT SOUTHERN BUILDING CLAIM.

The holder of the Class 2A Claim, to the extent such Claim is an Allowed Secured Claim, shall receive, on account of such Claim, deferred cash payments of an aggregate value, as of the Effective Date, equal to the Allowed amount of such Claim. Such payments shall consist of (i) monthly payments of interest on the Allowed Amount of the Claim, at the Secured Claim Rate, commencing on the first day of the calendar month which is at least thirty (30) days after the Effective Date, and continuing until the sale of the collateral; and (ii) a lump sum payment of the Allowed amount of the Claim, from the proceeds of the sale of the collateral. The holder of the Class 2A claim shall retain its lien on the collateral to secure payment of the amounts provided herein.

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The Class 2A Claim is impaired.

##### 4.2.2 CLASS 2B. GREAT SOUTHERN LOAN PORTFOLIO CLAIM.

##### 4.2.3 CLASS 2C. SINCLAIR BANK LOAN PORTFOLIO CLAIM.

The holder of the Class 2B or 2C Claim, to the extent such Claim is an Allowed Secured Claim, shall receive, on account of such Claim, deferred cash payments of an aggregate value, as of the Effective Date, equal to the Allowed amount of such Claim. Payments shall be made by the Reorganized Debtor in accordance with the terms of the applicable "purchase agreement," consisting of monthly payments of collections from the collateral portfolio, less, on a cumulative basis, the amount due Debtor as a "service fee." The holder of the Class 2B or 2C claim shall retain its lien on the collateral to secure payment of the amounts provided herein.

The Class 2B and 2C Claims are not impaired.

##### 4.2.4 CLASS 2D. COLONIAL TRUST CLAIM.

The holder of the Class 2D Claim, to the extent such Claim is an Allowed Secured Claim, shall receive, on account of such claim, Class A Preferred Stock in SFG Holdings, in the face amount equal to the aggregate of all Net Investment Amounts for all Participating Creditors, to be transferred to the Preferred Stock Trust. On the Effective Date, the holder of the Class 2D Claim shall release all liens on property of the Reorganized Debtor.

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The Class 2D Claim is impaired.

#### 4.2.5 CLASS 2E. LESSOR SECURED CLAIMS.

Each holder of a Class 2E Claim, to the extent such Claim is an Allowed Secured Claim, shall receive, on account of such Claim, deferred cash payments of an aggregate value, as of the Effective Date, equal to the Allowed amount of such Claim. Payments shall be made monthly or quarterly as provided in the applicable "Lease Agreement," commencing on the first day of the calendar month that is at least thirty (30) days after the Effective Date. Each payment shall be in the amount necessary to pay the Allowed Secured Claim in full with interest at the Secured Claim Rate, over the term of the Lease Agreement, including any extensions or renewals provided for therein. The holder of the Class 2E claim shall retain its lien on the collateral to secure payment of the amounts provided herein.

Class 2E Claims are impaired.

#### 4.2.6 CLASS 2F. DEPOSIT SECURED CLAIMS.

Each holder of a Class 2F Claim, to the extent such Claim is an Allowed Secured Claim, shall be entitled, on the Effective Date, to apply the deposit held in full satisfaction of its Allowed Secured Claim.

Class 2F Claims are impaired.

#### 4.3 UNSECURED CLAIMS WITHOUT PRIORITY.

The Plan provides for the following treatment of unsecured, non-priority Claims.

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##### 4.3.1 CLASS 3A. FRI INVESTOR CLAIMS.

##### 4.3.2 CLASS 3B. SUBORDINATED FRI INVESTOR CLAIMS.

##### 4.3.3 CLASS 3C. POTENTIAL DEFENDANT CLAIMS.

##### 4.3.4 CLASS 3D. GENERAL CLAIMS.

Each holder of a Class 3A, 3B, 3C or 3D Claim, to the extent such Claim is an Allowed Claim, shall be entitled to elect, in the manner specified in Section 5.1 hereof, to be treated as a Participating Creditor or a Non-Participating Creditor. Participating Creditors shall receive Common Stock in SFG Holdings, in accordance with the provisions of Section 5.2.1 hereof, and shall give and receive releases, as specified in Section 5.2.3 hereof, except that Participating Creditors who are holders of Potential Defendant Claims shall not receive releases. Non-Participating Creditors shall receive cash payments based on a prorated share of the Liquidation Amount, as provided in Section 5.3 hereof.

Class 3A, 3B, 3C and 3D Claims are impaired

##### 4.3.5 CLASS 3E. INTER-COMPANY CLAIMS.

Each holder of a Class 3E Claim shall receive nothing on account of its Claim. Class 3E Claims are impaired.

#### 4.4 INTERESTS.

##### 4.4.1 CLASS 4A. EQUITY INTERESTS.

Each holder of a Class 4A Interest shall receive nothing on account of such Interest. All currently issued and outstanding stock, and any warrants, options or subscription rights thereto, will be cancelled as of the Effective Date.

Class 4A Interests are impaired.

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#### 5.0 PARTICIPATING CREDITOR ELECTION.

Each holder of an Allowed FRI Investor Claim or General Claim will be requested to elect between two separate treatments under the Plan. Along with

the ballot for acceptance or rejection of the Plan, each such Creditor will receive an election form to choose between being a Participating Creditor or a Non-Participating Creditor. The manner of voting, and the treatment of Claims is described in the following paragraphs of this Section 5.0.

#### 5.1 MANNER OF MAKING ELECTION.

Each holder of a Claim in Class 3A, 3B, 3C or 3D will receive an election form as part of its ballot to accept or reject the Plan, to be completed and returned by the date set for balloting on the Plan. Each holder of such a claim may designate its election to be a Participating Creditor or a Non-Participating Creditor, whether or not the holder accepts, rejects, or does not vote on the Plan. Absent the consent of the Trustee, a holder may not change its election after filing unless the Bankruptcy Court orders otherwise. The Trustee (prior to the Effective Date) or the Reorganized Debtor (on and after the Effective Date) may, but shall not be required to, accept a late election. If a Claim holder has submitted no election, the holder shall be conclusively deemed, for all purposes, to have made the same election as the majority (by dollar amount) of electing holders of claims in the same Class.

#### 5.2 TREATMENT OF PARTICIPATING CREDITORS.

On the Effective Date, each holder of an Allowed Claim who has elected, or is deemed to have elected, to be a Participating Creditor shall (i) receive Common Stock in SFG Holdings, (ii) be entitled to distributions from SFG Preferred Stock, (iii) assign any interest such Participating Creditor has in Stevens Funding, and (iv) assign to the SFG Holding any and all claims it may have, against other Participating Creditors or any of the Potential Defendants, based on the following provisions of this section 5.2. In addition, any such Participating Creditors other than a holder of a Potential Defendant Claim will be released from any claims that the Estate or other Participating Creditors may have against it

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##### 5.2.1 COMMON STOCK.

On the Effective Date, SFG Holdings will issue 90,000 shares of its Common Stock to the Disbursing Agent for distribution to Participating Creditors. Shares of Common Stock will be prorated among Participating Creditors based upon their Allowed claims.

##### 5.2.2 DISTRIBUTIONS FROM PREFERRED STOCK.

On the Effective Date, SFG Holdings will issue 90,000 shares of its Preferred Stock to the Preferred Stock Trustee for the benefit of Participating Creditors. Any funds or other distributions received by the Preferred Stock Trustee on account of such stock, whether sales proceeds, dividends, redemption payments or liquidation preferences, shall be distributed by the Preferred Stock Trustee, at least quarterly, to Participating Creditors, prorated on the basis of Net Investment Amount, as provided in section 5.2.7 hereof.

##### 5.2.3 PARTICIPATING CREDITORS RELEASE.

On the Effective Date, each Participating Creditor shall be conclusively deemed to have transferred and assigned to SFG Holding any all claims the Participating Creditor may have against any other Participating Creditor arising out of or relating to the Debtor, or its businesses prior to the Effective Date. On the Effective Date, SFG Holding shall execute a release of all of such assigned claims for the benefit of each Participating Creditor except holders of Class 3C Claims.

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##### 5.2.4 INTEREST IN STEVENS FUNDING.

On the Effective Date, each Participating Creditor with an interest in, or claim against, Stevens Funding, shall be conclusively deemed to have transferred and assigned to the Reorganized Debtor any and all such interests and claims.

##### 5.2.5 CLAIMS AGAINST POTENTIAL DEFENDANTS.

On the Effective Date, each Participating Creditor shall be conclusively deemed to have transferred and assigned to the Reorganized Debtor any all claims the Participating Creditor may have against any and all of the Potential Defendants arising out of or relating to the Debtor, or its businesses prior to the Effective Date. On the Effective Date, the Reorganized Debtor shall execute

a release of all of such assigned claims for the benefit of any of the Potential Defendants which have settled with the Trustee, in accordance with, and subject to, the terms of the settlement agreements. Thereafter, the Reorganized Debtor shall be free to investigate, pursue and settle all assigned claims against the remaining Potential Defendants, in the name of the Participating Creditors, for the benefit of the Reorganized Debtor.

#### 5.2.6 ESTATE CLAIMS RELEASE.

On the Effective Date, the Reorganized Debtor shall release any and all claims Debtor or the Estate may have against any and all of the Participating Creditors other than holders of Class 3C Claims arising out of or relating to the Debtor, or its businesses prior to the Effective Date, including, without limitation, any Investor Avoidance Claims.

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#### 5.2.7 NET INVESTMENT AMOUNT.

All distributions on account of the Preferred Stock in SFG Holdings to be issued to the Preferred Stock Trustee, will be prorated based on the Net Investment Amount of each Participating Creditor. The Net Investment Amount for holders of General Claims shall be equal to the Allowed Amount of such Claim. The Net Investment Amount for FRI Investors shall be (i) the sum of all cash payments made by such Investor to purchase Fixed Rate Investment Certificates (or similar instruments) on and after January 1, 1995, less (ii) the sum of all cash payments received by such Investor from, or on behalf of, Debtor on account of such Fixed Rate Investment certificates, whether such payments were denominated return of principal or interest; PROVIDED, the Net Investment Amount shall not be less than \$1,000. Thus, each FRI Investor will have a minimum claim of \$1,000. For purposes of calculating Net Investment Amount, the Participating Creditor's investments in and distributions from Stevens Funding shall be included. Each Participating Creditor's pro rata share shall be calculated by dividing the Participating Creditor's Net Investment Amount by the aggregate of the Net Investment Amounts for all Participating Creditors. For purposes of determining a Participating Creditor's Net Investment Amount, all payments made by and to the Participating Creditor will be aggregated, and certificates purchased in the name of the husband and/or wife, or for the benefit of children for a revocable or irrevocable trust will be combined. Certificates purchased for individual retirement accounts, pension plans or similar tax-exempt retirement plans will not be aggregated with certificates purchased individually. The Bankruptcy Court will resolve any dispute over aggregate or other matters relating to the calculation of the Net Investment Amount.

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#### 5.3 TREATMENT OF NON-PARTICIPATING CREDITORS.

Within 120 days of the Effective Date, the Disbursing Agent shall distribute cash to each holder of an Allowed General Claim or an Allowed FRI Investor Claim who has elected treatment as a Non-Participating Creditor. The total amount distributed on account of such Claims will be determined on the basis of the Non-Participating Creditor's share of the Liquidation Amount, calculated in accordance with sections 5.3.1 and 5.3.2 hereof, and shall be prorated among Non-Participating Creditors based upon their share of the total Allowed Claims of Non-Participating Creditors. Non-Participating Creditors shall not assign claims they may have against the Potential Defendants or other creditors, shall not be released by other creditors, and shall be subject to any claims the Estate may have, including without limitation, Investor Avoidance Claims.

##### 5.3.1 LIQUIDATION AMOUNT.

The Liquidation Amount shall be the amount that would be distributed to non-priority, unsecured creditors if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code as of the Effective Date. The Bankruptcy Court will determine the Liquidation Amount at the Confirmation Hearing.

##### 5.3.2 NON-PARTICIPATING CREDITORS' SHARE OF LIQUIDATION AMOUNT.

The aggregate amount to be distributed to all Non-Participating Creditors shall be determined by dividing the aggregate amount of Allowed Claims of Non-Participating Creditors by the aggregate amount of all Allowed FRI Investor Claims and General Claims.

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## 6.0 STOCK RIGHTS IN SFG HOLDINGS.

## 6.1 FORMATION OF SFG HOLDINGS.

Immediately prior to the Effective Date, SFG Holdings will be formed as a Delaware corporation. On the Effective Date, Debtor will cancel all of its currently outstanding and issued stock and issue 100 shares of its common stock to SFG Holdings.

## 6.2 INITIAL BOARD OF DIRECTORS

The initial board of directors of SFG Holdings will consist of three members, one each designated by the Trustee, Jerry Fenstermaker and the Investors' Committee. All director positions will be subject to election at the first annual shareholders' meeting for SFG Holdings.

## 6.3 ELECTION OF SUCCESSOR BOARD MEMBERS.

At the annual shareholder's meetings, successor Board of Director members shall be selected by the shareholders of SFG Holdings, and the outstanding Preferred Stock shall be voted in the same manner as Common Stock. Should a vacancy occur in the board of directors, the shareholders will be entitled to elect a replacement.

## 6.4 VOTING RIGHTS ON OTHER MATTERS.

Except as otherwise specifically set forth herein, on all matters submitted to shareholders for a vote, each share of Preferred or Common Stock will be entitled to one vote, without regard to Class and the outstanding Preferred Stock shall be voted in the same manner as Common Stock; provided, however, that as long as any Preferred Stock remains outstanding, (i) the rights and privileges of the Preferred Stock may not be altered without the approval of a majority (by face amount) of the holders of Preferred Stock, and (ii) no class of stock may be issued by SFG Holdings providing for higher priority in redemption, dividends, or liquidation preference without the consent of a majority of the holders of the Preferred Stock.

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## 6.5 EMPLOYEE STOCK ISSUANCE

On the Effective Date, and subject to the approval of the Bankruptcy Court, SFG Holdings shall issue up to 10,000 shares of Common Stock to the management members and employees, as designated by the Board of Directors.

## 6.6 MANAGEMENT OF PREFERRED STOCK TRUST

On the Effective Date, the existing trusts for the benefit of FRI Investors will be terminated and the Preferred Stock Trustee will become the trustee of the Preferred Stock Trust, which shall hold the Preferred Stock for the benefit of Participating Creditors until all such stock has been sold or redeemed. The initial Trustee of the Preferred Stock Trust will be selected by the Trustee and the Investors' Committee and shall be responsible for making distributions to Participating Creditors on a quarterly basis, if and when available, from any funds received on account of such Preferred Stock. Management of the Preferred Stock Trust will be subject to the decisions of a Trust Supervision Committee. The initial Trust Supervision Committee will consist of three members who will be selected by the Trustee, Jerry Fenstermaker, and the Investors' Committee. Immediately following the first annual shareholders meeting, each member of the Trust Supervision Committee shall be selected by the Board of Directors of SFG Holdings for one-year terms. Vacancies on the Trust Supervision Committee will be filled by the Board of Directors of SFG Holdings. The Trust Supervision Committee will be entitled to replace the trustee of the Preferred Stock Trust in the event of a vacancy, and will be entitled to remove such trustee, with or without cause, at any time. At any time after the one-year anniversary of the Effective Date, the Preferred Stock Trust may be terminated by a two-thirds majority of the Common Stock and upon such termination the Preferred Stock shall be distributed pro rata to the Participating Creditors on the basis of Net Investment Amount.

## 6.7 PREFERRED STOCK ECONOMIC RIGHTS.

Preferred Stock in SFG Holdings issued pursuant to the Plan shall be issued with the following rights and interests.

#### 6.7.1 REDEMPTION.

The Preferred Stock will be subject to mandatory redemption, on a pro rata basis, quarterly. The Preferred Stock Redemption Value of all Preferred Stock shall be an amount equal to the aggregate Net Investment Amount of all Participating Creditors. To the extent funds are available, SFG Holdings will pay 1/28th of the redemption value each quarter, commencing six (6) months after the Effective Date. In the event funds are not available in any given quarter to redeem 1/28th of the Preferred Stock, 1/28th of the Preferred Stock shall be redeemed in the next quarter in which funds are so available and redemption shall continue as set forth above until the entire Preferred Stock Redemption Value has been paid. Upon payment of the entire Preferred Stock Redemption Value, all shares of Preferred Stock shall be deemed redeemed and shall be cancelled.

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#### 6.7.2 LIQUIDATION PREFERENCE.

The Preferred Stock will have a liquidation preference over Common Stock equal to the unpaid portion of the Preferred Stock Redemption Value. The liquidation preference will be payable in the event SFG Holdings is merged with another entity or in the event substantially all of the assets of SFG Holdings are sold.

#### 6.7.3 CONVERSION.

Each outstanding and unredeemed share of Preferred Stock shall automatically be convertible into one share of Common Stock upon the sale of such stock or the merger of SFG Holdings.

#### 6.7.4 DETERMINATION OF FUNDS AVAILABLE

As long as Preferred Stock remains outstanding, the Board of Directors shall determine, at the conclusion of each quarter, the amount of funds, if any, the Reorganized Debtor may devote to the payment of redemption and dividends. In making such determination, the Board shall consider the amount of funds available and any cash commitments of the company during the next quarter.

### 7.0 OWNERSHIP OF ESTATE CLAIMS

On the Effective Date, the Reorganized Debtor shall succeed to all claims and causes of action of the Debtor, and the Debtor's Estate, including, without limitation, any claims arising under ss. 544 et seq. of the Bankruptcy Code. The Board of Directors shall have the authority to direct the pursuit or settlement of any such claims. Any proceeds or recoveries on account of such claims shall be considered by the Board of Directors in determining the amount of funds available for distribution in the quarter such proceeds are received.

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### 8.0 THE DISBURSING AGENT

#### 8.1 APPOINTMENT

A Disbursing Agent shall be appointed pursuant to the Confirmation Order. The Disbursing Agent shall, among other things, act instead of and as the nominee of the holders of Claims and Interests, receive payments from Debtor, the Estate, and the Reorganized Debtor, and make all payments and distributions to creditors contemplated by the Plan.

#### 8.2 COMPENSATION OF THE DISBURSING AGENT

The Disbursing Agent shall not be entitled to compensation for services rendered. If any reimbursement of expenses is sought by the Disbursing Agent, the same shall be subject to the approval of the Bankruptcy Court and shall be payable from cash on hand after the entry of such an order by the Bankruptcy Court.

#### 8.3 REORGANIZED DEBTOR AS DISBURSING AGENT

The Reorganized Debtor or SFG Holdings may be appointed as Disbursing Agent pursuant to the Confirmation Order to act in all such things as are required of the Disbursing Agent.

9.0 CONDITIONS PRECEDENT TO EFFECTIVE DATE

The following are conditions precedent to the occurrence of the Effective Date:

9.1 EXECUTION OF DOCUMENTS.

All documents necessary and appropriate to effectuate the Plan shall have been executed and delivered by all parties.

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9.2 CORPORATE ACTION.

All corporate actions of Debtor and SFG Holdings shall be properly completed by the Effective Date.

10.0 CONDITIONS PRECEDENT TO DISTRIBUTIONS

10.1 DOCUMENTS OF EXCHANGE AND SURRENDER

The Disbursing Agent may, as a condition to receipt of distributions of funds or stock, require a holder of a Claim to return and cancel instruments respecting such Claim.

10.2 UNCLAIMED FUNDS

For a period of one (1) year from the Effective Date, the Disbursing Agent shall retain any distribution of funds or stock otherwise distributable hereunder which remains unclaimed or as to which the Disbursing Agent has not received documents required under Section 10.1 hereof. Thereafter, any unclaimed stock in Reorganized Debtor shall be canceled and any unclaimed funds resulting will be paid over to the Reorganized Debtor.

11.0 ALLOWANCE AND ESTIMATION OF CLAIMS

11.1 CATEGORIZATION OF CLAIMS.

A Claim shall be an Allowed Claim, an Estimated Claim, a Reserved-For Claim, or a Disallowed Claim, based on the following provisions.

11.1.1 ALLOWED CLAIMS .

A Claim shall be an Allowed Claim only if, and to the extent, the Claim has been Timely Submitted, Allowable, and Determined, in accordance with the following:

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Timely submission. A Claim shall be considered Timely Submitted if at least one of the following applies to such Claim:

Listed. The Claim is listed on the Schedules, and is not included within a Proof of Claim, and is not listed as contingent, unliquidated, or disputed; Proof of Claim. The Claim is reflected in a Proof of Claim filed by the Bar Date applicable to such Claim;

Otherwise Timely Submitted. The Claim has been determined, by Final Order of the Bankruptcy Court, to be timely filed;

Informal Proof of Claim. The Claim has been determined, by Final Order of the Bankruptcy Court, to be the subject of a timely "informal Proof of Claim";

No Proof of Claim Required. The Claim has been determined, by Final Order of the Bankruptcy Court, to be deemed timely submitted, without a Proof of Claim.

Allowable. A Claim shall be considered Allowable if at least one of the following applies to such Claim:

No Objection. The Claim is Timely Submitted and is not the subject of a Timely Objection.

Sustained Claim. The Claim has been allowed, after consideration of all Timely Objections, by Final Order of the Bankruptcy Court.

Determined. A Claim, and the amount thereof, shall be considered Determined if one of the following applies to such Claim:

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No Objection. The Claim is Timely Submitted and Allowable, and the amount thereof is not subject to a Timely Objection.

Sustained Amount. The amount of the Claim has been determined, after consideration of all Timely Objections, by Final Order of the Bankruptcy Court.

#### 11.1.2 ESTIMATED CLAIMS.

A Claim shall be an Estimated Claim if the Claim is not an Allowed Claim, and the Bankruptcy Court has entered a Final Order estimating the Claim for distribution purposes.

#### 11.1.3 DISALLOWED CLAIMS.

A Claim shall be a Disallowed Claim if the Claim was not Timely Submitted, or has been disallowed by Final Order of the Bankruptcy Court.

#### 11.1.4 RESERVED-FOR CLAIMS .

A Claim shall be a Reserved-For Claim if the Claim is not an Allowed Claim, an Estimated Claim, or a Disallowed Claim. Each Reserved-For Claim shall be considered, for purposes of establishing reserves therefor, to be in an amount equal to (i) the amount listed on the Schedules, if no proof of claim has been filed, or (ii) the amount listed on a proof of claim.

#### 11.2 AGGREGATION OF MULTIPLE CLAIMS.

Multiple proofs of claim within the same Class filed by one claimant, to the extent not duplicative, shall be aggregated and shall constitute a single Allowed Claim.

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#### 11.3 OBJECTIONS AND BAR DATE FOR FILING OBJECTIONS

Except as provided above, an objection to a Claim shall be a Timely Objection if filed with the Bankruptcy Court, and served upon the holder of such Claim pursuant to the Bankruptcy Code and Bankruptcy Rules, no later than ninety (90) days after the Effective Date. The primary responsibility for objecting to claims shall be with the Reorganized Debtor.

#### 11.4 SETTLEMENT OF CLAIMS

Settlement of any objection to a Claim not exceeding \$5,000 shall be permitted on the eleventh (11th) day after notice of the settlement has been provided to the Reorganized Debtor, and the Disbursing Agent, the settling party, and other persons specifically requesting such notice, and if on such date there is no written objection filed, such settlement shall be deemed approved. In the event of a written objection to the settlement, the settlement must be approved by the Bankruptcy Court on notice to the objecting party.

#### 11.5 DISTRIBUTIONS ON ACCOUNT OF DISPUTED CLAIMS.

No distributions shall be made on account of a Disallowed Claim or a Reserved-For Claim.

#### 11.6 PENALTIES AND FINES.

Except as specifically provided by Final Order of the Bankruptcy Court, no distribution shall be made on account of, any fine, penalty, exemplary or punitive damages, late charges or other monetary charge relating to or arising from any default or breach by Debtor, and any claim on account thereof shall be treated hereunder as such and disallowed to the extent of such fine, penalty, exemplary or punitive damages, late charges or other default-related charge, whether or not an objection is filed to it.

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## 12.0 LEASES AND EXECUTORY CONTRACTS

All leases and other executory contracts not assumed on or prior to the Effective Date shall be rejected as of the Effective Date, unless specific written notice of intent to assume is mailed or delivered to the lessor or other contracting party before the Effective Date. In the event of assumption, all pre-petition defaults will be cured on the Effective Date, or as soon thereafter as practicable.

## 13.0 RETENTION OF JURISDICTION

The Bankruptcy Court will retain jurisdiction to insure that the purposes and intent of the Plan are carried out. Without limiting the generality of the foregoing, the Bankruptcy Court will retain jurisdiction, until the Plan is fully consummated, for the following purposes:

**CLAIMS DETERMINATION.** The classification, allowance, subordination and liquidation of the Claim of any creditor (including Administrative Claims) and the reexamination of Allowed Claims for purposes of determining acceptances at the time of Confirmation, and the determination of such objections as may be filed. The failure by the Trustee or the Reorganized Debtor to object to or to examine any Claim for the purpose of determining Plan acceptance, shall not be deemed to be a waiver of any right to object to or reexamine any Claim in whole or in part.

**ESTATE ASSETS.** The determination of all questions and disputes regarding title to the assets of the Estate, and determination of all causes of action, controversies, disputes, or conflicts, known or unknown, whether or not subject to action pending as of the Confirmation Date, between Debtor and any other party, including but not limited to, Debtor's right to recover assets, avoid transfers, recover fraudulent transfers, offset claims, recover money or property from any party or return assets which were or are the property of the Estate pursuant to the provisions of the Bankruptcy Code.

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**EXECUTORY CONTRACTS.** The determination of all matters relating to the assumption, assignment, or rejection of executory contracts and unexpired leases, including claims for damages from the rejection of any executory contract or unexpired lease within such time as the Bankruptcy Court may direct.

**UNLIQUIDATED CLAIMS.** The liquidation or estimation of damages or the determination of the manner and time for such liquidation or estimation in connection with any contingent, disputed, or unliquidated Claims.

**PLAN CORRECTIONS.** The correction of any defect, the curing of any omission, or the reconciliation of any inconsistency in the Plan, the Confirmation Order, or any and all documents executed or to be executed in connection therewith, as may be necessary to carry out the purposes and the intent of the Plan, on such notice as the Bankruptcy Court shall determine to be appropriate.

**PLAN MODIFICATIONS.** The modification of the Plan after Confirmation pursuant to the Bankruptcy Rules and the Bankruptcy Code.

**ADVERSARY PROCEEDINGS.** The adjudication of all claims, controversies, contested matters or adversary proceedings arising out of any purchases, sales, agreements or obligations made or undertaken by and between Debtor and any third party during the pendency of the Reorganization Cases.

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**PLAN INTERPRETATION.** The enforcement and interpretation of the terms and conditions of the Plan and the determination of all controversies and disputes that may arise in connection with the enforcement, interpretation or consummation of the Plan.

**DEADLINES.** The shortening or extending, for cause, of the time fixed for doing any act or thing under the Plan, on such notice as the Bankruptcy Court shall determine to be appropriate.

**DISCHARGE INJUNCTIONS.** The entry of any order, including injunctions, necessary to enforce the title, rights, and powers of the Reorganized Debtor, and to impose such limitations, restrictions, terms and conditions on such title, rights, and powers as the Bankruptcy Court may deem appropriate.

CASE CLOSING. The entry of an order concluding and terminating these Reorganization Cases.

ADDITIONAL MATTERS. The determination of such other matters as may be provided in the Confirmation Order or as may be authorized under the Bankruptcy Code.

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#### 14.0 MODIFICATION OF THE PLAN

In addition to the modification rights under ss. 1127 of the Bankruptcy Code, the Trustee may propose amendments to or modifications of this Plan at any time prior to entry of the Confirmation Order, with leave of the Bankruptcy Court, upon such notice as may be prescribed by the Court. After entry of the Confirmation Order, the Trustee may, with the approval of the Court, and so long as it does not materially or adversely affect the interest of creditors, cure any omission, correct any defect, or reconcile any inconsistencies in the Plan, the Confirmation Order, or any and all documents executed or to be executed in accordance therewith, in such manner as may be necessary to carry out the purposes and intent of this Plan.

#### 15.0 EFFECT OF CONFIRMATION

##### 15.1 DISCHARGE OF CLAIMS

Except as otherwise provided in the Plan or the Confirmation Order, entry of the Confirmation Order acts as a discharge, effective as of the Effective Date, of any and all debts, obligations, liabilities and claims, whether contingent or otherwise, of Debtor that arose at any time before the Effective Date, including, but not limited to, all interests in the Debtor, and all principal and any and all interest accrued thereon, pursuant to ss. 1141(d)(1) of the Bankruptcy Code. The discharge of Debtor shall be effective as to each Claim, regardless of whether a proof of claim thereof was filed, whether or not the Claim is an Allowed Claim, or whether the holder thereof voted to accept the Plan.

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##### 15.2 VESTING OF ASSETS.

Except as otherwise provided in the Plan or the Confirmation Order, entry of the Confirmation Order shall vest in the Reorganized Debtor, as of the Effective Date, all assets acquired pursuant to this Plan, free and clear of all liens, claims and encumbrances.

#### 16.0 MISCELLANEOUS

##### 16.1 NOTICES

All notices, requests, or demands for payment provided for in the Plan shall be in writing and shall be deemed to have been given to the Trustee when personally delivered by hand, or deposited in any general or branch post office of the United States Postal Service, or received by telecopy. Notices, requests and demands for payment shall be addressed and sent postage prepaid or delivered to:

Vern Schweigert  
Biltmore Associates  
1121 E. Missouri Street, Suite 100  
Phoenix, Arizona 85014

With copies to:

Osborn Maledon  
Attn: Alan Meda  
2929 N. Central Avenue, Suite 2100  
Phoenix, Arizona 85012-2794  
Email bkecf@omlaw.com

##### 16.2 HEADINGS

The headings used in the Plan are inserted for convenience only and shall not affect the interpretation of the Plan.

TRUSTEE'S PLAN OF REORGANIZATION

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16.3 TIME OF THE ESSENCE

Time is of the essence in the interpretation and enforcement of this Plan. Without limiting the generality of such statement, the rights provided hereunder are intended to expire immediately upon the expiration of the period provided for herein, and are intended not to be extended under ss. 362 or ss. 105 of the Bankruptcy Code for any reason.

16.4 CONFIRMATION WITHOUT ACCEPTANCE OF ALL CLASSES

The Trustee will request the Bankruptcy Court to confirm the Plan notwithstanding the rejection of the Plan by an impaired Class, pursuant to the provisions of ss. 1129(b) of the Bankruptcy Code.

DATED this 30th day of October, 2001.

By /s/ Vern Schweigert

-----  
 Vern Schweigert, Trustee

OSBORN & MALEDON, P.A.

By /s/Alan M Meda

-----  
 Alan M. Meda  
 Osborn Maledon  
 2929 N. Central Avenue, Suite 2100  
 Phoenix, AZ 85012-2794

TRUSTEE'S PLAN OF REORGANIZATION

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EXHIBIT 2  
 TO DISCLOSURE STATEMENT

DESCRIPTION OF CLAIMS  
 BEING RELEASED OR ASSIGNED

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EXHIBIT 2 - DESCRIPTION OF CLAIMS

DESCRIPTION OF CLAIMS  
BEING RELEASED OR ASSIGNED

The Plan of Reorganization provides for the treatment of several groups of potential claims and causes of action all arising out of the business operations of Debtor prior to the Petition Date, and, particularly, the issuance of collateralized time certificates and fixed rate investment certificates. These groups of claims, and their treatment under the Plan, are as follows:

1. COLONIAL (SECURED) VERSUS ESTATE CLAIMS, discussed in section 1 below.
2. CREDITOR VERSUS ESTATE CLAIMS, discussed in section 2 below, beginning at page 2.
3. ESTATE VERSUS POTENTIAL DEFENDANTS CLAIMS, discussed in section 3 below, beginning at page 6.
4. INVESTOR VERSUS POTENTIAL DEFENDANTS CLAIMS discussed in section 4 below, beginning at page 13.
5. INVESTOR VERSUS INVESTOR CLAIMS discussed in section 5 below, beginning at page 14.
6. ESTATE VERSUS INVESTOR CLAIMS discussed in section 6 below, beginning at page 15.

The Disclosure Statement provides the factual basis for these claims. The following summary is intended to describe the various legal theories that are involved to assist creditors in evaluating the assignment and release provisions of the Plan. This summary is not intended as a complete description of all possible contentions of the various parties. Accordingly, each creditor is urged to consult with separate counsel regarding these claims and their treatment under the Plan.

1 COLONIAL TRUST (SECURED) VERSUS ESTATE.

The Colonial Trust secured claim against the Estate is based upon Debtor's contractual obligation to pay amounts due under the collateralized time certificates and fixed rate investment certificates secured by a lien on property of the Estate granted pursuant to the various trust indentures issued in connection with certificate offerings from January 1995 through December 2000. Colonial Trust holds such claim, pursuant to the trust indentures, for the benefit of the certificate holders. Colonial Trust, in its individual capacity, may have additional claims against the Estate, for fraud, negligent misrepresentation, waste, contribution and indemnity, but these claims are not secured claims and are not included in this section.

1.1 DETERMINATION OF SECURED CLAIM STATUS

Section 506 of the Bankruptcy Code determines the allowability and amount of a "secured" claim. In general, the allowable amount of Colonial's secured claim is equal to the lesser of (i) the amount of the contractual claims of Debtor under the certificates and trust indentures, and (ii) the value of Colonial's interest in Debtor's interest in specific collateral securing the claim. The value of collateral is, ultimately, an issue to be determined by the Bankruptcy Court. The specific collateral to be considered is also, ultimately, an issue to be determined by the Bankruptcy Court based upon state law.

1.1.1 EXTENT OF COLLATERAL.

Pursuant to ss.544 of the Bankruptcy Code, Colonial Trust's lien is limited to those assets of Debtor that were identified in the grant of a security interest in the trust indenture, as to which the lien had been "perfected" against the claims of other creditors. The initial trust indentures described the covered assets as "consumer installment contracts" (or "chattel paper") and did not identify notes, receivables, or real estate as part of the collateral. Trust indentures after March 1997 included consumer installment contracts and other notes and accounts receivables, but did not include real estate. Trust indentures after October 1998 included installment contracts, notes and real estate owned by Debtor. Accordingly, a substantial portion of Debtor's assets are not included in the collateral securing obligations under

Based upon the Trustee's initial investigation, the security interest for the indentures has not been perfected in a substantial portion of Debtor's assets. As of the Petition Date, Debtor's assets included a number of notes, or "instruments" as to which perfection may be obtained only by possession of the secured creditor. Debtor's assets also included real estate, as to which perfection may be obtained only by filing the lien in the local real estate records. Debtor's assets also included chattel paper owned by its subsidiary, as to which a separate recording would have been necessary. As a result of the foregoing, the Trustee's initial conclusions are as follows: The trust indentures are secured by a lien on a limited number of Debtor's consumer installment contracts to the extent specifically identified in Colonial's October 2000 UCC filing and still outstanding as of the Petition Date. The trust indentures are not secured by non-consumer notes or other instruments, Debtor's real estate, and the assets of Debtor's subsidiaries.

1.1.2 VALUE OF COLLATERAL AND AMOUNT OF CLAIM.

Colonial's secured claim is limited to the value of the consumer contracts covered by its perfected security interest. The Trustee has reviewed Debtor's consumer loan portfolio and estimates its value as of the Petition Date as less than \$2 million.

1.2 TREATMENT IN THE PLAN.

The Plan provides that, on the Effective Date, the lien held by Colonial will be released and that Preferred Stock will be issued to a trust for the benefit of the Participating Creditors in exchange for such claim.

2 INVESTOR VERSUS ESTATE.

Investor Versus Estate claims are claims and causes of action FRI Investors may assert against Debtor and its Estate, including "contract" claims based on the amounts due and owing on outstanding fixed rate certificates, claims for "rescission" based on securities law or other legal theories entitling the Investor to rescind the purchase of certificates, claims of "constructive trust," and other "tort" claims.

2.1 CONTRACT THEORIES.

An FRI Investor "contract" claim is a claim based upon Debtor's contractual obligation to pay principal and accrued interest on outstanding collateralized time certificates or fixed rate investment certificates. The amount of each contract claim, determined under state law, would be the amount of unpaid principal plus interest accrued at the interest rate specified in the certificate through the Petition Date. Pursuant to ss.502(b)(2) of the Bankruptcy Code, the Allowed Amount of any such claim would not include interest accruing after the Petition Date, but would include all principal amounts due regardless of maturity date. Application of these rules may produce anomalous results, as illustrated by the following hypothetical examples of three investors, each purchasing \$50,000 certificates in March 2000:

Investor A purchased a 5-year certificate providing for 13.95% interest and not maturing until March 2005. Investor A's claim would be \$56,975 (consisting of \$50,000 in unmatured principal and \$6,975 in unmatured interest).

Investor B re-invested the principal and interest of a \$25,000 Jumbo certificate purchased in March 1995 by acquiring a 5-year certificate in March 2000. Investor B's claim would also be \$56,975.

Investor C purchased a \$50,000 1-year certificate in March 2000, which provided for interest at the rate of 7% per annum. Investor C's certificate matured immediately prior to the Petition Date. Investor C's claim would be \$53,500 (consisting of \$50,000 in unmatured principal and \$3,500 in unmatured interest).

2.2 RESCISSION THEORIES.

FRI Investors may also assert claims against Debtor and the Estate seeking "rescission" of the Investor's purchase of fixed rate investment certificates. Rescission claims would be based upon federal or state securities laws violations or upon common law fraud. The amount of such a claim would be the amount paid by the Investor less any amounts received in payment of the obligation. Under rescission theory, the results of the hypothetical examples

would be as follows:

Investor A's rescission claim would be \$50,000.

Investor B's rescission claim would be \$25,000.

Investor C's rescission claim would be \$50,000.

Section 510(b) of the Bankruptcy Code provides that claims based upon a right to rescission of the purchase of a "securities" issued by Debtor are subject to subordination to other creditor claims of otherwise equal priority. A fixed rate investment certificate is a "security" under ss.101(49) of the Bankruptcy Code, and, thus, FRI Investor claims would appear to be subject to subordination to the claims of other creditors of Debtor, to the extent such claims are based upon this legal theory.

### 2.3 CONSTRUCTIVE TRUST THEORIES.

The Trustee anticipates that some investors may assert fraud and breach of fiduciary duty breaches against Debtor and also assert that Debtor's assets are held in "constructive trust" for the benefit of the claimant and other fraud victims. For the reasons stated in this section, the Trustee has concluded that any claims to specific Estate assets will not be allowable.

#### 2.3.1 CONSTRUCTIVE TRUST GENERALLY

As a remedy for fraud, or to enforce fiduciary duties, courts are empowered to impose a constructive trust upon assets of a wrongdoer as a remedy for his victims. The "trust" is a judicial fiction, not created by agreement, but instead based upon a judicially created duty on the part of the wrongdoer to turn over to his victim the fruits of his misconduct, or the properties that the victim should have, in equity, received. FRI Investors may assert that Debtor's conduct supports the imposition of a constructive trust on assets acquired by Debtor with Investor funds. When we attempt to apply this equitable remedy, however, the problem arises as how to identify the specific assets to which a particular investor would be entitled.

Initially, we consider whether a constructive trust could be imposed as a remedy for fraud. Each investor would be able to assert that Debtor was guilty of material misrepresentations and omissions in inducing that investor to invest funds. Under these circumstances, state law would likely (i) recognize a right in each investor to rescind the agreement as discussed above, and (ii) impose a constructive trust on the investor's funds in Debtor's possession, based upon Debtor's obligation, in equity, to return the funds. Unfortunately for almost all investors, their initial investments have long since been expended.

### EXHIBIT 2 - DESCRIPTION OF CLAIMS

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Once the right to a constructive trust arises, a court in equity determines to which assets the trust should apply. The general rules are as follows: (1) If the breaching fiduciary still holds the "beneficiary's" funds, equity will impose a duty on the fiduciary to return them to the beneficiary and will impose a constructive trust on those specific funds. (2) If the breaching fiduciary has improperly wasted the beneficiary's funds, equity will impose a duty to replace the funds and impose a trust on the fiduciary's own funds, applying an equitable fiction that a fiduciary is presumed to be innocent and therefore to have used its own funds, rather than trust funds, for the unauthorized purpose. (3) If the breaching fiduciary has used the beneficiary's funds to acquire property of value, equity will impose a duty on the fiduciary to invest the beneficiary's funds, and will impose a constructive trust on the property acquired by the fiduciary.

#### 2.3.2 TRACING AND MULTIPLE CONSTRUCTIVE TRUSTS

If Debtor had breached its duties to only one investor, applying these general rules might result in the identification of specific assets upon which a constructive trust would arise in favor of that investor. These general rules become impossibly complex when we consider that Debtor would have breached the same duties to every investor and that each investor could seek to apply these rules. A few specifics will illustrate:

Debtor was engaged, on a daily basis, in receiving funds -- from investors and from consumer/borrowers -- and similarly and constantly engaged in disbursing those funds -- to investors, sellers of new contracts, affiliates of the Debtor's principals and vendors and employees. Each disbursement can be seen as an additional violation of the fiduciary duties of Debtor and justify tracing the funds into the hands of the recipient. With respect to each breach, the beneficiary is entitled to elect which remedy should be applied. In other words, each time Debtor breached its duty, the affected investor could choose to follow funds in Debtor's next investment or remain attached to Debtor's deposit account. An investor also could, as to each breach, simply waive the breach and accept Debtor's use of funds.

If an investor elected to trace funds from his investment to valid accounts, this tracing would likely eventually lead to persons rightfully receiving the funds without knowledge of Debtor's misconduct. At this point, the investor's constructive title to traced accounts would be inferior to the interests of the innocent recipient of the funds because courts imposing constructive trusts universally agree that the tracing of trust fund assets ceases when the assets are transferred to a bona fide purchaser without notice of the trust.

When a trust exists or is imposed on funds in a commingled account, the account is considered as an undivided mass. In determining whether withdrawals from that account were made from "trust funds" or non-trust funds, courts ignore the actual intent of the fiduciary who made the withdrawals, whether that intent is reflected in bookkeeping entries, statements of intent by the fiduciary, or any coincidental matching of the amount of deposits with the amount of withdrawals. Virtually all courts apply a conclusive presumption that non-trust funds are expended first for non-trust purposes. If non-trust funds are both deposited to and withdrawn from the commingled account, this presumption results in the "lowest daily balance" rule under which the amount of identifiable funds in the account subject to a constructive claim is limited to the lowest daily balance experienced during the period in which the constructive trust is imposed.

Different rules apply when a commingled account contains funds held in trust for separate trusts, constructive or express. Several courts have adopted the "first-in-first-out" rule, concluding that the first victim's funds were spent first. Other courts have adopted a proportionate rule, presuming that each victim's funds were misused in proportion to their balance in the account as of the date of the misuse. Again, all courts ignore bookkeeping entries or other evidence of actual intent of the fiduciary. Many courts have concluded that applying these various tracing rules for the benefit of one victim but at the loss of another victim is, simply, not equitable, and, accordingly, treat all victims simply as general unsecured creditors of the constructive trustee. Clearly, in this case, such a ruling would be correct.

#### EXHIBIT 2 - DESCRIPTION OF CLAIMS

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##### 2.4 OTHER TORT THEORIES.

FRI Investors may assert claims based upon legal theories of negligent misrepresentation, fraud, breach of fiduciary duty or similar claims based upon "tort" rather than "contract." These theories largely overlap with the "rescission" theories for recovery, but an FRI Investor might seek a different remedy, such as "lost profits." In general, tort theory claims would be limited to the amount lost by the FRI Investor and would not include recovery of interest. Accordingly, the amount of compensatory damage claims would be as follows in the above three examples:

Investor A's tort claim would be \$50,000. Investor B's tort claim would be \$25,000. Investor C's tort claim would be \$50,000.

An FRI Investor might assert a larger claim based upon a "lost opportunity" theory. In such event, the claim may be augmented by the amount that each Investor demonstrates it would have received in an alternative investment of its funds, provided the Investor were able to demonstrate that its recovery in an alternative investment is not "speculative" in nature.

An FRI Investor claim based upon "tort" legal theories might also include claims for punitive damages. However, under ss.726(a)(4) of the Bankruptcy Code, claims for punitive damages are treated, for bankruptcy distribution purposes, as subordinate to other, allowed claims. As a result, an FRI Investor's claim for punitive damages, even if "Allowed," would not result in an increase in such Investor's distributive share.

##### 2.5 APPLICABLE LEGAL THEORY IN BANKRUPTCY.

Under ordinary circumstances, the amount of a claim allowable in bankruptcy proceedings is determined under applicable state law. *Vanston Bondholders Protective Comm. v. Green*, 329 U.S. 156, 161 (1946) (Black, J.) ("What claims of creditors are valid and subsisting obligations against the bankruptcy at the time a petition in bankruptcy is filed is a question which, in the absence of overruling federal law, is to be determined by reference to state law."); *Butner v. United States*, 440 U.S. 48, 54-55 (1979); *BFP v. Resolution Trust Company*, 511 U.S. 531 (1994). State law normally permits a claimant to elect between non-duplicative and alternative state law recovery amounts. Restatement (2d) of Contracts ss. 368.

These rules may not apply in this case. Instead, the Estate or other creditors, in reliance upon a number of judicial decisions, may object to the allowance of Investor claims based upon state law "contract" theory, and contend that FRI Investor claims should be limited, as a matter of federal law, to the

amount recoverable under the rescission theory. These decisions conclude that the federal bankruptcy policy of equitable distribution overrides state law and requires that distributions among investors in a common fund should be based upon each investor's net investment. In re Young Abrams v. EBY, 294 F.1, 7 (4th Cir. 1923):

We have, then, a common enterprise, a common fund, contributed by all the customers, a manager common to all, his breach of trust common to all, losses common to all. It follows that all sums paid as profits to one adventurer from the common fund, when there was no profit, was an unjust enrichment of that adventurer from the fund belonging to all in common, sufficient to pay but a small dividend on the capital sums actually paid in. Equity therefore requires that he should account for all sums paid to him as profit before he can share with others in the application of the funds on hand to the debts due for sums actually paid in.

## EXHIBIT 2 - DESCRIPTION OF CLAIMS

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This approach has been applied in the Ninth Circuit. In re Anguiano, 99 B.R. 436, 437 (9th Cir BAP 1989) ("The Ninth Circuit has recognized that equitable principles in a bankruptcy situation may sometimes override general notions of damages."). In In re Tedlock Cattle Co., 552 F.2d 1351 (9th Cir. 1977), the trustee proposed to make distributions to investors in a chapter 7 case based upon their net investment, contrary to state law that would have permitted claims to include profits:

Under California law, which is stipulated to govern these contracts, creditors are generally entitled to benefit-of-the-bargain damages. This comports with the principle of contract law that a defrauded party to a contract may either rescind the contract and sue for fraud, or affirm the contract and sue for damages. Indeed, the trustee does not dispute the state-law theory of damages.

Id. at 1352. Despite its conflict with state law, the Ninth Circuit approved this distribution approach:

Here, the trustee argues that the payment of benefit-of-the-bargain damages would not be in accord with the equitable principles governing bankruptcy distributions. The trustee argues that purchasers should not be able to recover on a claim based on a profit that was never earned. For example, if an early investor got back his original investment but let his "profit" ride, the trustee would not allow him any recovery. The trustee argues that because such a claimant's original investment was repaid at the expense of later investors, a form of subrogation comes into being. The trustee also argues that the allowance of additional benefit-of-the-bargain damages based upon "false profits" would unfairly defeat the claims of investors who have as of yet received nothing.

Id. at 1353. Other courts are divided on the issue. Compare Commodity Futures Trading Commission v. Franklin, 652 F. Supp 163, 169 (W.D. Va. 1986) (approving receiver's distribution scheme providing that "the investors could retain their "profits" but would receive a pro rata share based on their initial investments minus the profit distribution, i.e., profits would be subtracted before determining the investor's pro rata shares) with In re Smith, 132 B.R. 73 43kcy. M.D. Fla. 1991) (rejecting net profits approach in determining amount of the allowed claim).

### 2.6 TREATMENT OF CLAIMS IN PLAN.

The Plan provides for the separate classification of FRI Investor claims, to the extent such claims are unsecured claims. (The Plan treats the secured portion of these claims as the secured claim of Colonial Trust, as discussed above). In recognition of the split in judicial treatment of such claims, the Plan provides that each FRI Investor may elect its treatment under the Plan. If an FRI Investor elects to be Participating Creditor, that Investor must also agree to accept distributions among all FRI Investors based upon "net investment." If an FRI Investor elects to be a Non-Participating Creditor, that Investor has not agreed on this distribution approach. However, the Trustee intends to object to all Non-Participating Creditors' claims based upon the authorities cited above.

### 3 ESTATE VERSUS POTENTIAL DEFENDANTS.

Estate claims against Potential Defendants include claims that Debtor or the Estate may assert against the Potential Defendants (Damien and Susan Sinclair, Patrick Robarge, Clarence Stevens, Jr., Colonial Trust Company,

First Financial Trust Company, Harnden & Hamilton, P.C., and their successors, assigns, officers, agents, employees, affiliates and subsidiaries). These claims include (i) contract claims, based upon promissory notes and receivables, (ii) tort claims, including breach of fiduciary duty, negligence, fraud, and waste, (iii) claims based upon alter ego theories or similar theories intended to pierce the corporate veil of entities affiliated with the Potential Defendants, and (iv) avoidance claims based upon ss.ss.544-551 of the Bankruptcy Code.

EXHIBIT 2 - DESCRIPTION OF CLAIMS

3.1 CLAIMS AGAINST PRINCIPALS.

The Trustee believes that the Estate has numerous claims against Messrs. Robarge, Sinclair and Stevens, and their affiliates, based upon several overlapping theories.

3.1.1 CONTRACT CLAIMS AGAINST AFFILIATES.

The books and records of Debtor reflect the following note receivables from Affiliates of the Principals as of the Petition Date:

<TABLE>  
<CAPTION>

| OBLIGOR                      | AFFILIATED PRINCIPAL          | AMOUNT OWING ON PETITION DATE |
|------------------------------|-------------------------------|-------------------------------|
| <S><br>P.R. Edge             | <C><br>Patrick Robarge (100%) | <C><br>472,349                |
| Spartan                      | Patrick Robarge (100%)        | 6,274,675                     |
| Patrick J. Robarge           | Patrick Robarge (personal)    | 33,031                        |
| Canadian Finance Venture     | Patrick Robarge (100%)        | 7,683,814                     |
| P.R. Edge Revolver Note      | Patrick Robarge (100%)        | 863,196                       |
| P.R. Edge                    | Unremitted Collections        | 985,900                       |
| Stevens Management           | Clarence Stevens (100%)       | 4,437,423                     |
| Stevens Management           | Clarence Stevens (100%)       | 4,446,265                     |
| Eagle Acceptance             | Clarence Stevens (100%)       | 3,657,897                     |
| Sinclair Management Services | Damien Sinclair (100%)        | 6,274,675                     |
| Total                        |                               | 35,129,225                    |

</TABLE>

To the Trustee's knowledge, the obligors do not dispute these balances but may contend that all or a portion of these obligations have not yet matured.

3.1.2 AFFILIATE ENTITY ALTER EGO CLAIMS.

The Trustee believes that the Estate may hold Messrs. Robarge, Stevens and Sinclair liable for the above-described claims against their respective affiliates based upon an "alter ego" theory. To establish a claim based upon "alter ego," Missouri law requires a showing of three factors: (1) "complete domination" and control of the corporation; (2) use of such control to commit a fraud or wrong, to violate a legal duty, or to accomplish a "dishonest or unjust act in contravention of plaintiffs legal rights"; and (3) damage or unjust loss to the plaintiff proximately caused by the use of such control. Collet v. American Nat. Stores, Inc., 708 S.W.2d 273, 283-84 (Mo. App. 1986). Missouri courts have held that "inadequate capitalization" of the corporation is strong evidence of the requisite dishonesty. 66, Inc. v. Crestwoor Commons Redevelopment Corp., 998 S.W.2d 32,41 (Mo. Sup. 1999) ("'[I]nadequate capitalization' means assets that are very small in comparison to known risks associated with the planned corporate enterprise").

The individual Potential Defendants may object to the Estate's efforts to "pierce the corporate veil" of their affiliated entities, based upon legal authorities holding that "inadequate capitalization" is not a sufficient basis, by itself, to support an alter ego, or corporate veil piercing theory.

[A]bsent fraud, inadequate capitalization may or may not justify disregard of a corporate entity, depending on the nature and magnitude of the corporate undertaking. A corporate entity will

not be disregarded in spite of a failure to follow corporate formalities strictly, where there is no showing that the separate legal identity of the corporation was used as a subterfuge or to justify a wrong.

18 AM. JUR.2D Corporations ss. 50 (1985).

EXHIBIT 2 - DESCRIPTION OF CLAIMS

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Individual Potential Defendants may also rely on authorities holding that, absent misrepresentation of the financial condition of the corporation, courts ordinarily refuse to pierce the corporate veil in contract-based cases for the benefit of plaintiffs that could have examined the financial condition of the corporation prior to transacting business with it. In re Vermont Toy Works, Inc., 135 B.R. 762 (D. Vt. 1993). In this connection, the Potential Defendants will likely contend that Debtor was fully aware of the financial condition of these entities since the officers and directors of Debtor were also the officers and directors of the affiliated corporations and were thus well-acquainted with their financial condition. See e.g. Real Estate Investors Four, Inc. --- ---- v. American Design Group, Inc., 26 S.W.3d 51 (Mo. App. 2001) (implying that "affirmative misrepresentation [or] failure to disclose facts" regarding the corporation's financial condition may be required under Missouri law to support an alter ego theory based on inadequate capitalization).

The Trustee believes that these defenses to an alter ego approach will ultimately fail. While a corporation is normally charged with the knowledge of its officers, RESTATEMENT (2D) OF AGENCY ss. 272 (1958), this rule has no application when the officer/agent is acting adversely to the corporation and entirely for his own purposes. RESTATEMENT (2D) OF AGENCY ss. 282 (1958). Accordingly, Debtor should not be charged with its officers' knowledge of their affiliates' lack of financial substance and should be entitled to rely upon the representations made by these officers in Debtor's annual audited financial statements, which through December 31, 1999, contained the following: "Management believes that all affiliate receivables are fully collectible."

3.1.3 BREACH OF FIDUCIARY DUTY.

The Estate may also have claims against Messrs. Robarge, Sinclair and Stevens based upon breaches of fiduciary duty to Debtor. Under Missouri law, officers and directors of a corporation have fiduciary duties to the corporation. Inland Sec. Co. v. Estate of Kirshner, 382 F. Supp. 338 (N D. Mo. 1974). These fiduciary duties preclude self-dealing to the disadvantage of the corporation and "secret profits." The Trustee believes that the transactions giving rise to the affiliate obligations described in section 3.1 above, and that, accordingly, the Debtor's officers and directors should be held liable for any damages suffered by Debtor as a result of these transactions:

While a breach of fiduciary duty gives rise to an action for an accounting if the fiduciary has profited from the breach, it also gives rise to non-equitable remedies, such as actions for damages for breach of contract or tort. If a corporation suffers losses to its corporate assets as a result of a director's or officer's breach of fiduciary duty, it can bring an action in tort to recover those damages. Where directors waste or misappropriate the funds or convert assets of a corporation in violation of their trust or lose them, a recovery at law may be had against the defaulting directors. An action for damages for breach of fiduciary duty does not depend on whether or not the officer or director realized a monetary profit. Zakibe v. Ahrens & McCarron, Inc., 28 S.W.3d 373, 283 (Mo. App. 2000).

Because the Debtor's Principal's would likely be liable for these losses under alter ego theories, claims based upon breach of fiduciary duty may not result in additional recoveries against the Principals. As discussed below in section 3.2.1, beginning at page 11, the existence of fiduciary duty breaches may, however, impact the liability of other parties for aiding and abetting these breaches.

3.1.4 AVOIDANCE ACTIONS.

The Estate may also have claims against Messrs. Robarge, Sinclair and Stevens based upon fraudulent transfer theories under ss.ss. 544 through 551 of the Bankruptcy Code.

EXHIBIT 2 - DESCRIPTION OF CLAIMS

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3.1.4.1 Fraudulent Transfers Generally.

Section 548 of the Bankruptcy Code authorizes a trustee, or other estate

representative, to "avoid" a payment or transfer of assets by the debtor made within one (1) year of the bankruptcy filing under two circumstances: First, a transfer may be avoided if the Debtor made the transfer to hinder, delay or defraud one or more creditors. Second, a transfer may be avoided if the Debtor received less than "reasonably equivalent value" and was, at the time of the transfer, insolvent or undercapitalized. A transfer is "avoided" by voiding the effectiveness of the transfer and requiring a return of the assets transferred to the bankruptcy estate. Under ss. 550 of the Bankruptcy Code, the bankruptcy estate is entitled to recover the transfer from the recipient ("initial transferee") or from a subsequent transferee, unless the subsequent transferee received the assets for value and in good faith.

Section 544 of the Bankruptcy Code authorizes a trustee, or other estate representative, to avoid a payment or transfer made before one (1) year of the bankruptcy filing if, under applicable state law, an unsecured creditor of the debtor would have been able to "void" the transfer. Section 544, thus, incorporates any state statute for the benefit of creditors, including state fraudulent transfer or fraudulent conveyance laws.

Missouri has adopted the Uniform Fraudulent Transfer law, which permits a creditor to "void" a transfer under essentially the same circumstances as ss. 548. Under Missouri law, a creditor may reach back to void any transfer made within four (4) years from the commencement of an action. R.S. Mo. ss. 428.049. Accordingly, using ss.544(b) of the Bankruptcy Code, a trustee may seek to avoid a debtor's transfer made within four years of the filing of the bankruptcy proceedings if the transfer meets either standard described above.

#### 3.1.4.2 Affiliate Transactions.

The Trustee believes that the various transactions giving rise to the obligations of the Principals' affiliates referred to in section 3.1.1 satisfy the requirements of voidable transfers under ss.ss. 544 and 548. Application of fraudulent transfer laws to these transactions does not result in any additional recovery by the Estate, since the transferees are contractually obligated for at least the amount initially received by them.

#### 3.1.4.3 October 1999 Stock Sale.

Application of fraudulent transfer law does, however, result in an additional claim for the Estate when applied to the October 1999 stock purchase transaction, in which Mr. Sinclair sold Debtor 6,552,000 shares of its own common stock for an aggregate purchase price of \$9,500,000. Mr. Sinclair simultaneously sold 3,338,000 shares to Mr. Stevens in exchange for his \$5,000,000 promissory note. The Trustee believes that the stock sale also violated Missouri corporate law, which provides that "no . . . purchase [of the company's own stock] shall be made out of stated capital unless the assets of the corporation remaining after such . . . purchase are sufficient to pay any debts of the corporation the payment of which has not been otherwise provided for." R.S.Mo. ss. 351.200. The Trustee's investigation indicates that Debtor was insolvent immediately prior to the stock transaction and was rendered more insolvent as a result of it.

Regardless of the intention of the Debtor or the shareholder, corporate stock purchases are universally regarded as "fraudulent transfers" when the corporation is insolvent or in financial difficulty. This universal result is due, in part, to the fact that from the corporation's perspective, its own stock has virtually no value.

#### EXHIBIT 2 - DESCRIPTION OF CLAIMS

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Stock redemptions arranged by shareholders who are corporate insiders have been avoided as actual fraudulent transfers. These redemptions have taken the following form: a financially troubled corporation with one or a few shareholders redeems all of its outstanding stock by issuing to the insider an interest-bearing note which is secured by a mortgage on the debtor's assets. In light of the fact that the value of capital stock to a corporation with only one or a few shareholders is, at best, questionable, such a redemption is a means by which the shareholders, in effect, use fictitious consideration in order to obtain payments from the debtor and a mortgage on the debtor's assets.

9C AM. JUR.2D Bankruptcy ss. 2090 (1985). See also In re Roco Corporation, 701 F.2d. 978, 982 (1st Cir. 1983) (" We agree with the bankruptcy court that this stock was virtually worthless to Roco. Under generally accepted accounting principles this treasury stock would be reported on the balance sheet of Roco as a reduction of stockholders' equity, not as an asset. Treasury stock is clearly not an 'economic resource' of an entity. As the appellate panel noted, treasury stock is a form of shareholder distribution from which the corporation receives no assets. When a corporation purchases treasury stock it reduces its capitalization." [internal citations omitted]); Wieboldt Stores, Inc. v.

The Trustee's investigation indicates that, at the time of the stock transaction, Debtor was insolvent and was rendered more so by the transaction. Accordingly, the Trustee believes that the Estate is entitled to recover the purchase price of \$9,500,000 from Mr. Sinclair or to recover the specific assets transferred to him, consisting of \$5,000,000 in cash, \$3,700,000 in consumer installment contracts, and \$800,000 in a mortgage on Mr. Sinclair's real property.

3.1.4.4 Preferential Transfers.

The Estate may have additional claims against Mr. Sinclair based upon ss. 547 of the Bankruptcy Code. Under this section, the trustee or other estate representative may recover a payment or transfer made by a debtor within the "preference period" if the payment or transfer was to a creditor, on account of an existing debt, while the debtor was insolvent, if such payment or transfer permits the creditor to receive more than it would have if a chapter 7 case were filed on the day of the transfer. The preference period is 90 days for non-insiders and 1 year for insiders.

Debtor's books and records reflect that Mr. Sinclair received approximately \$320,000 from Debtor in the one year prior to the bankruptcy filing, and these payments are reflected as payments on account of the promissory note given as part of the stock purchase price. The Trustee believes that these payments permitted Mr. Sinclair to receive more than he would have if the bankruptcy had commenced earlier and that none of the defenses specified in ss. 547 would be applicable.

3.1.5 CONSTRUCTIVE TRUST CLAIMS.

The Estate may also assert a claim of a constructive trust with respect to Mr. Sinclair's stock in Sinclair National Bank acquired with the \$5,000,000 cash portion of the stock purchase price. Because, as discussed above, the stock purchase was a violation of Missouri corporate law, Mr. Sinclair's approval of the sale on behalf of Debtor was a violation of his fiduciary duties as the sole shareholder and a director of Debtor. As discussed above in section 2.3.1, beginning at page 3, a breach of fiduciary duty supports the imposition of a constructive trust on any assets wrongfully received by the fiduciary. Debtor would be entitled to "trace" these assets to Mr. Sinclair's stock in Sinclair National Bank and impose the constructive trust also on this stock. Applying this same approach, Debtor would also be entitled to rescind the transfer of the consumer loan portfolio transferred to the Sinclair's and impose a constructive trust on this portfolio. Finally, Debtor would also be entitled to rescind the cancellation of the mortgage on Sinclair's real property, and have the mortgage re-instated as a lien on the property.

EXHIBIT 2 - DESCRIPTION OF CLAIMS

3.1.6 SUMMARY OF ESTATE CLAIMS AGAINST PRINCIPALS.

The Trustee has concluded that the Estate has valid claims against each of Debtor's principals -- Messrs. Robarge, Sinclair and Stevens -- in excess of \$11 million, summarized as follows:

CLAIMS AGAINST PRINCIPALS OF DEBTOR

<TABLE>  
<CAPTION>

| CLAIM BASIS                     | BASIS FOR PERSONAL LIABILITY |           |           |           |
|---------------------------------|------------------------------|-----------|-----------|-----------|
|                                 | SINCLAIR                     | ROBARGE   | STEVENS   |           |
| <S>                             | <C>                          | <C>       | <C>       | <C>       |
| P.R. Edge Note                  | Alter ego                    |           | 472,349   |           |
| Sinclair Mgt/Spartan Note (1)   | Alter ego                    | 6,274,675 | 6,274,675 |           |
| Patrick J. Robarge Mortgage     | Personal Note                |           | 33,031    |           |
| Canadian Financial Venture Note | Alter ego                    |           | 7,683,814 |           |
| P.R. Edge Revolver Note         | Alter ego                    |           | 863,196   |           |
| P.R. Edge                       | Alter ego                    |           | 985,900   |           |
| Stevens Management Note         | Alter ego                    |           |           | 4,437,423 |
| Stevens Management Note         | Alter ego                    |           |           | 4,446,265 |
| Stevens to Sinclair Note (2)    | Personal Note                |           |           | 5,000,000 |

|                            |                     |            |            |            |
|----------------------------|---------------------|------------|------------|------------|
| Stock Purchase Transaction | Fraudulent Transfer | 9,500,000  |            |            |
| Payments within one year   | Preferences         | 320,000    |            |            |
| Totals                     |                     | 16,094,675 | 16,312,965 | 13,883,688 |

</TABLE>

The Estate may have additional claims against these individuals and may be entitled to assert additional legal theories to recover these amounts. The Trustee believes that the claims described above already substantially exceed the ability of these individuals to pay and that additional claims would not result in any additional recoveries for the Estate.

### 3.2 CLAIMS AGAINST OTHER POTENTIAL DEFENDANTS.

The Estate may also have claims against the remaining Potential Defendants arising from their failure to perform services in a proper manner and the resulting assistance they provided the Principals in causing Debtor's financial demise.

#### 3.2.1 AIDING AND ABETTING BREACH OF FIDUCIARY DUTY.

The Estate may reasonably argue that the audited financial statements issued by Harnden & Hamilton, and the actions of Colonial Trust and First Financial in connection with the offering of fixed rate investment certificates, facilitated the breaches of fiduciary duty committed by Debtor's principals, as discussed in section 3.1.3 hereof. Based upon this argument, the Estate may seek damages from these

(1) Sinclair Management's note to Debtor was "assumed" by Spartan Finance Co. in May 2000. Both Sinclair Management and Spartan Finance remain liable on this note.

(2) In October 1999, Mr. Stevens executed this note payable to the Sinclair's as a portion of the purchase price for Debtor's stock. In May 2000, Mr. Sinclair assigned the note to Spartan Financial. Since Spartan Financial is indebted to Debtor, Debtor would be entitled to attach or garnish Mr. Sinclair's note to satisfy the obligation of Spartan.

#### EXHIBIT 2 - DESCRIPTION OF CLAIMS

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Potential Defendants for losses suffered on affiliate transactions based upon a theory of aiding and abetting a breach of fiduciary duty.

The law with respect to aiding and abetting claims is unsettled in three significant respects. First, courts do not uniformly recognize a claim based upon aiding and abetting a fiduciary duty. Compare cases *Wight v. BankAmerica Corporation*, 219 F.3d 79 (2d Cir. 2000) (claim exists under New York law); *Pasadena Unified School District v. Pasadena Federation of Teachers*, 72 Cal. App. 3d 100, 140 Cal Rptr. 41 (Cal. Ct. App. 1977) (claims exists under California law); and *Hashimoto v. Clark*, 2001 U.S. Dist. Lexis 8549 (D, Ariz. March 2, 2001) (assumes claim exist under California law) with *Munford v. Valuation Research Corp.*, 98 F.3d 604, 613 (11th Cir. 1996) (concludes no such claim exists under Georgia law).

Assuming that a claim exists, courts are not uniform in stating the requisites of such a claim. *Hashimoto v. Clark*, supra (requiring actual knowledge of the breach of fiduciary duty); *Fidelity Funding of Calif., Inc.*, 79 F. Supp. 2d 110, 122 (E.D.N.Y. 1997) (a claim for aiding and abetting fraud requires plaintiff to plead facts showing "the existence of a fraud, defendant's knowledge of the fraud, and that the defendant provided substantial assistance to advance the fraud's commission); *Whitney v. Citibank, N.A.*, 782 F.2d 1106, 1115 (2d Cir. 1986) ("The claimant must prove (1) a breach by a fiduciary of obligations to another, (2) that the defendant knowingly induced or participated in the breach, and (3) that the plaintiff suffered damages as a result of the breach); *S & K Sales Co. v. Nike, Inc.*, 816 F.2d 843, 847-48 (2d Cir. 1987) (same).

Finally, courts are not uniform in determining who may bring an action based upon aiding and abetting a breach of corporate fiduciary duty. On the one hand, courts have suggested that creditors, and not the corporation, have standing to bring such actions. *Shearson Lehman Hutton, Inc. v. Wagoner*, 944 F.2d 114, 120 (2d Cir. 1991) ("A claim against a third party for defrauding a corporation with the cooperation of management accrues to creditors, not to the guilty corporation."); *In re The Mediators*, 105 F.3d 822, 825 (2d Cir. 1997). Courts adopting this approach reason that the corporation is precluded from bringing the action because the knowledge of its participating officers and

directors will be imputed to the corporation, thus vitiating any fraud or deception. In contrast, other courts have assumed that the corporation (or the bankruptcy trustee, on its behalf) may bring the action, Hashimoto v. Clark, supra. Other courts have recognized the general rule but applied an exception:

Under New York law, the adverse interest exception rebuts the usual presumption that the acts and knowledge of an agent acting within the scope of employment are imputed to the principal. Under the exception, management misconduct will not be imputed to the corporation if the officer acted entirely in his own interests and adversely to the interests of the corporation. The theory is that "where an agent, though ostensibly acting in the business of the principal, is really committing a fraud for his own benefit, he is acting outside of the scope of his agency, and it would therefore be most unjust to charge the principal with knowledge of it." The adverse interest exception, however, is narrow and applies only when the agent has "totally abandoned" the principal's interests. Wight v. BankAmerica Corporation, supra at 86-87.

Whether the corporation or only creditors may bring aiding and abetting actions has a profound impact in bankruptcy proceedings. If the corporation may not bring such an action, the trustee ordinarily has no authority to do so. Williams v. California 1st Bank, 850 F.2d 664, 667 (9th Cir. 1988); In re Lucas Dallas, Inc., 185 B.R. 801, 804 (9th Cir. BAP 1995) ("bankruptcy trustees do not have standing to prosecute actions against third parties on behalf of creditors"). On the other hand, if the corporation may bring the action, only the trustee or other estate representative may do so and creditors may not. In re Van Dresser Corporation, 128 F.3d 945, 947 (6th Cir. 1997) ("[I]f the debtor could have raised a state claim at the commencement of the bankruptcy case, then that claim is the exclusive property of the bankruptcy estate and cannot be asserted by a Creditor) An exception may exist if the trustee refuses

#### EXHIBIT 2 - DESCRIPTION OF CLAIMS

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after demand to do so by creditor in which case creditor may bring claims on behalf of estate. In re Curry & Sorensen, Inc. 57 B.R. 824 (BAP 9th Cir. 1981).

##### 3.2.2 ADDITIONAL CLAIMS.

The Estate may have additional claims against Hamilton & Harnden based upon negligence in their review of Debtor's financial statements. As discussed in the Disclosure Statement, the financial statements contained numerous departures from generally accepted accounting principles, failure to disclose and account for transactions with affiliates, and overstatements of the value of assets, particularly those relating to affiliate transactions. The Trustee believes that the resulting misstatement of Debtor's financial condition caused significant injury to the Debtor, in part, because Debtor continued to incur debt for fixed rate investment certificates at a time when Debtor had no realistic ability to pay its existing debt.

##### 3.3 TREATMENT IN PLAN.

The Plan provides that the claims against the Potential Defendants discussed above will vest in the Reorganized Debtor for further investigation, prosecution and settlement. The Trustee has actively pursued settlement negotiations with the Potential Defendants and intends to finalize these negotiations and to seek Bankruptcy Court approval of settlement agreements with some or all of the Potential Defendants prior to the Effective Date of the Plan.

#### 4 INVESTOR VERSUS POTENTIAL DEFENDANTS.

##### 4.1 CLAIMS AGAINST PRINCIPALS.

Investors may have claims against Messrs. Robarge, Sinclair and Stevens based upon securities law violations, alter ego, negligent misrepresentation, fraud, and breach of fiduciary duty. The Trustee believes that substantially all of such claims are duplicative of claims that the trustee may assert as the Estate's representative and, as discussed in section 3.2.1 beginning at page 11, Investors may be precluded from pursuing these claims because the Estate has become the exclusive owner of them.

##### 4.2 CLAIMS AGAINST HARDEN & HAMILTON.

Investors may also have claims against Hamilton & Harnden for aiding and abetting breaches of fiduciary duty. These claims are also duplicative of the Estate's claims.

##### 4.3 CLAIMS AGAINST COLONIAL TRUST COMPANY.

Investors may have similar claims against Colonial Trust and may also have

claims based upon Colonial Trust's fiduciary obligations under the trust indenture. Claims based solely upon the trust indenture may, however, be subject to substantial defenses, since the indentures provided that Colonial was entitled to rely upon Debtor's representations regarding its financial condition and was also entitled to rely upon the audited financial statements and compliance certificates prepared and submitted by Harnden & Hamilton.

#### 4.4 CLAIMS AGAINST FIRST FINANCIAL TRUST COMPANY.

Investors may have similar claims against First Financial Trust Company and may also have claims based on the guaranty agreements executed by First Financial.

#### 4.5 SUMMARY OF CLAIMS AGAINST POTENTIAL DEFENDANTS.

Substantially ALL of the claims that Investors could assert against the Potential Defendants arise out of the same facts and circumstances as the claims the Estate may assert. Judicial decisions on whether the Estate or the creditors are entitled to pursue these claims are in conflict, and individual investor claims may be subject to defenses based upon the lack of standing of individual investors to assert "general creditor" claims. See Koch Refining v. Farmers Union Central Exchange, Inc., 831 F.2d 1339 (7th Cir. 1987) (only trustee could maintain the "general creditor claim" of alter ego); Kalb, Voorhis & Co. v. American Financial Corp., 8 F.3d 130 (2<sup>d</sup> Cir. 1993) citing with approval St. Paul Fire and Marine Insurance Company v. Pepsico, Inc., 884 F.2d 688 (2<sup>d</sup> Cir. 1989); In re Folks, 211 B.R. 378, 387 (9<sup>th</sup> Cir. BAP 1997):

#### EXHIBIT 2 - DESCRIPTION OF CLAIMS

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A cause of action is 'personal' if the claimant himself is harmed and no other claimant or creditor has an interest in the cause. A general claim exists "if the liability is to all creditors of the corporation without regard to the personal dealings between such officers and such creditors. If a claim is a general one, with no particularized injury arising from it, and if that claim could be brought by any creditor of the debtor, the trustee is the proper person to assert the claim, and the creditors are bound by the outcome of the trustee's action. [internal citations omitted]

Investors may have claims based upon the guaranty agreement and the indenture that would be additional grounds for recovery against some of the Potential Defendants, but such additional claims are not likely to result in any greater recovery.

#### 4.6 TREATMENT IN PLAN.

Under the Plan, each Investor is entitled to elect to be a Participating Creditor. If an Investor makes such election, any claims the Investor has against the Potential Defendants will be assigned to the Reorganized Debtor for investigation, prosecution and settlement along with any claims that the Estate may bring against the Potential Defendants. Any recovery on account of such claims - whether individual creditors or the Estate has standing to bring the claims -- will benefit the Reorganized Debtor and its shareholders, the Participating Creditors. Any Investor who elects to be a Non-Participating Creditor will not be required to assign that Investor's claims against the Potential Defendants and may bring such actions subject to the limitations and defenses described herein.

#### 5 INVESTOR VERSUS INVESTOR.

##### 5.1 CONSTRUCTIVE TRUST CLAIMS.

As discussed in the Disclosure Statement, the Trustee believes that Debtor's method of raising funds through the issuance of fixed rate investment certificates was impractically expensive and led, inevitably, to circumstances in which Debtor's ability to repay one Investor was wholly contingent upon raising additional funds from another Investor. Under such circumstances, an Investor who invested late in the process and received no recovery may contend that its funds were used, fraudulently, to repay another investor. Under principles of constructive trust, as discussed in section 2.3 at page 3 hereof, the losing Investor may seek to "trace" his funds into the hands of the repaid Investor and seek to recover his losses from that Investor. Such an action would likely be impossible because of the number of Investors that would have such claims and the difficulty of "tracing" funds from one investor to another.

##### 5.2 TREATMENT IN PLAN.

The Plan provides that each Participating Creditor will assign its claims against all other Investors to the Reorganized Debtor. The Plan further provides that the Reorganized Debtor will release all of such claims against Participating Creditors and will be entitled to investigate, prosecute and

6 ESTATE VERSUS INVESTOR.

Under well-established precedents in the Ninth Circuit, the Estate would be entitled to recover payments made by Debtor to Investors based upon theories of fraudulent transfer (see discussion in section 3.1.4.1 at page 9) and preferential transfers (see discussion in section 3.1.4.4 at page 10). Judicial decisions have, however, applied these legal theories in differing ways.

6.1 FRAUDULENT TRANSFER ANALYSIS

While most courts have applied fraudulent transfer laws in similar circumstances,<sup>(3)</sup> at least three different approaches have surfaced in the reported decisions:

**EXCESS DISTRIBUTIONS.** Almost all courts have permitted the estate representatives to recover "fraudulent transfers" from any investors whose aggregate distributions exceed their aggregate investment. In these cases, the courts conclude that the excess payments resulted in a transfer for less than "reasonably equivalent value."

**NET LOSER DISTRIBUTIONS.** Courts are divided in their approach to avoidance claims when an investor has received distributions in an amount less than his total investment. In these cases, estate representatives have, with occasional success, argued the payments are recoverable based on the presence of the Ponzi scheme operator's "intent to defraud," and thus avoid the issue of reasonable equivalence. While the existence of a Ponzi scheme, by itself, may satisfy the requirements of insolvency and intent to defraud for "many courts, the efforts to collect from net losers most frequently fail based upon the good faith" of the investor victim.<sup>(5)</sup>

**POLICY ISSUES.** A small number of courts have concluded that considerations of equity did not require the pursuit of preference and fraudulent transfer claims -- even when sustainable -- against innocent victims solely for the purpose of increasing the recovery of other innocent victims.<sup>(6)</sup> Some courts have refused to apply fraudulent transfer laws to innocent investor victims solely to achieve a more "equitable" distribution among all investors. These courts have suggested that, while the law of preferences is intended to achieve more equitable distribution, the purposes of fraudulent transfer laws are more limited, and intended to function solely on value given for value paid.<sup>7</sup>

6.2 PREFERENTIAL TRANSFER ANALYSIS.

Courts have uniformly found that distributions made to investors within the 90 days prior to the bankruptcy constitute preferential transfers, recoverable for the benefit of the bankruptcy estate. In so finding, courts have generally rejected the transferees' contentions that distributions were made in the ordinary course, and thus not avoidable under the "ordinary course" defense of ss. 547(c)(2). Many courts have applied an ipso facto approach to hold, as a matter of law, that an enterprise dependent upon future investors to pay prior investors is illegal and therefore has no ordinary course of business.<sup>(8)</sup>

-----  
(3) One commentator has suggested that the principal source of distributions for the victims in such cases is recoveries from other victims. McDermott at 165-166.

(4) In re United Energy Corp., 944 F.2d 589 (9th Cir. 1991).

(5) Id. at 597 (distributions not recoverable from net losers); compare Scholes v. Lehmann, 56 F.3d 750,757 (7th Cir. 1995), See, McDermott at 175, et seq.

(6) In re American Continental Corp., 142 B.R. 894 (D. Ariz. 1992).

(7) In re United Energy Corp., 944 F.2d at 596-97.

(8) Compare In re Independent Clearing House Company, 77 B.R. 843, 874 (D. Utah 1987)(distributions to investors may constitute "ordinary course" under such circumstances) with In re M&L Bus. Mach. Co., 84 F.3d 1330, 1339-40) (no bright line test for "ordinary course"), and In re Bishop, Baldwin, Rewald, Dillingham & Wong, Inc., 819 F.2d 214, 126 (9th Cir. 1987)("Congress intended the ordinary course exception to be available only to legitimate businesses."), and Henderson v. Buchanan, 985 F.2d 1021, 1025 (9th Cir. 1993) (holding that an enterprise dependent upon future investors to pay past investors is illegal and therefore has no ordinary course of business).

6.3 TREATMENT IN PLAN.

The Plan provides for the release of any avoidance actions against Participating Creditors and the prosecution of any such actions against Non-Participating Creditors. The Plan effectively accomplishes a re-distribution among Investors contemplated by the case law by providing for distributions to Participating Creditors on the basis of their "net investment."

EXHIBIT 2 - DESCRIPTION OF CLAIMS

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EXHIBIT 3 TO DISCLOSURE STATEMENT

IN THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF ARIZONA

In re: ) CASE NO. 01-03105-ECF-RTB ) ) ) STEVENS FINANCIAL ) BUSINESS AND INDUSTRY ) GROUP, INC, ) MONTHLY OPERATING REPORT ) ) MONTH OF Jun-01 ) ) ) DATE PETITION FILED: March 19, 2001 ) ) Debtor(s) ) TAX PAYER ID NO. 43-1647559 )

Nature of Debtor's Business: Consumer Loan Finance Company

DATE DISCLOSURE STATEMENT: FILED TO BE FILED Anticipated within exclusivity period

DATE PLAN OF REORGANIZATION: FILED TO BE FILED Anticipated within exclusivity period

I CERTIFY UNDER PENALTY OR PERJURY THAT THE FOLLOWING MONTHLY OPERATING REPORT AND THE ACCOMPANYING ATTACHMENTS ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE.

RESPONSIBLE PARTY:

/s/Vern S. Schweigert TRUSTEE ORIGINAL SIGNATURE OF RESPONSIBLE TITLE VERN S. SCHWEIGERT 7/27/2001 PRINTED NAME OF RESPONSIBLE PARTY DATE

PREPARER

/s/Renee Jenkins AUTHORIZED REPRESENTATIVE ORIGINAL SIGNATURE OF PREPARER TITLE RENEE JENKINS 7/27/2001 PRINTED NAME OF PREPARER DATE

PERSON TO CONTACT REGARDING THIS REPORT: RENEE JENKINS

PHONE NUMBER: (602) 604-0878 OR (602) 720-5983

-----  
 ADDRESS: 1121 E. MISSOURI AVE STE 100  
 -----  
 PHOENIX, AZ 85014  
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ORIGINAL OF REPORT IS FILED WITH THE COURT, COPY IS FILED WITH U.S. TRUSTEE'S  
 OFFICE BUSS-1 11/1/96

CASE NUMBER: 01-03105-ECF-RTB

JUNE 2001

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 STEVENS FINANCIAL GROUP, INC.  
 RECEIPTS AND DISBURSEMENTS

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| <S>   | <C>     | <C>    | <C>    | <C>   | <C>    | <C>   | <C>   |
|---|---------|--------|--------|-------|--------|-------|-------|
| CASH AND BANK BALANCE -<br>BEGINNING OF MONTH | 216,319 | 20,031 | 56,037 | 2,500 | 16,814 | 6,451 | 5,313 |

| RECEIPTS                     |         |         |   |       |     |   |   |
|------------------------------|---------|---------|---|-------|-----|---|---|
| CASH SALES                   |         |         |   |       |     |   |   |
| ACCOUNTS                     | 218,758 | 38,944  |   |       | 103 |   |   |
| RECEIVABLE-PREPETITION       |         |         |   |       |     |   |   |
| ACCOUNTS                     |         |         |   |       |     |   |   |
| RECEIVABLE-POSTPETITION      |         |         |   |       |     |   |   |
| LOANS AND ADVANCES           |         |         |   |       |     |   |   |
| SALE OF ASSETS               |         |         |   |       |     |   |   |
| TRANSFERS IN FROM OTHER      |         | 250,000 |   | 1,767 |     |   |   |
| ACCOUNTS                     |         |         |   |       |     |   |   |
| CANADA RECEIPTS              | 100,000 |         |   |       |     |   |   |
| COBRA PAYMENTS               |         |         |   |       |     |   |   |
| MARKETING FEE INCOME         |         |         |   |       |     |   |   |
| REIMBURSED FOR EXPENSES FROM |         |         |   |       |     |   |   |
| SNB                          |         |         |   |       |     |   |   |
| OTHER (ATTACH LIST)          |         |         |   |       |     |   |   |
| INTEREST                     |         |         |   |       |     |   |   |
| TOTAL RECEIPTS               | 318,758 | 288,944 | - | 1,767 | 103 | - | - |

| DISBURSEMENTS                 |           |           |   |         |   |   |      |
|-------------------------------|-----------|-----------|---|---------|---|---|------|
| BUSINESS- ORDINARY OPERATIONS |           | (65,865)  |   | (1,767) |   |   |      |
| CAPITAL IMPROVEMENTS          |           |           |   |         |   |   |      |
| PRE-PETITION DEBT             |           |           |   |         |   |   |      |
| TRANSFERS TO OTHER DIP        | (266,065) | (96,144)  |   |         |   |   |      |
| ACCOUNTS                      |           |           |   |         |   |   |      |
| BENEFITS                      |           | (17,281)  |   |         |   |   |      |
| PAYMENTS TO SUSAN SINCLAIR    |           |           |   |         |   |   |      |
| OTHER (ATTACH LIST)           |           |           |   |         |   |   |      |
| PAYROLL & PAYROLL TAXES       |           |           |   |         |   |   |      |
| BANK FEES                     | (391)     | (50)      |   |         |   |   | (15) |
| REORGANIZATION EXPENSES:      |           |           |   |         |   |   |      |
| ATTORNEY FEES                 |           |           |   |         |   |   |      |
| ACCOUNTANT FEES               |           |           |   |         |   |   |      |
| OTHER PROFESSIONAL FEES       |           | (35,645)  |   |         |   |   |      |
| U.S. TRUSTEE QUARTERLY FEE    |           |           |   |         |   |   |      |
| COURT COSTS                   |           |           |   |         |   |   |      |
| TOTAL DISBURSEMENTS           | (266,455) | (214,984) | - | (1,767) | - | - | (15) |

|                                      |         |        |        |       |        |       |       |
|--------------------------------------|---------|--------|--------|-------|--------|-------|-------|
| CASH AND BANK BALANCE - END<br>OF MO | 268,622 | 93,991 | 56,037 | 2,500 | 16,917 | 6,451 | 5,298 |
|--------------------------------------|---------|--------|--------|-------|--------|-------|-------|

</TABLE>

<TABLE>  
 <CAPTION>

-----  
 PAYROLL PAYROLL ESCROW 1 ESCROW 2 PAYROLL WF TOTAL  
 CLEARING  
 BANK OF NBA #1108160474 #108620379  
 -----

| <S>  | <C>  | <C>       | <C>   | <C>   | <C>   | <C>   | <C>       |
|--|------|-----------|-------|-------|-------|-------|-----------|
| CASH AND BANK BALANCE - BEGINNING OF MONTH   | 100  | 1,544     | 2,528 | 2,528 | 2,000 | -     | 332,165   |
| RECEIPTS   |      |           |       |       |       |       |           |
| CASH SALES   |      |           |       |       |       |       | -         |
| ACCOUNTS RECEIVABLE-PREPETITION  |      |           |       |       |       |       | 257,805   |
| ACCOUNTS RECEIVABLE-POSTPETITION   |      |           |       |       |       |       | -         |
| LOANS AND ADVANCES   |      |           |       |       |       |       | -         |
| SALE OF ASSETS   |      |           |       |       |       |       | -         |
| TRANSFERS IN FROM OTHER ACCOUNTS   |      | 110,441   |       |       |       |       | 362,208   |
| CANADA RECEIPTS  |      |           |       |       |       |       | 100,000   |
| COBRA PAYMENTS   |      |           |       |       |       |       | -         |
| MARKETING FEE INCOME   |      |           |       |       | 6,047 |       | 6,047     |
| REIMBURSED FOR EXPENSES FROM SNB   |      |           |       |       |       |       | -         |
| OTHER (ATTACH LIST)  |      |           |       |       |       |       | -         |
| INTEREST   |      |           | 7     | 7     |       |       | 14        |
| TOTAL RECEIPTS   | -    |           | 7     | 7     | -     | 6,047 | 726,074   |
|  |      | 110,441   |       |       |       |       |           |
| DISBURSEMENTS  |      |           |       |       |       |       |           |
| BUSINESS- ORDINARY OPERATIONS  |      |           |       |       |       |       | (67,632)  |
| CAPITAL IMPROVEMENTS   |      |           |       |       |       |       | -         |
| PRE-PETITION DEBT  |      |           |       |       |       |       | -         |
| TRANSFERS TO OTHER DIP ACCOUNTS  |      |           |       |       |       |       | (362,208) |
| BENEFITS   |      |           |       |       |       |       | (17,281)  |
| PAYMENTS TO SUSAN SINCLAIR   |      |           |       |       |       |       | -         |
| OTHER (ATTACH LIST)  |      |           |       |       |       |       | -         |
| PAYROLL & PAYROLL TAXES  |      | (105,468) |       |       |       |       | (105,468) |
| BANK FEES  | (28) |           |       |       |       |       | (484)     |
| REORGANIZATION EXPENSES:   |      |           |       |       |       |       |           |
| ATTORNEY FEES  |      |           |       |       |       |       | -         |
| ACCOUNTANT FEES  |      |           |       |       |       |       | -         |
| OTHER PROFESSIONAL FEES  |      |           |       |       |       |       | (35,645)  |
| U.S. TRUSTEE QUARTERLY FEE   |      |           |       |       |       |       | -         |
| COURT COSTS  |      |           |       |       |       |       | -         |
| TOTAL DISBURSEMENTS  | (28) | (105,468) | -     | -     | -     | -     | (588,718) |
| CASH AND BANK BALANCE - END OF MO  |      |           |       |       |       |       |           |
|  | 72   | 6,517     | 2,535 | 2,535 | 2,000 | 6,047 | 469,521   |
| DISBURSEMENTS FOR CALCULATING QUARTERLY FEES:  |      |           |       |       |       |       |           |
| TOTAL DISBURSEMENTS FROM ABOVE   |      |           |       |       |       |       | (588,718) |
| LESS: TRANSFERS OUT TO OTHER DIP ACCOUNTS  |      |           |       |       |       |       | 362,208   |
| PLUS: ESTATE DISBURSEMENTS MADE BY OUTSIDE SOURCES (i.e. PAYMENTS FROM ESCROW OR 2-PARTY CHECKS) |      |           |       |       |       |       |           |
| TOTAL DISBURSEMENTS FOR CALCULATING QUARTERLY FEES:  |      |           |       |       |       |       | (226,509) |

STEVENS FINANCIAL GROUP, INC. 01-03105-ECF-RTB  
COMPARATIVE BALANCE SHEET

| <TABLE><br><CAPTION><br>ASSETS         | June 30, 2001<br>----- | May 31, 2001<br>----- |
|--|------------------------|-----------------------|
| <S>                                    | <C>                    | <C>                   |
| Cash                                   | 469,521.98             | 332,163.97            |
| Restricted Cash                        | 1,177,893.09           | 4,653,144.80          |
| Total Cash                             | 1,647,415.07           | 4,985,308.77          |
| Accounts Receivable - Related Parties  | 869,461.28             | 985,900.00            |
| Accrued Interest - Finance Receivables | 302,153.18             | 308,806.65            |
| Accrued Interest - Notes Receivable    | --                     | 2,778,254.53          |

|  |                 |                |
|--|-----------------|----------------|
| Accrued Interest - Intercompany Receivables            | --              | --             |
| Prepaid Expenses and Other Assets                      | 140,771.33      | 67,924.38      |
| Finance Receivables                                    |                 |                |
| Allowance for Credit Loss                              | 18,896,830.59   | 18,555,965.63  |
|  | (15,388,867.85) | (349,317.57)   |
| Net Finance Receivables                                | 3,507,962.74    | 18,206,648.06  |
| Finance Receivables - Security for Notes Payable       | 1,723,387.41    |                |
| Allowance for Credit Loss                              | (886,141.88)    |                |
| Net Finance Receivables - Encumbered                   | 837,245.53      |                |
| Notes Receivable - Related Parties                     | 657,612.16      | 18,445,890.01  |
| Total Current Assets                                   | 7,962,621.29    | 45,778,732.40  |
| Total Fixed Assets Net of Amortization                 | 4,501,765.32    | 10,781,642.17  |
| Other Long Term Assets                                 |                 |                |
| Misc Notes Receivable                                  |                 |                |
| Investment in Affiliates - Sinclair Credit Group, Inc. | 700,712.56      | 761,038.56     |
| Deferred Offering Costs                                | 3,241,570.72    | 3,425,409.94   |
|  | 908,053.76      |                |
| Total Other Long Term Assets                           | 3,942,283.28    | 5,094,502.26   |
| Other Assets   |                 |                |
| Acquisition Intangibles                                | --              | 17,352,730.40  |
| Accum Amort - Intangibles                              | --              | (1,127,927.39) |
| Total Other Assets                                     | --              | 16,224,803.01  |
| TOTAL ASSETS   | 16,406,669.89   | 77,879,679.84  |
|  | =====           | =====          |

</TABLE>

3.a

STEVENS FINANCIAL GROUP, INC. 01-03105-ECF-RTB  
COMPARATIVE BALANCE SHEET

|   |                 |                |
|---|-----------------|----------------|
| <TABLE>   |                 |                |
| <CAPTION>   |                 |                |
| LIABILITIES & EQUITY                                | June 30, 2001   | May 31, 2001   |
|   | -----           | -----          |
| <S>   | <C>             | <C>            |
| Liabilities Not Subject to Compromise               |                 |                |
| Accounts Payable - Post Petition                    | 113,532.30      | 92,455.74      |
| Accrued Expenses - Post Petition                    | 708,041.65      | 23,375.69      |
| Interest Costs - Financings                         | 75,443.51       | 8,947.28       |
| Interest Costs - Mortgage                           | 59,616.29       | 8,628.08       |
| Notes Payable - Mortgage                            | 1,619,270.42    | 1,619,270.42   |
| Note Payable - Financings                           | 1,928,400.73    | 1,928,631.62   |
| Total Liabilities Not Subject to Compromise         | 4,504,304.90    | 3,681,308.83   |
| Liabilities Subject to Compromise                   |                 |                |
| Accounts Payable and Accrued Expense - Pre Petition | 622,976.52      | 581,800.55     |
| Time Certificates Payable                           | 64,536,291.85   | 64,524,654.94  |
| Time Certificate Interest Payable                   | 14,262,308.46   | 14,881,059.51  |
| Total Liabilities Subject to Compromise             | 79,421,576.83   | 79,987,515.00  |
| Total Liabilities                                   | 83,925,881.73   | 83,668,823.83  |
|   | (3,836,674.40)  | (3,836,674.40) |
| PrePetition Owner's Equity                          |                 |                |
| PostPetition Profit (Loss)                          | (63,682,537.44) | (1,952,469.59) |
| TOTAL LIABILITIES & EQUITY                          | 16,406,669.89   | 77,879,679.84  |
|   | =====           | =====          |

</TABLE>

(A) Consolidated results presented here include Stevens Management Services, Inc. which has not filed Chapter 11. Not included herein is Sinclair Credit Group, Inc., the wholly owned Canadian subsidiary.

(B) These amounts represent the most accurate amounts available as of the statement date.

3.b

STEVENS FINANCIAL GROUP, INC. 01-03105-ECF-RTB  
STATEMENT OF OPERATIONS  
JUNE 30, 2001

|                          | Month Ended<br>June 30, 2001 | Year Ended<br>June 30, 2001 |
|--------------------------|------------------------------|-----------------------------|
| INCOME                   |                              |                             |
| Gross Revenues           | (2,401,308.47)               | (1,950,163.58)              |
| Cost of Goods Sold       |                              |                             |
| Interest Expense         | (477,323.93)                 | 464,508.04                  |
| Servicing Fees           | 8,703.45                     | (145,460.55)                |
| Bad Debt Expense         | 16,331,583.84                | 16,584,536.54               |
| Total Cost of Goods Sold | 15,862,963.36                | 16,903,584.03               |
| Gross Profit             | (18,264,271.83)              | (18,853,747.61)             |

EXPENSES

|                                  |             |            |
|----------------------------------|-------------|------------|
| Officers/Insiders Salaries       | 23,125.00   | 77,903.99  |
| Wage/Salary - Clerical           | 10,875.28   | 155,498.72 |
| Wage/Salary - Administrative     | --          | 229,572.46 |
| Prof Fees - Trustee Fees         | 150.56      | 10,733.13  |
| Employee Benefits - Other        | 772.19      | 1,468.74   |
| FICA Employers Expense           | 61,760.87   | 88,357.32  |
| Medicare Employers Expense       | 1,417.94    | 7,638.09   |
| FUTA Expense                     | 135.51      | 1,223.61   |
| SUTA Expense                     | 304.93      | 4,753.52   |
| Workmens Comp                    | 384.75      | 1,416.06   |
| Health & Welfare Benefits        | 11,426.92   | 69,199.12  |
| Total Payroll / Benefits         | 110,353.95  | 647,764.76 |
| General /Administrative Expenses |             |            |
| Storage Rent                     | 1,425.00    | 4,723.55   |
| Insurance Exp -Liab              | 204.80      | 1,398.57   |
| Insurance Exp -Genliab           | 706.25      | 2,381.66   |
| Insurance - Collateral           | (17,697.45) | --         |
| Advertising -Newspaper           |             | 1,578.96   |
| Advertising - Other              | (2,343.53)  | 917.22     |
| Professional Fees- Sfc Auto Rec  | 438.26      | 1,922.69   |
| Collecting And Servicing Legal   | 2,373.89    | 10,656.99  |
| Casual Labor                     | --          | 165.00     |
| Prof Fees - Legal                | 84,158.37   | 135,097.37 |
| Prof Fees - Credit Rpt           | 496.68      | 1,026.54   |
| Prof Fees - Accounting           | --          | 775.00     |
| Professional Fees- Series 10     | 7,154.77    | 31,388.67  |
| Prof Fee -Re Loan Comm           | 14.56       | 63.88      |
| Prof Fees-Series Nine            | 13,076.73   | 58,873.61  |
| Prof Fee -Collect Sery - Other   | 16,666.66   | 25,872.62  |
| Professional Fee - Misc          | 2,202.14    | 16,123.23  |
| Prof Fee - Consulting            | 51,180.20   | 145,532.80 |
| Property Tax Expense             | 23,476.37   | 25,993.97  |
| Licenses & Permits               | 889.52      | 3,197.80   |
| Taxes - Other                    | 29.89       | 1,245.60   |
| Telephone -Regular Svc           | 3,057.87    | 11,060.92  |
| Telephone - Long Dist            | 2,279.58    | 3,154.19   |
| Telephone - Mobile               | 490.78      | 1,923.72   |
| Telephone -Paging Sys            | 286.85      |            |
| Travel - Tickets                 | 6,320.29    |            |
| Travel - Rooms                   | 2,837.01    | 6,401.03   |

3.c

STEVENS FINANCIAL GROUP, INC. 01-03105-ECF-RTB  
STATEMENT OF OPERATIONS  
JUNE 30, 2001

<TABLE>  
<CAPTION>

|                    | Month Ended<br>June 30, 2001 | Year Ended<br>June 30, 2001 |
|--------------------|------------------------------|-----------------------------|
| <S>                | <C>                          | <C>                         |
| Travel -Meals      | 839.30                       | 1,502.29                    |
| Travel - Misc Auto | 90.00                        | 1,504.17                    |
| Travel -Mileage    | 475.23                       | 1,029.85                    |

|   |                 |                 |
|---|-----------------|-----------------|
| Supplies - Computer                     | 285.33          | 358.12          |
| Supplies - Admin                        | (5,998.17)      | (4,405.71)      |
| Supplies - Operational                  | 158.39          | (1,462.27)      |
| Postage -Us Mail                        | 2,003.90        | 3,632.48        |
| Postage Federal Exp                     | (6,949.59)      | (5,853.33)      |
|   | -----           | -----           |
| Total General / Administrative Expenses | 184,022.74      | 494,388.33      |
| Other Expenses                          |                 |                 |
| Repo Expense                            | 1,425.00        | 3,301.63        |
| Electricity                             | 6,780.62        | 11,968.16       |
| Refuse Collection                       | 76.83           | 416.08          |
| Leased Equipment                        | (7,346.79)      | 3,794.85        |
| Beverages                               | 649.01          | 963.12          |
| Dues & Subscriptions                    | (285.74)        | 1,181.95        |
| Subscriptions & Supplies -Legal         | (450.27)        |                 |
| Consulting Expense                      |                 | (40,651.74)     |
| Repairs & Maint - Bldg                  | 3,131.67        | 5,281.44        |
| Repairs & Maint -Equip                  | (303.50)        | 378.38          |
| Repairs & Maint - Auto                  |                 | (0.87)          |
| Bank Charges                            | 482.66          | 994.76          |
| Misc Expense                            | (20.65)         | (65.41)         |
| SNB Other Expenses                      | 5,000.00        | (6,046.53)      |
|   | -----           | -----           |
| Other Expenses                          | 9,138.84        | (18,484.18)     |
| Reorganization Costs                    |                 |                 |
| Trustee Fees                            | 81,803.28       | 81,803.28       |
| U.S. Trustee Fees                       | 3,750.00        | 3,750.00        |
| Accounting Fees                         | 173,990.14      | 173,990.14      |
| Attorney Fees                           | 417,000.00      | 417,000.00      |
| Investor Relation Fees                  | 5,392.91        | 5,392.91        |
| Misc Fees                               | 6,550.00        | 6,550.00        |
|   | -----           | -----           |
| Total Reorganization Costs              | 688,486.33      | 688,486.33      |
| Depreciation/Amortization               | 147,391.78      | 690,232.21      |
|   | -----           | -----           |
| Total Expense                           | 1,139,393.64    | 2,502,387.45    |
|   | -----           | -----           |
| NET ORDINARY INCOME BEFORE INCOME TAXES | (19,403,665.47) | (21,356,135.06) |
|   | -----           | -----           |
| Non Recurring Items (A)                 | (42,326,402.38) | (42,326,402.38) |
|   | -----           | -----           |
| NET INCOME BEFORE INCOME TAXES          | (61,730,067.85) | (63,682,537.44) |
|   | =====           | =====           |

(A) Detail of Non-Recurring Items since filing date:

|   |              |              |
|---|--------------|--------------|
| Loss on sale of house held for resale                     | 45,586.00    | 45,586.00    |
| Loss on sale of contracts to Stevens Funding Corp         | 83,839.22    | 83,839.22    |
| Loss on land and building (adjustment to appraised value) | 2,620,863.66 | 2,620,863.66 |

</TABLE>

3.d

STEVENS FINANCIAL GROUP, INC. 01-03105-ECF-RTB  
STATEMENT OF OPERATIONS JUNE 30, 2001

<TABLE>  
<CAPTION>

|   | Month Ended<br>June 30, 2001 | Year Ended<br>June 30, 2001 |
|---|------------------------------|-----------------------------|
|   | -----                        | -----                       |
| <S>   | <C>                          | <C>                         |
| Loss of restricted cash held by First Financial Trust Co. | 1,485,361.17                 | 1,485,361.17                |
| Loss on intangibles                                       | 18,646,476.26                | 18,646,476.26               |
| Loss on intercompany receivables                          | 7,181,757.87                 | 7,181,757.87                |
| Loss on notes receivables                                 | 4,887,798.66                 | 4,887,798.66                |
| Loss on loan system writedown                             | 3,006,364.72                 | 3,006,364.72                |
| Loss of Deferred Offering Costs                           | 868,355.12                   | 868,355.12                  |
| Loss on reversal of CFV transaction                       | 3,500,000.00                 | 3,500,000.00                |
|   | -----                        | -----                       |
|   | 42,326,402.68                | 42,326,402.68               |
|   | -----                        | -----                       |

</TABLE>

3.e

Total  
Since Filing

(1,950,163.58)

464,508.04  
(145,460.55)  
16,584,536.54  
-----

16,903,584.03

(18,853,747.61)

77,903.99  
155,498.72  
229,572.46  
10,733.13  
1,468.74  
88,357.32  
7,638.09  
1,223.61  
4,753.52  
1,416.06  
69,199.12  
-----

647,764.76

4,723.55  
1,398.57  
2,381.66

1,578.96  
917.22  
1,922.69  
10,656.99  
165.00  
135,097.37  
1,026.54  
775.00  
31,388.67  
63.88  
58,873.61  
25,872.62  
16,123.23  
145,532.80  
25,993.97  
3,197.80  
1,245.60  
10,060.92  
3,154.19  
1,923.72

286.85  
6,320.29  
6,401.03

Total  
Since Filing

-----  
1,502.29  
1,504.17  
1,029.85  
358.12  
(4,405.71)  
(1,462.27)  
3,632.48  
(5,853.33)  
-----

494,388.33

3,301.63  
11,968.16  
416.08  
3,794.85  
963.12  
1,181.95  
-  
(40,651.74)

5,281.44  
 378.38  
 (0.87)  
 994.76  
 (65.41)  
 (6,046.53)

-----  
 (18,484.18)

81,803.28  
 3,750.00  
 173,990.14  
 417,000.00  
 5,392.91  
 6,550.00

-----  
 688,486.33

690,232.21

2,502,387.45

-----  
 (21,356,135.06)

-----  
 (42,326,402.38)

-----  
 (63,682,537.44)

45,586.00  
 83,839.22  
 2,620,863.66

Total  
 Since Filing

-----  
 1,485,361.17  
 18,646,476.26  
 7,181,757.87  
 4,887,798.66  
 3,006,364.72  
 868,355.12  
 3,500,000.00

-----  
 42,326,402.68

STEVENS FINANCIAL GROUP, INC. 01-03105-ECF-RTB  
 STATUS OF ASSETS  
 JUNE 30, 2001

FINANCE RECEIVABLES AGING  
 As of June 30, 2001

<TABLE>

<CAPTION>

|                           | 0-30         | 31-60      | 61+           | Total           |
|---------------------------|--------------|------------|---------------|-----------------|
| <S>                       | <C>          | <C>        | <C>           | <C>             |
| Finance Receivables       | 3,070,422.16 | 619,241.82 | 16,930,554.02 | 20,620,218.00   |
| Less Reserve for Bad Debt |              |            |               | (16,275,009.73) |
| Net Finance Receivables   |              |            |               | 4,345,208.27    |

</TABLE>

DUE FROM INSIDERS - INTERCOMPANY  
 As of June 30, 2001

<TABLE>

<CAPTION>

Principal                      Accrued Interest                      Total Due

| <S>                                    | <C>          | <C>        | <C>          |
|--|--------------|------------|--------------|
| Accounts Receivables - Related Parties |              |            |              |
| Sinclair National Bank AIR             | 26,511.28    | -          | 26,511.28    |
| Damian Sinclair AIR                    | 350,000.00   | -          | 350,000.00   |
| PR Edge A/R                            | 492,950.00   | -          | 492,950.00   |
|  | 869,461.28   | -          | 869,461.28   |
| Notes Receivable - Related Parties     |              |            |              |
| Damian Sinclair/Sinclair National Bank | 150,000.00   | -          | 150,000.00   |
| Edge Financial Note Receivable         | 215,000.00   | -          | 215,000.00   |
| PR Edge Credit Line (Revolver)         | 292,612.16   | -          | 292,612.16   |
|  | 657,612.16   | -          | 657,612.16   |
| Investments in Affiliates              |              |            |              |
| Due to/(from) Sinclair Credit Group    | 2,645,513.31 | 596,057.41 | 3,241,570.72 |
|  | 2,645,513.31 | 596,057.41 | 3,241,570.72 |
| Total Due from Insiders and Affiliates | 4,172,586.75 | 596,057.41 | 4,768,644.16 |

</TABLE>

4

STEVENS FINANCIAL GROUP, INC.  
FIXED ASSETS  
JUNE 30, 2001

CASE NUMBER 01-03105-ECF-RTB

| <S>             | SCHEDULED AMOUNT | ADDITIONS | DELETIONS / WriteDowns | CURRENT AMOUNT |
|-----------------|------------------|-----------|------------------------|----------------|
| <C>             | <C>              | <C>       | <C>                    | <C>            |
| LAND            | 2,198,000.00     |           | -1,273,000.00          | 925,000.00     |
| BUILDINGS/PLANT | 4,622,938.98     | 0         | 0.00                   | 4,622,938.98   |
| ACCUM DEPR      | -200,075.32      | 0         | -1,347,863.66          | -1,547,938.98  |
| NET BUILDINGS   | 4,422,863.66     | 0.00      | -1,347,863.66          | 3,075,000.00   |
| EQUIPMENT       | 630,807.73       | 0         | 0.00                   | 630,807.73     |
| ACCUM DEPR      | -157,864.37      | 0         | 0.00                   | -157,864.37    |
| NET EQUIPMENT   | 472,943.36       | 0         | 0.00                   | 472,943.36     |
| AUTOSNEHICLES   | 43,780.00        | 0         | 0.00                   | 43,780.00      |
| ACCUM DEPR      | -14,958.04       | 0         | 0.00                   | -14,958.04     |
| NET AUTOS       | 28,821.96        | 0         | 0.00                   | 28,821.96      |
| Total           | 7,122,628.98     | 0.00      | -2,620,863.66          | 4,501,765.32   |

</TABLE>

Deletions shown above are for write down to lower of cost or market the land and buildings included in the Scheduled Amount column.

5

(CASE NUMBER: 01-01-03105-ECF-RTB)

STEVENS FINANCIAL GROUP, INC. JUNE 2001

STATUS OF LIABILITIES AND SENSITIVE PAYMENTS

<TABLE>  
<CAPTION>

POSTPETITION  
UNPAID OBLIGATIONS

|                                 | TOTAL      | 0-30       | 31-60      | 61-90 | 91+ |
|---------------------------------|------------|------------|------------|-------|-----|
| <S>                             | <C>        | <C>        | <C>        | <C>   | <C> |
| ACCOUNTS PAYABLE (6A)           | 113,532.30 | 100,104.75 | 13,374.48  | 53.07 |     |
| TAXES PAYABLE                   | 21,416.32  | 21,416.32  |            |       |     |
| NOTES PAYABLE                   | -          |            |            |       |     |
| PROFESSIONAL FEES               | -          |            |            |       |     |
| SECURED DEBT                    | -          |            |            |       |     |
| ACCR. PROPERTY TAXES            | 17,156.01  | 17,156.01  |            |       |     |
| ACCR. EXPENSES (6B)             | 669,469.32 | 569,469.32 | 100,000.00 |       |     |
| TOTAL POST-PETITION LIABILITIES | 821,573.95 | 708,146.40 | 113,374.48 | 53.07 | 0   |

\* DEBTORS MUST ATTACH AN AGED LISTING OF ACCOUNTS PAYABLE

PAYMENTS TO INSIDERS AND PROFESSIONALS

OF THE TOTAL DISBURSEMENTS SHOWN FOR THE MONTH, LIST THE AMOUNT PAID TO INSIDERS (RELATIVES OF THE DEBTORS OR PERSONS IN CONTROL) AND TO PROFESSIONALS (ATTORNEYS, ACCOUNTANTS, ETC.) FOR PAYMENTS TO INSIDERS, IDENTIFY THE TYPE OF COMPENSATION PAID (e.g., SALARY, COMMISSIONS, INSURANCE, HOUSING ALLOWANCE, TRAVEL, ETC.). ATTACH ADDITIONAL SHEETS IF NECESSARY.

INSIDERS

| NAME                       | REASON FOR PAYMENT | AMOUNT PAID THIS MONTH | TOTAL PAID TO DATE |
|----------------------------|--------------------|------------------------|--------------------|
| <S>                        |                    | <C>                    | <C>                |
| Clarence W. Stevens, Jr.   | Payroll/Contract   | 16,059.50              | 75,719.15          |
| Patrick J. Robarge         | Payroll/Contract   | 9,571.20               | 35,617.57          |
| Scott Pope                 | Payroll            | -                      | 13,182.44          |
| TOTAL PAYMENTS TO INSIDERS |                    | 25,630.70              | 124,519.16         |

PROFESSIONALS

| NAME                    | DATE OF COURT ORDER AUTHORIZING PAYMENT | AMOUNT APPROVED | AMOUNT PAID | TOTAL PAID TO DATE | TOTAL INCURRED & UNPAID |
|-------------------------|---|-----------------|-------------|--------------------|-------------------------|
| <S>                     | <C>                                     | <C>             | <C>         | <C>                | <C>                     |
| BILTMORE&ASSOCIATES     |   |                 | 21,012.80   | 31,595.37          | 58,101.48               |
| RENEE JENKINS           |   |                 |             |                    | 23,990.14               |
| DEACY & DEACY           |   |                 |             |                    | 10,000.00               |
| STOLAR PARTNERSHIP-BANK |   |                 |             |                    | 5,000.00                |
| STOLAR PARTNERSHIP-ABS  |   |                 |             |                    | 10,000.00               |
| OSBORN MALEDON          |   |                 |             |                    | 146,000.00              |
| PLASTER & MOON          |   |                 |             |                    | 66,000.00               |
| MCA                     |   |                 |             |                    | 150,000.00              |
| QUARLES & BRADY         |   |                 |             |                    | 200,000.00              |
| TOTAL                   |   | 0.00            | 21,012.80   | 31,595.37          | 669,091.62              |

6

STEVENS FINANCIAL GROUP, INC.  
ACCOUNTS PAYABLE AGING REPORT  
AS OF JUNE 30, 2001

Case # 01-03105-ECF-RTB

| Vendor ID / Name | Current | 1 - 30 | 31 - 60 | 61 to 90 | Over 90 | Balance |
|------------------|---------|--------|---------|----------|---------|---------|
| <S>              | <C>     | <C>    | <C>     | <C>      | <C>     | <C>     |

|                                  |          |          |          |          |          |          |
|----------------------------------|----------|----------|----------|----------|----------|----------|
| ALLTEL                           |          |          |          |          |          |          |
| Vendor Total                     | 136.22   | 235.64   | -        | -        | 371.86   |          |
|                                  | 36.63%   | 63.37%   | 0.00%    | 0.00%    | 0.00%    | -----    |
| Net Balance Due                  |          |          |          |          | 371.86   |          |
| Vendor ID / Name                 | Current  | 1 - 30   | 31 - 60  | 61 to 90 | Over 90  | Balance  |
| AMERICAN CREDIT COUNSELORS       |          |          |          |          |          |          |
| Vendor Total                     | 4.05     | 10.65    | -        | -        | 14.70    |          |
|                                  | 27.55%   | 72.45%   | 0.00%    | 0.00%    | 0.00%    | -----    |
| Net Balance Due                  |          |          |          |          | 14.70    |          |
| Vendor ID / Name                 | Current  | 1 - 30   | 31 - 60  | 61 to 90 | Over 90  | Balance  |
| BETTER BUSINESS BUREAU           |          |          |          |          |          |          |
| Vendor Total                     | -        | 350.00   | -        | -        | 350.00   |          |
|                                  | 0.00%    | 100.00%  | 0.00%    | 0.00%    | 0.00%    | -----    |
| Net Balance Due                  |          |          |          |          | 350.00   |          |
| Vendor ID / Name                 | Current  | 1 - 30   | 31 - 60  | 61 to 90 | Over 90  | Balance  |
| BURNS, O'GORMAN, BLACK & WEYLAND |          |          |          |          |          |          |
| Vendor Total                     | 538.80   | 1,425.31 | -        | -        | 1,964.11 |          |
|                                  | 27.43%   | 72.57%   | 0.00%    | 0.00%    | 0.00%    | -----    |
| Net Balance Due                  |          |          |          |          | 1,964.11 |          |
| Vendor ID / Name                 | Current  | 1 - 30   | 31 - 60  | 61 to 90 | Over 90  | Balance  |
| CCCS                             |          |          |          |          |          |          |
| Vendor Total                     | -        | 36.04    | 22.50    | 15.99    | 74.53    |          |
|                                  | 0.00%    | 48.36%   | 30.19%   | 21.45%   | 0.00%    | -----    |
| Net Balance Due                  |          |          |          |          | 74.53    |          |
| Vendor ID / Name                 | Current  | 1 - 30   | 31 - 60  | 61 to 90 | Over 90  | Balance  |
| CHRISTIAN FINANCIAL ADVISORS     |          |          |          |          |          |          |
| Vendor Total                     | -        | -        | 4.35     | -        | 4.35     |          |
|                                  | 0.00%    | 0.00%    | 100.00%  | 0.00%    | 0.00%    | -----    |
| Net Balance Due                  |          |          |          |          | 4.35     |          |
| Vendor ID / Name                 | Current  | 1 - 30   | 31 - 60  | 61 to 90 | Over 90  | Balance  |
| CITY UTILITIES                   |          |          |          |          |          |          |
| Vendor Total                     | 2,595.31 | -        | -        | -        | 2,595.31 |          |
|                                  | 100.00%  | 0.00%    | 0.00%    | 0.00%    | 0.00%    | -----    |
| Net Balance Due                  |          |          |          |          | 2,595.31 |          |
| Vendor ID / Name                 | Current  | 1 - 30   | 31 - 60  | 61 to 90 | Over 90  | Balance  |
| CREDIT COUNSELORS                |          |          |          |          |          |          |
| Vendor Total                     | 10.35    | -        | -        | 10.35    | 20.70    |          |
|                                  | 50.00%   | 0.00%    | 0.00%    | 50.00%   | 0.00%    | -----    |
| Net Balance Due                  |          |          |          |          | 20.70    |          |
| Vendor ID / Name                 | Current  | 1 - 30   | 31 - 60  | 61 to 90 | Over 90  | Balance  |
| CSC                              |          |          |          |          |          |          |
| Vendor Total                     | -        | 419.05   | -        | -        | 419.05   |          |
|                                  | 0.00%    | 0.00%    | 100.00%  | 0.00%    | 0.00%    | -----    |
| Net Balance Due                  |          |          |          |          | 419.05   |          |
| Vendor ID / Name                 | Current  | 1 - 30   | 31 - 60  | 61 to 90 | Over 90  | Balance  |
| DEACY & DEACY                    |          |          |          |          |          |          |
| Vendor Total                     | -        | -        | 4,192.86 | -        | -        | 4,192.86 |
|                                  | 0.00%    | 0.00%    | 100.00%  | 0.00%    | 0.00%    | -----    |
| Net Balance Due                  |          |          |          |          | 4,192.86 |          |

</TABLE>

6-a

STEVENS FINANCIAL GROUP, INC.  
 ACCOUNTS PAYABLE AGING REPORT  
 AS OF JUNE 30, 2001

Case # 01-03105-ECF-RTB

| Vendor ID / Name | Current | 1 -30 | 31 - 60 | 61 to 90 | Over 90 | Balance |
|------------------|---------|-------|---------|----------|---------|---------|
| DEBT FREE        | <C>     | <C>   | <C>     | <C>      | <C>     | <C>     |

|                              |         |         |          |          |         |          |
|------------------------------|---------|---------|----------|----------|---------|----------|
| Vendor Total                 | -       | 5.70    | 5.70     | -        | 11.40   |          |
|                              | 0.00%   | 50.00%  | 50.00%   | 0.00%    | 0.00%   |          |
| Net Balance Due              |         |         |          |          | 11.40   |          |
| Vendor ID / Name             | Current | 1 -30   | 31 - 60  | 61 to 90 | Over 90 | Balance  |
| DEPT OF ASSESSMENTS MARYLAND |         |         |          |          |         |          |
| Vendor Total                 | -       | 100.00  | -        | -        | -       | 100.00   |
|                              | 0.00%   | 100.00% | 0.00%    | 0.00%    | 0.00%   |          |
| Net Balance Due              |         |         |          |          |         | 100.00   |
| Vendor ID / Name             | Current | 1 -30   | 31 - 60  | 61 to 90 | Over 90 | Balance  |
| DEPT OF STATE FLORIDA        |         |         |          |          |         |          |
| Vendor Total                 | -       | 550.00  | -        | -        | -       | 550.00   |
|                              | 0.00%   | 100.00% | 0.00%    | 0.00%    | 0.00%   |          |
| Net Balance Due              |         |         |          |          |         | 550.00   |
| Vendor ID / Name             | Current | 1 -30   | 31 - 60  | 61 to 90 | Over 90 | Balance  |
| DUQUESNE LIGHT               |         |         |          |          |         |          |
| Vendor Total                 | 21.21   | 20.43   | 24.12    | -        | -       | 65.76    |
|                              | 32.25%  | 31.07%  | 36.68%   | 0.00%    | 0.00%   |          |
| Net Balance Due              |         |         |          |          |         | 65.76    |
| Vendor ID / Name             | Current | 1 -30   | 31 - 60  | 61 to 90 | Over 90 | Balance  |
| GE CAPITAL                   |         |         |          |          |         |          |
| Vendor Total                 | 908.84  | 597.43  | -        | -        | -       | 1,506.27 |
|                              | 60.34%  | 39.66%  | 0.00%    | 0.00%    | 0.00%   |          |
| Net Balance Due              |         |         |          |          |         | 1,506.27 |
| Vendor ID / Name             | Current | 1 -30   | 31 - 60  | 61 to 90 | Over 90 | Balance  |
| GENUS CREDIT MGMT            |         |         |          |          |         |          |
| Vendor Total                 | -       | -       | 18.75    | -        | -       | 18.75    |
|                              | 0.00%   | 0.00%   | 100.00%  | 0.00%    | 0.00%   |          |
| Net Balance Due              |         |         |          |          |         | 18.75    |
| Vendor ID / Name             | Current | 1 -30   | 31 - 60  | 61 to 90 | Over 90 | Balance  |
| HARNDEN & HAMILTON           |         |         |          |          |         |          |
| Vendor Total                 | -       | -       | 775.00   | -        | -       | 775.00   |
|                              | 0.00%   | 0.00%   | 100.00%  | 0.00%    | 0.00%   |          |
| Net Balance Due              |         |         |          |          |         | 775.00   |
| Vendor ID / Name             | Current | 1 -30   | 31 - 60  | 61 to 90 | Over 90 | Balance  |
| KELLEY BLUE BOOK USED CAR    |         |         |          |          |         |          |
| Vendor Total                 | 54.00   | -       | -        | -        | -       | 54.00    |
|                              | 100.00% | 0.00%   | 0.00%    | 0.00%    | 0.00%   |          |
| Net Balance Due              |         |         |          |          |         | 54.00    |
| Vendor ID / Name             | Current | 1 -30   | 31 - 60  | 61 to 90 | Over 90 | Balance  |
| LEONARD FELKNER ALTFELD      |         |         |          |          |         |          |
| Vendor Total                 | -       | -       | 7.00     | -        | -       | 7.00     |
|                              | 0.00%   | 0.00%   | 100.00%  | 0.00%    | 0.00%   |          |
| Net Balance Due              |         |         |          |          |         | 7.00     |
| Vendor ID / Name             | Current | 1 -30   | 31 - 60  | 61 to 90 | Over 90 | Balance  |
| MCA FINANCIAL GROUP, LTD     |         |         |          |          |         |          |
| Vendor Total                 | -       | -       | 7,857.48 | -        | -       | 7,857.48 |

6-a

STEVENS FINANCIAL GROUP, INC.  
 ACCOUNTS PAYABLE AGING REPORT  
 AS OF JUNE 30, 2001

Case # 01-03105-ECF-RTB

|                  |         |       |         |          |         |          |
|------------------|---------|-------|---------|----------|---------|----------|
| <TABLE>          |         |       |         |          |         |          |
| <CAPTION>        |         |       |         |          |         |          |
| <S>              | <C>     | <C>   | <C>     | <C>      | <C>     | <C>      |
|                  | 0.00%   | 0.00% | 100.00% | 0.00%    | 0.00%   |          |
| Net Balance Due  |         |       |         |          |         | 7,857.48 |
| Vendor ID / Name | Current | 1 -30 | 31- 60  | 61 to 90 | Over 90 | Balance  |

|   | -                    | -                 | 25.00               | -               |            | 25.00                                      |
|---|----------------------|-------------------|---------------------|-----------------|------------|--|
| Vendor Total  | 0.00%                | 0.00%             | 100.00%             | 0.00%           | 0.00%      | -----<br>25.00                             |
| Net Balance Due   |                      |                   |                     |                 |            | 25.00                                      |
| Vendor ID / Name  |                      |                   |                     |                 |            |  |
|   | Current              | 1 -30             | 31- 60              | 61 to 90        | Over 90    | Balance                                    |
| MONEY MGMT INTL   |                      |                   |                     |                 |            |  |
| Vendor Total  | 22.86<br>31.64%      | 0.00%             | 22.67<br>31.37%     | 26.73<br>36.99% | -<br>0.00% | 72.26<br>-----<br>72.26                    |
| Net Balance Due   |                      |                   |                     |                 |            | 72.26                                      |
| Vendor ID / Name  |                      |                   |                     |                 |            |  |
|   | Current              | 1 -30             | 31- 60              | 61 to 90        | Over 90    | Balance                                    |
| RENEE JENKINS   |                      |                   |                     |                 |            |  |
| Vendor Total  | 23,990.14<br>100.00% | 0.00%             | 0.00%               | 0.00%           | 0.00%      | 23,990.14<br>-----<br>23,990.14            |
| Net Balance Due   |                      |                   |                     |                 |            | 23,990.14                                  |
| Vendor ID / Name  |                      |                   |                     |                 |            |  |
|   | Current              | 1 -30             | 31- 60              | 61 to 90        | Over 90    | Balance                                    |
| RICK TEMPLE   |                      |                   |                     |                 |            |  |
| Vendor Total  | 1.88<br>100.00%      | 0.00%             | 0.00%               | 0.00%           | 0.00%      | 1.88<br>-----<br>1.88                      |
| Net Balance Due   |                      |                   |                     |                 |            | 1.88                                       |
| Vendor ID / Name  |                      |                   |                     |                 |            |  |
|   | Current              | 1 -30             | 31- 60              | 61 to 90        | Over 90    | Balance                                    |
| STATE OF LOUISIANA  |                      |                   |                     |                 |            |  |
| Vendor Total  |                      | 125.00            |                     |                 |            | 125.00<br>-----<br>125.00                  |
| Net Balance Due   |                      |                   |                     |                 |            | 125.00                                     |
| Vendor ID / Name  |                      |                   |                     |                 |            |  |
|   | Current              | 1 -30             | 31- 60              | 61 to 90        | Over 90    | Balance                                    |
| STATE OF MICHIGAN   |                      |                   |                     |                 |            |  |
| Vendor Total  |                      | 15.00<br>100.00%  | 0.00%               | 0.00%           | 0.00%      | 15.00<br>-----<br>15.00                    |
| Net Balance Due   |                      |                   |                     |                 |            | 15.00                                      |
| Vendor ID / Name  |                      |                   |                     |                 |            |  |
|   | Current              | 1 -30             | 31- 60              | 61 to 90        | Over 90    | Balance                                    |
| STOLAR PARTNERSHIP  |                      |                   |                     |                 |            |  |
| Vendor Total  | 66,842.21<br>100.00% | -<br>0.00%        | 0.00%               | 0.00%           | -<br>0.00% | 66,842.21<br>-----<br>66,842.21            |
| Net Balance Due   |                      |                   |                     |                 |            | 66,842.21                                  |
| Vendor ID / Name  |                      |                   |                     |                 |            |  |
|   | Current              | 1 -30             | 31- 60              | 61 to 90        | Over 90    | Balance                                    |
| WEST GROUP  |                      |                   |                     |                 |            |  |
| Vendor Total  | 1,507.68<br>100.00%  | 0.00%             | 0.00%               | 0.00%           | 0.00%      | 1,507.68<br>-----<br>1,507.68              |
| Net Balance Due   |                      |                   |                     |                 |            | 1,507.68                                   |
| Report Total  | 96,633.55<br>85.12%  | 3,471.20<br>3.06% | 13,374.48<br>11.78% | 53.07<br>0.05%  | -<br>0.00% | 113,532.30<br>-----<br>113,532.30<br>===== |
| Additional miscellaneous postings after month end for March charges |                      |                   |                     |                 |            | -  |
| Less Open Credits   |                      |                   |                     |                 |            | -  |
| Net Balance Due   |                      |                   |                     |                 |            | -----<br>113,532.30<br>=====               |

</TABLE>

\* Includes professional fees of -

Accrued Expenses  
AS OF JUNE 30, 2001

<TABLE>  
<CAPTION>

|                                     | Current    | 1 - 30     | 31 - 60    | 61 to 90 | Over 90 | Balance | Total      |
|-------------------------------------|------------|------------|------------|----------|---------|---------|------------|
| <S>                                 | <C>        | <C>        | <C>        | <C>      | <C>     | <C>     | <C>        |
| Deacy & Deacy                       | 10,000.00  |            |            |          |         |         |            |
| Stolar Partnership - Banking matter | 5,000.00   |            |            |          |         |         |            |
| Stolar Partnership - ABS matter     | 14,000.00  | 14,000.00  |            |          |         |         |            |
| Osborn Maledon                      | 70,000.00  | 76,000.00  |            |          |         |         |            |
| Polaster & Moon                     | 33,000.00  | 33,000.00  |            |          |         |         |            |
| MCA                                 |            | 150,000.00 |            |          |         |         |            |
| Quarles & Brady                     |            | 100,000.00 | 100,000.00 |          |         |         |            |
| Biltmore Associates                 | 36,843.48  | 21,258.00  |            |          |         |         |            |
| US Trustee Fee                      | 3,750.00   |            |            |          |         |         |            |
| Accrued Real Estate escrow amounts  | 1,849.85   |            |            |          |         |         |            |
| Accrued Use Tax                     | 767.99     |            |            |          |         |         |            |
| Total                               | 175,211.32 | 394,258.00 | 100,000.00 | 0.00     | 0.00    | 0.00    | 669,469.32 |

</TABLE>

6b

STEVENS FINANCIAL GROUP,  
INC. JUNE 2001  
CASE STATUS

-----  
'CASE NUMBER: 01-03105-ECF-RTB  
-----

CURRENT NUMBER OF EMPLOYEES: 28

QUESTIONNAIRE

<TABLE>  
<CAPTION>

| BUSINESS ENTITY   | <C><br>YES | <C><br>NO |
|---|------------|-----------|
| HAVE ANY FUNDS BEEN DISBURSED FROM ANY ACCOUNT OTHER THAN A DEBTOR IN POSSESSION ACCOUNT?   | X          |           |
| ARE ANY POSTPETITION RECEIVABLES (ACCOUNTS, NOTES, OR LOANS) DUE FROM RELATED PARTIES?  |            | X         |
| ARE ANY WAGE PAYMENTS PAST DUE?   |            | X         |
| ARE ANY U.S. TRUSTEE QUARTERLY FEES DELINQUENT?   |            | X         |
| IF THE ANSWER TO ANY OF THE ABOVE QUESTIONS IS "YES," PROVIDE A DETAILED EXPLANATION OF EACH ITEM. ATTACH ADDITIONAL SHEETS IF NECESSARY.<br>RECEIVED COURT APPROVAL TO CONTINUE USE OF PRE-PETITION BANK ACCOUNTS PENDING THE SETUP OF NEW ACCOUNTS. |            |           |
| -----   |            |           |
| WHAT STEPS HAVE BEEN TAKEN TO REMEDY ANY OF THE PROBLEMS THAT BROUGHT ABOUT THE CHAPTER 11 FILING? IN PROCESS   |            |           |
| IN PROCESS  |            |           |
| -----   |            |           |
| LIST ANY MATTERS THAT ARE DELAYING THE FILING OF A PLAN OF REORGANIZATION.  |            |           |
| NONE  |            |           |

</TABLE>

INSURANCE

<TABLE>  
<CAPTION>

| CARRIER              | POLICY TYPE                   | POLICY #         | TERM      | NEXT DUE  | PREY PREM |             |
|----------------------|-------------------------------|------------------|-----------|-----------|-----------|-------------|
| <S>                  | <C>                           | <C>              | <C>       | <C>       | <C>       | <C>         |
| BlueChoice           | Health                        | 00HS0189-0000    | 6/00-6/01 | 8/1/2001  | \$18,207  | Monthly     |
| Alliance BlueCross   | Health                        | 311334-000-8     | 6/00-6/01 | 8/1/2001  | \$711     | Monthly     |
| The Guardian         | Dental                        | 00338834         | 3/01-3/02 | 8/1/2001  | \$1,550   | Monthly     |
| State Farm Insurance | Auto                          | W21-8314-B17-25  | 2/17-8/17 | 8/17/2001 | \$494     | Semi-Annual |
| State Farm Insurance | Workers Comp                  | 95-M1-2334-5F    | 4/15-4/15 | 4/15/2002 | \$3,883   | Annual      |
| State Farm Insurance | Auto                          | T72-5969-E02-42A | 5/2-11/2  | 11/2/2001 | \$385     | Semi-Annual |
| State Farm Insurance | Commercial Liability Umbrella | 95-EA-9575-5F    | 5/30-5/30 | 5/30/2002 | \$1,232   | Annual      |
| State Farm Insurance | Business Office               | 95-EA-8846-9F    | 5/30-5/30 | 5/30/2002 | \$6,162   | Annual      |

</TABLE>

STEVENS FINANCIAL GROUP, INC. Petty Cash  
Disbursement Analysis Case Number:  
01-03105-ECF-RTB

CASH DISBURSEMENTS

<TABLE>

<CAPTION>

| Date      | Payee                 | Purpose                     | Amount | Transfers |
|-----------|-----------------------|-----------------------------|--------|-----------|
| <S>       | <C>                   | <C>                         | <C>    |           |
| 5/15/2001 | State Farm Ins.       | Bond - Sherrie Duncan       | 50.00  |           |
| 6/8/2001  | MO Secretary of State | Notary Fee - Sherrie Duncan | 25.00  |           |
| 6/14/2001 | Staples               | File Boxes                  | 39.30  |           |
| 6/20/2001 | SEGO                  | Boiler Maintenance          | 150.00 |           |
| 6/4/2001  | Goodcents             | Lunch                       | 5.00   |           |
| 6/25/2001 | Papa Johns            | Lunch                       | 87.73  |           |
| 6/26/2001 | Steak Out             | Lunch                       | 6.70   |           |
| 6/26/2001 | Steak Out             | Lunch                       | 45.37  |           |
| 6/13/2001 | Big Fat Burritos      | Lunch                       | 13.00  |           |
| 6/12/2001 | Steak Out             | Lunch                       | 30.00  |           |
| 6/12/2001 | Coke                  | Beverages                   | 43.98  |           |
| 5/29/2001 | Coke                  | Beverages                   | 87.95  |           |
| 5/16/2001 | Git-n-Go              | Miscellaneous Auto          | 12.75  |           |
| 6/20/2001 | Albertsons Express    | Miscellaneous Auto          | 12.00  |           |
| 6/28/2001 | Jiffy Lube            | Miscellaneous Auto          | 56.65  |           |
| 6/26/2001 | Wal-Mart              | Reorg Costs- Investors      | 9.56   |           |
| 6/25/2001 | Wal-Mart              | Supplies - Operating        | 18.97  |           |
| 6/26/2001 | Staples               | Reorg Costs- Investors      | 33.05  |           |
| 6/25/2001 | G & M Office          | Reorg Costs- Investors      | 88.98  |           |
| 5/23/2001 | Staples               | Supplies - Operating        | 127.68 |           |
| 6/4/2001  | Wal-Mart              | Supplies - Operating        | 59.84  |           |
| 5/18/2001 | Harper Lock & Key     | Maintenance                 | 39.83  |           |
| 5/17/2001 | Wal-Mart              | Supplies - Operating        | 64.21  |           |
| 5/16/2001 | The Office Place      | Supplies - Operating        | 13.58  |           |
| 6/6/2001  | Wal-Mart              | Supplies - Operating        | 15.33  |           |
| 6/19/2001 | Staples               | Supplies - Operating        | 53.19  |           |
| 6/20/2001 | Wal-Mart              | Supplies - Operating        | 36.44  |           |
| 6/8/2001  | Sams Club             | Supplies - Operating        | 162.97 |           |
| 6/30/2001 | Postage               | Postage                     | (7.15) |           |
| 6/6/2001  | Postage               | Postage                     | (1.72) |           |
| 6/14/2001 | Airborne              | Postage                     | 24.32  |           |
| 6/14/2001 | Airborne              | Postage                     | 24.32  |           |
| 6/4/2001  | Airborne              | Postage                     | 24.32  |           |
| 5/30/2001 | Airborne              | Postage                     | 24.32  |           |
| 6/5/2001  | Airborne              | Postage                     | 24.32  |           |
| 6/19/2001 | Airborne              | Postage                     | 24.32  |           |
| 6/28/2001 | Fed Ex                | Postage                     | 19.12  |           |
| 6/6/2001  | Airborne              | Postage                     | 24.32  |           |
| 6/27/2001 | Fed Ex                | Postage                     | 23.54  |           |

|                          |          |         |             |
|--------------------------|----------|---------|-------------|
| 6/7/2001                 | Fed Ex   | Postage | 15.48       |
| 5/15/2001                | Fed Ex   | Postage | 20.16       |
| 5/18/2001                | Fed Ex   | Postage | 47.98       |
| 5/23/2001                | Fed Ex   | Postage | 23.54       |
| 6/4/2001                 | Fed Ex   | Postage | 18.08       |
| 6/5/2001                 | Airborne | Postage | 24.32       |
| 5/15/2001                | Airborne | Postage | 24.32       |
| Total Cash Disbursements |          |         | 1,766.97 -- |

BANK DISBURSEMENTS

|   |            |
|---|------------|
| Total Bank Disbursements (see attached Schedules) | 224,741.50 |
| Total Disbursements for May 2001                  | 226,508.47 |

</TABLE>

STEVENS FINANCIAL GROUP, INC.  
DISBURSEMENTS BY ACCOUNT  
JUNE 2001  
CASE NUMBER: 01-03105-ECF-RTB  
ACCOUNT 3755504395

<TABLE>

<CAPTION>

| DATE       | NUM | NAME      | PURPOSE        | AMOUNT | TRANSFER |
|------------|-----|-----------|----------------|--------|----------|
| 06/29/2001 |     | BANK FEES | SERVICE CHARGE | 390.66 |          |
|            |     |           |                | 390.66 | 0.00     |
| TOTAL      |     |           |                | 390.66 | 0.00     |

</TABLE>

STEVENS FINANCIAL GROUP, INC.  
DISBURSEMENTS BY ACCOUNT  
JUNE 2001  
CASE NUMBER: 01-03105-ECF-RTB  
ACCOUNT 0040030108

<TABLE>

<CAPTION>

| DATE       | NUM  | NAME                              | PURPOSE                | AMOUNT    | TRANSFER   |
|------------|------|-----------------------------------|------------------------|-----------|------------|
| 06/01/2001 | 1093 | ACORDIA                           | BOND FOR TRUSTEE       | -2,689.00 |            |
| 06/04/2001 | 1094 | JERRY FENSTERMAKER                | REIMBURSE FOR EXPENSES | -311.54   |            |
| 06/04/2001 | 1095 | THE VALUATION GROUP, INC.         | RETAINER FOR APPRAISAL | -1,750.00 |            |
| 06/04/2001 |      | Transfer Money                    |                        |           | -5,000.00  |
| 06/05/2001 | 1096 | ROBERTS & ASSOCIATES, INC.        | APPRAISAL              | -1,450.00 |            |
| 06/05/2001 | 1097 | USPS                              | POSTAGE                | -2,000.00 |            |
| 06/13/2001 | 1098 | JERRY FENSTERMAKER                | REIMBURSE FOR EXPENSES | -126.48   |            |
| 06/13/2001 | 1099 | PATRICK ROBARGE                   | CONSULTING 6/1-6/15    | -4,785.60 |            |
| 06/13/2001 | 1100 | CLARENCE STEVENS                  | CONSULTING 6/1-6/15    | -8,029.75 |            |
| 06/14/2001 | 1101 | OZARK MOUNTAIN LAWN CARE          | LAWN CARE              | -1,200.00 |            |
| 06/14/2001 | 1102 | HOGAN LAND TITLE                  | FILE NO 0106190        | -150.00   |            |
| 06/15/2001 |      | Transfer Money                    |                        |           | -33,670.57 |
| 06/19/2001 | 1103 | MIDWEST FIBRE SALES CORPORATION   | APRIL - JUNE 2001      | -45.00    |            |
| 06/19/2001 | 1104 | WCA WASTE SYSTEMS, INC.           | TRASH SERVICE          | -121.83   |            |
| 06/19/2001 | 1105 | THYSSENKRUPP ELEVATOR             | ELEVATOR               | -129.50   |            |
| 06/19/2001 | 1106 | SPRINGFIELD UNDERGROUND, INC.     | RENT                   | -1,320.00 |            |
| 06/19/2001 | 1107 | SOUTHWESTERN BELL                 | TELEPHONE              | -3,057.87 |            |
| 06/19/2001 | 1109 | PITNEY BOWES                      | REPAIRS                | -14.50    |            |
| 06/19/2001 | 1110 | MISSOURI DEPT OF PUBLIC SAFETY    | REPAIRS                | -90.00    |            |
| 06/19/2001 | 1111 | INTERSTATE RECOVERY & TOWING INC. | REPO FEE               | -75.00    |            |
| 06/19/2001 | 1112 | JIM HARRISON                      | REIMBURSE FOR EXPENSES | -228.57   |            |
| 06/19/2001 | 1113 | EL LAGO MHC                       | RENT                   | -255.00   |            |
| 06/19/2001 | 1114 | COUNTRY HOMES VILLAGE COMMUNITY L | RENT                   | -825.00   |            |
| 06/19/2001 | 1115 | CITY UTILITIES                    | UTILITIES              | -4,185.31 |            |
| 06/19/2001 | 1116 | ATLAS SECURITY SERVICE, INC.      | SECURITY               |           |            |
|            |      |                                   |                        | -42.00    |            |
| 06/19/2001 | 1117 | ALLIANCE BLUE CROSS BLUE SHIELD   | BENEFITS               | -772.19   |            |

|            |      |                                    |                    |            |
|------------|------|------------------------------------|--------------------|------------|
| 06/19/2001 | 1118 | AMBER VILLAGE MANUFACTURED HOME C  | RENT               | -210.00    |
| 06/19/2001 | 1119 | AT&T WIRELESS SERVICES             | TELEPHONE          | -371.11    |
| 06/19/2001 | 1120 | OZARKS COCA-COLA/DR PEPPER BOTTLIN | BEVERAGES          | -233.91    |
| 06/19/2001 | 1121 | HARPER LOCK & KEY SERVICE          | REPAIRS            | -2.81      |
| 06/19/2001 | 1122 | PBCC                               | EQUIPMENT RENT     | -211.63    |
| 06/19/2001 | 1123 | JUDITH M. VAN ROSSUM               | CONSULTING         | -5,926.05  |
| 06/19/2001 | 1124 | BILTMORE ASSOCIATES                | TRUSTEE EXPENSES   | -14,541.09 |
| 06/19/2001 | 1125 | STATE FARM INSURANCE COMPANIES     | INSURANCE          | -484.08    |
| 06/19/2001 | 1126 | TROY ABATE                         | REFUND OVERPAYMENT | -8.43      |
| 06/19/2001 | 1127 | MARTIN AVALOS                      | REFUND OVERPAYMENT | -26.67     |
| 06/19/2001 | 1128 | TREMAINE BUCKNER                   | REFUND OVERPAYMENT | -10.58     |
| 06/19/2001 | 1129 | KIM CANNON                         | REFUND OVERPAYMENT | -1.28      |
| 06/19/2001 | 1130 | ALEIANDRO COSBY                    | REFUND OVERPAYMENT | -0.84      |
| 06/19/2001 | 1131 | GERALD WRIGHT                      | REFUND OVERPAYMENT | -9.19      |
| 06/19/2001 | 1132 | ABELINA SOSA                       | REFUND OVERPAYMENT | -35.57     |
| 06/19/2001 | 1133 | FRANCISCO RODRIQUEZ                | REFUND OVERPAYMENT | -17.64     |
| 06/19/2001 | 1134 | JOHN RILEY                         | REFUND OVERPAYMENT | -3.42      |
| 06/19/2001 | 1135 | MARVIN KINSER                      | REFUND OVERPAYMENT | -9.92      |
| 06/19/2001 | 1136 | FRANKIE HIGGINS                    | REFUND OVERPAYMENT | -123.61    |
| 06/19/2001 | 1137 | STEPHANIE GABINET                  | REFUND OVERPAYMENT | -1.01      |
| 06/19/2001 | 1138 | DAVID GUTIERREZ                    | REFUND OVERPAYMENT | -14.21     |
| 06/19/2001 |      |                                    | Funds Transfer     |            |

-13,374.76

</TABLE>

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STEVENS FINANCIAL GROUP, INC.  
DISBURSEMENTS BY ACCOUNT  
JUNE 2001  
CASE NUMBER: 01-03105-ECF-RTB  
ACCOUNT 0040030108

<TABLE>

<CAPTION>

| DATE       | NUM     | NAME                               | PURPOSE                 | AMOUNT      | TRANSFER   |
|------------|---------|------------------------------------|-------------------------|-------------|------------|
| <C>        | <C>     | <C>                                | <C>                     | <C>         | <C>        |
| 06/21/2001 | 1139    | JERRY FENSTERMAKER                 | REIMBURSE FOR EXPENSES  | -295.33     |            |
| 06/21/2001 | 1140    | HOLIDAY INN UNIVERSITY PLAZA       | INVESTOR RELATIONS      | -3,577.56   |            |
| 06/21/2001 | 1141    | PREMIER VIDEO PRODUCTIONS          | INVESTOR RELATIONS      | -1,392.58   |            |
| 06/21/2001 | TXFR    | PAYROLL                            |                         |             | -4,016.62  |
| 06/26/2001 | 1142    | BURNS INTERNATIONAL SECURITY SERVI | INVESTOR RELATIONS      | -180.00     |            |
| 06/26/2001 | 1143    | BILTMORE ASSOCIATES                | TRUSTEE EXPENSES        | -6,471.71   |            |
| 06/26/2001 | 1144    | CLARENCE STEVENS                   | CONSULTING 6/1-6/15     | -8,029.75   |            |
| 06/26/2001 | 1145    | PATRICK ROBARGE                    | CONSULTING 6/1-6/15     | -4,785.60   |            |
| 06/26/2001 | 1146    | REYNOLDS, RIDINGS, VOGT & MORGAN   | COLLECTIONS FEES        | -232.50     |            |
| 06/26/2001 | 1147    | FIRST DATA SOLUTIONS               | CREDIT SERVICE          | -68.61      |            |
| 06/26/2001 | 1148    | SPRINT                             | TELEPHONE               | -2,271.94   |            |
| 06/26/2001 | 1149    | SPRINT                             | TELEPHONE               | -7.64       |            |
| 06/26/2001 | 1150    | THYSSENKRUPP ELEVATOR              | ELECATOR SAFETY TEST    | -389.00     |            |
| 06/26/2001 | 1151    | CDW COMPUTER CENTERS, INC.         | COMPUTER SUPPLIES       | -212.73     |            |
| 06/26/2001 | 1152    | MISSOURI DEPT OF REVENUE           | REPO TITLES             | -60.00      |            |
| 06/26/2001 | 1153    | THE GUARDIAN                       | BENEFITS                | -102.25     |            |
| 06/26/2001 | 1154    | BLUE CHOICE                        | BENEFITS                | -18,214.51  |            |
| 06/26/2001 | 1155    | HOLIDAY INN UNIVERSITY PLAZA       | INVESTOR RELATIONS      | -242.77     |            |
| 06/26/2001 | 1156    | THE VALUATION GROUP, INC.          | APPRAISAL               | -1,750.00   |            |
| 06/26/2001 | 1157    | OZARKS COCA-COLA/DR PEPPER BOTTLIN | BEVERAGES               | -219.88     |            |
| 06/26/2001 |         |                                    | BANK FEES               | -49.00      |            |
| 06/28/2001 | 1158    | JERRY FENSTERMAKER                 | REIMBURSE FOR EXPENSES  | -706.54     |            |
| 06/28/2001 | 1159    | JUDITH M. VAN ROSSUM               | CONSULTING              | -9,924.98   |            |
| 06/28/2001 | 1160    | ROBERTS & ASSOCIATES, INC.         | APPRAISAL               | -1,450.00   |            |
| 06/28/2001 | 1161    | INTERLAND, INC.                    | DUES & SUBSCRIPTIONS    | -60.00      |            |
| 06/28/2001 | 1162    | OZARK MOUNTAIN LAWN CARE           | LAWN CARE               | -233.00     |            |
| 06/29/2001 | Transfr | PAYROLL                            |                         |             | -38,314.90 |
| 06/30/2001 | 1163    | OZARK MOUNTAIN LAWN CARE           | LANDSCAPING & LAWN CARE | -1,240.00   |            |
| 06/30/2001 | 1164    | JERRY FENSTERMAKER                 | REIMBURSE FOR EXPENSES  | -810.38     |            |
| 06/30/2001 |         | PETTY CASH                         | TRANSFER                |             | -1,766.97  |
| 06/30/2001 |         | VOIDED CREDIT BUREAU SERVICE       | CREDIT SERVICE          | 35.98       |            |
|            |         |                                    |                         | -----       |            |
|            |         |                                    |                         | -118,839.47 | -96,143.82 |
|            |         |                                    |                         | -----       |            |

</TABLE>

STEVENS FINANCIAL GROUP, INC.  
DISBURSEMENTS BY ACCOUNT  
JUNE 2001

<TABLE>  
<CAPTION>

| Date                | Num    | Name | Purpose        | Amount | Transfer |
|---------------------|--------|------|----------------|--------|----------|
| <S>                 | <C>    | <C>  | <C>            | <C>    | <C>      |
| 06/06/2001          |        |      | SERVICE CHARGE | -15.00 |          |
| TOTAL PAYROLL ACCT. | -15.00 | 0.00 |                | -15.00 | 0.00     |
| TOTAL               |        |      |                | -15.00 | 0.00     |

</TABLE>

STEVENS FINANCIAL GROUP, INC.  
DISBURSEMENTS BY ACCOUNT  
JUNE 2001  
CASE NUMBER: 01-03105-ECF-RTB  
ACCOUNT 03755504405

<TABLE>  
<CAPTION>

| Date                | Num    | Name | Purpose        | Amount | Transfer |
|---------------------|--------|------|----------------|--------|----------|
| <S>                 | <C>    | <C>  | <C>            | <C>    | <C>      |
| 06/29/2001          |        |      | SERVICE CHARGE | -28.00 |          |
| TOTAL PAYROLL ACCT. | -15.00 | 0.00 |                | -28.00 | 0.00     |
| TOTAL               |        |      |                | -28.00 | 0.00     |

</TABLE>

STEVENS FINANCIAL GROUP, INC.  
DISBURSEMENTS BY ACCOUNT  
MAY 2001  
CASE NUMBER 01 03105-ECF-RTB  
ACCOUNT 0040030116

<TABLE>  
<CAPTION>

| DATE                   | NUM      | NAME                      | AMOUNT     | TRANSFER  |
|------------------------|----------|---------------------------|------------|-----------|
| <S>                    | <C>      | <C>                       | <C>        | <C>       |
| 101100 CASH (GROUPING) |          |                           |            |           |
| PAYROLL ACCOUNT - NBA  |          |                           |            |           |
| 06/01/2001             |          | TRANSFER FROM DEALER      |            | 16,064.54 |
| 06/01/2001             | 42681184 | Internal Revenue Service  | -16,064.54 |           |
| 06/04/2001             | 1070     | Fenstermaker, Jerry L     | -3,367.25  |           |
| 06/04/2001             |          | TRANSFER FROM DEALER      |            | 5,000.00  |
| 06/13/2001             | 1096     | Fenstermaker, Jerry L     | -2,606.44  |           |
| 06/14/2001             | 1097     | Missouri Department of Re | -3,424.00  |           |
| 06/15/2001             | 1071     | Barnett, Russell Dale     | -2,057.18  |           |
| 06/15/2001             | 1072     | Boursheski, James L       | -1,659.97  |           |
| 06/15/2001             | 1073     | Carlson, Arthur P         | -509.05    |           |
| 06/15/2001             | 1074     | Chenoweth, Kenneth W.     | -1,848.46  |           |
| 06/15/2001             | 1075     | Cole, Shirley A.          | -617.63    |           |
| 06/15/2001             | 1076     | Duncan, Sherrie L.        | -1,044.55  |           |
| 06/15/2001             | 1077     | Engle, Vickie L.          | -710.66    |           |
| 06/15/2001             | 1078     | Gaines, Kimberlee D.      | -714.96    |           |
| 06/15/2001             | 1079     | Grayson, Lola M           | -759.93    |           |
| 06/15/2001             | 1080     | Harrison, James W.        | -2,274.50  |           |
| 06/15/2001             | 1081     | Hall, Rinda A.            | -303.41    |           |
| 06/15/2001             | 1082     | Hendricks, Cecily L.      | -531.46    |           |
| 06/15/2001             | 1083     | Lofton, Anica R.          | -663.77    |           |
| 06/15/2001             | 1084     | Martin, David T.          | -2,292.13  |           |
| 06/15/2001             | 1085     | McCown, Sam A.            | -482.25    |           |
| 06/15/2001             | 1086     | McLean, Julie D.          | -810.94    |           |
| 06/15/2001             | 1087     | Newman, Stacy A.          | -1,272.92  |           |
| 06/15/2001             | 1088     | Newman, W. Terry          | -2,190.45  |           |
| 06/15/2001             | 1089     | Nimmo, Kimberly A.        | -541.72    |           |
| 06/15/2001             | 1090     | Pederson, Lonnie D.       | -1,858.70  |           |
| 06/15/2001             | 1091     | Schaefer, Richard B.      | -1,451.70  |           |

|            |          |                          |            |           |
|------------|----------|--------------------------|------------|-----------|
| 06/15/2001 | 1092     | Shaver, Janice A.        | -702.28    |           |
| 06/15/2001 | 1093     | Snee, Mindy J.           | -626.71    |           |
| 06/15/2001 | 1094     | Taylor, Trent L.         | -1,579.95  |           |
| 06/15/2001 | 1095     | Weddle, Heather L.       | -811.20    |           |
| 06/15/2001 |          | TRANSFER FROM DEALER     |            | 33,670.57 |
| 06119/2001 | 42681184 | Internal Revenue Service | -13,374.76 |           |
| 06/19/2001 |          | TRANSFER FROM DEALER     |            | 13,374.76 |
| 06/21/2001 | 1098     | Fenstermaker, Jerry L    | -4,016.62  |           |
| 06/21/2001 |          | TRANSFER FROM DEALER     |            | 4,016.62  |
| 06/29/2001 | 1109     | Barnett, Russell Dale    | -2,057.19  |           |
| 06/29/2001 | 1110     | Boursheski, James L      | -1,659.97  |           |
| 06/29/2001 | 1111     | Carlson, Arthur P        | -346.06    |           |
| 06/29/2001 | 1112     | Chenoweth, Kenneth W.    | -1,848.45  |           |
| 06/29/2001 | 1113     | Cole, Shirley A.         | -642.28    |           |
| 06/29/2001 | 1114     | Duncan, Sherrie L.       | -1,044.57  |           |
| 06/29/2001 | 1115     | Engle, Vickie L.         | -707.11    |           |

</TABLE>

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STEVENS FINANCIAL GROUP, INC.  
DISBURSEMENTS BY ACCOUNT  
MAY 2001  
CASE NUMBER 01-03105-ECF-RTB  
ACCOUNT 0040030116

<TABLE>  
<CAPTION>

|        | DATE       | NUM  | NAME                   | AMOUNT      | TRANSFER   |
|--------|------------|------|------------------------|-------------|------------|
| <S>    | <C>        | <C>  | <C>                    | <C>         | <C>        |
|        | 06/29/2001 | 1116 | Gaines, Kimberlee D.   | -714.96     |            |
|        | 06/29/2001 | 1117 | Gilbert, Norman R      | -132.52     |            |
|        | 06/29/2001 | 1118 | Grayson, Lola M        | -710.73     |            |
|        | 06/29/2001 | 1119 | Hall, Rinda A.         | -765.45     |            |
|        | 06/29/2001 | 1120 | Harrison, James W.     | -2,274.50   |            |
|        | 06/29/2001 | 1121 | Hendricks, Cecily L.   | -568.12     |            |
|        | 06/29/2001 | 1122 | Lofton, Anica R.       | -668.43     |            |
|        | 06/29/2001 | 1123 | Martin, David T.       | -2,292.15   |            |
|        | 06/29/2001 | 1124 | McCown, Sam A.         | -482.23     |            |
|        | 06/29/2001 | 1125 | McLean, Julie D.       | -802.53     |            |
|        | 06/29/2001 | 1126 | Newman, sStacy         | -1,272.90   |            |
|        | 06/29/2001 | 1127 | Nimmo, Kimberly A.     | -2,190.44   |            |
|        | 06/29/2001 | 1128 | Pederson, Lonnie D.    | -533.55     |            |
|        | 06/29/2001 | 1129 | Schaefer, Richard B.   | -1,858.69   |            |
|        | 06/29/2001 | 1130 | Shaver, Janice A.      | -1,451.69   |            |
|        | 06/29/2001 | 1131 | Snee, Mindy J.         | -766.43     |            |
|        | 06/29/2001 | 1132 | Taylor, Trent L.       | -636.29     |            |
|        | 06/29/2001 | 1133 | Weddle, Heather L.     | -1,579.95   |            |
|        | 06/29/2001 | 1134 | Fenstermaker, Jerry L. | -811.19     |            |
|        | 06/29/2001 | 1135 | Harrison, James W.     | -4,016.63   |            |
|        | 06/29/2001 | 1136 | Harrison, James W.     | -1,463.25   |            |
|        | 06/29/2001 |      | TRANSFER FROM DEALER   |             | 38,314.90  |
| TOTALS |            |      |                        | -105,468.37 | 110,441.39 |

</TABLE>

EXHIBIT 4 TO  
DISCLOSURE STATEMENT  
SFG INVESTOR COMMITTEE

COMMITTEE MEMBERS

Gary Alter  
1485 Sandpointe Ct.  
Manchester, MO 63021

Rodger M. Buffington  
2019 E. 455th Rd.  
Halfway, MO 65663

Charles D. Glazzard, MD  
Margaret Glazzard  
288 S. Elk Valley Dr.  
Nixa, MO 65714

Gerold Koehler

Linda Koehler  
3207 N. St. Louis  
Joplin, MO 64801

Verlie & Luella Niccum Trust  
Attn: Dennis Niccum, Trustee  
N 8498 Hwy 53  
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1705 N. Jefferson  
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EXHIBIT 4 INVESTOR COMMITTEE 1

EXHIBIT 5  
TO DISCLOSURE STATEMENT  
SFG HOLDING CONSOLIDATED WITH IFR JOINT VENTURE

SFG HOLDINGS CO.

BALANCE SHEET

|                                  | Immediately before Plan<br>Approval |     | Upon<br>Reorganization |     |
|----------------------------------|-------------------------------------|-----|------------------------|-----|
| ASSETS                           |                                     |     |                        |     |
| Cash                             | 9,000,000                           | (a) | 800,000                | (1) |
| Line of Credit for VFR           | --                                  |     | 5,000,000              | (2) |
| Contract Receivables:            |                                     |     |                        |     |
| United States                    | 4,000,000                           | (b) | 4,000,000              |     |
| Canada                           | 3,000,000                           | (c) | 3,000,000              |     |
| Investment in Joint Venture      | --                                  |     | 1,000,000              | (3) |
| Fixed Assets                     | 50,000                              | (d) | 50,000                 |     |
|                                  | -----                               |     | -----                  |     |
| Total Assets                     | 16,050,000                          |     | 13,850,000             |     |
|                                  | =====                               |     | =====                  |     |
| LIABILITIES                      |                                     |     |                        |     |
| Accounts Payable                 | 50,000                              |     | 50,000                 |     |
| Administrative Claims            | 1,700,000                           |     | --                     |     |
| General Claims                   |                                     |     |                        |     |
|                                  | -----                               |     | -----                  |     |
| Liability for Liquidation Pool . | 500,000                             | (e) | --                     |     |
|                                  | -----                               |     | -----                  |     |
| Total Liabilities                | 2,250,000                           |     | 50,000                 | (4) |
| EQUITY                           |                                     |     |                        |     |
| Total Equity                     | 13,800,000                          |     | 800,000                |     |
|                                  | -----                               |     | -----                  |     |
| Total Liabilities & Equity       | 16,050,000                          |     | 13,850,000             |     |
|                                  | =====                               |     | =====                  |     |

(a) Cash is derived from the sale of the corporate headquarters and various claims settlements now in process.

(b) United States contracts are greater than the amount shown on the Monthly Operating Report on file with the Bankruptcy Court. This is due to

anticipated control being taken of certain portfolios from former related parties of the Debtor.

- (c) Canadian contracts are shown here in US dollars.
- (d) Fixed Assets are shown at current fair market value at reorganization date.
- (e) Pool of monies for creditors that vote for the Plan and elect the Liquidation Pool option.
- (1) Cash remaining after 2, 3, and 4.
- (2) Revolving line of credit used by VFR to purchase bulk auto receivables contracts.
- (3) Equity investment for 90% interest in VFR joint venture.
- (4) Paid off at time of Plan approval.

SFG HOLDING CONSOLIDATED FINANCIAL STATEMENTS

<TABLE>  
<CAPTION>

|  | BALANCE SHEET             |                           |                           |                           |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|  | YEAR 1                    | YEAR 2                    | YEAR 3                    | YEAR 4                    | YEAR 5                    |
| <b>ASSETS</b>  |                           |                           |                           |                           |                           |
| <S>  | <C>                       | <C>                       | <C>                       | <C>                       | <C>                       |
| Cash   | \$ 4,771,278              | \$ 4,451,567              | \$ 4,828,549              | \$ 6,773,223              | \$ 12,069,153             |
| Contracts Receivable - Auto<br>less Reserve for Bad Debt | 15,006,998<br>(2,677,778) | 18,833,737<br>(3,757,608) | 24,542,902<br>(5,356,958) | 30,229,171<br>(6,412,607) | 32,833,811<br>(6,703,281) |
| Net Loans  | 12,329,221                | 15,076,130                | 19,185,944                | 23,816,564                | 26,130,530                |
| Contracts Receivable -Water<br>less Reserve for Bad Debt | 5,356,093<br>(416,701)    | 10,861,160<br>(819,027)   | 16,703,166<br>(1,263,833) | 23,029,495<br>(1,747,091) | 29,748,008<br>(2,254,108) |
| Net Loans  | 4,939,392                 | 10,042,133                | 15,439,333                | 21,282,404                | 27,493,900                |
| Fixed Assets<br>less Accumulated Depreciation            | 180,000<br>(109,450)      | 180,000<br>(140,900)      | 180,000<br>(160,000)      | 180,000<br>(170,000)      | 180,000<br>(180,000)      |
| Net Fixed Assets   | 70,550                    | 39,100                    | 20,000                    | 10,000                    | 0                         |
| Total Assets   | \$ 22,110,441             | \$ 29,608,929             | \$ 39,473,826             | \$ 51,882,192             | \$ 65,693,583             |
| <b>LIABILITIES</b>                                       |                           |                           |                           |                           |                           |
| Accounts Payable & Accrued Expenses                      | \$ 50,000                 | \$ 50,000                 | \$ 50,000                 | \$ 50,000                 | \$ 50,000                 |
| Accrued Interest Expense - LOC -3rd Party<br>(water)     | 0                         | 0                         | 35,938                    | 73,438                    | 110,938                   |
| Accrued Interest - \$ 10 m Investors                     | 114,583                   | 239,583                   | 250,000                   | 250,000                   | 8,333                     |
| Accrued Commissions Payable                              | 18,750                    | 22,500                    | 30,000                    | 37,500                    | 37,500                    |
| Deferred Discount on Contracts Receivable                | 406,952                   | 462,515                   | 535,391                   | 618,977                   | 647,580                   |
| Line of Credit - 3rd Party (water)                       | 0                         | 0                         | 5,000,000                 | 10,000,000                | 15,000,000                |
| Principle - New Investors                                | 5,000,000                 | 10,000,000                | 10,000,000                | 10,000,000                | 10,000,000                |
| Minority Interest  | 771,651                   | 1,224,684                 | 2,528,408                 | 4,289,737                 | 6,753,535                 |
| Total Liabilities  | 6,361,937                 | 11,999,283                | 18,429,736                | 25,319,651                | 32,607,885                |
| <b>OWNER'S EQUITY</b>                                    |                           |                           |                           |                           |                           |
| Contributed Capital                                      | 4,936,500                 | 4,936,500                 | 4,936,500                 | 4,936,500                 | 4,936,500                 |
| Retained Earnings  | 7,866,349                 | 7,413,316                 | 6,109,592                 | 4,348,263                 | 1,884,465                 |
| Current Earnings (before income taxes)                   | (B) 2,945,656             | 7,641,282                 | 14,760,902                | 24,422,132                | 35,790,539                |
| Distribution to Original SFG Investors                   | (A) (0)                   | (2,381,452)               | (4,762,903)               | (7,144,355)               | (9,525,807)               |
| TOTAL EQUITY   | 15,748,504                | 17,609,646                | 21,044,091                | 26,562,540                | 33,085,698                |
| TOTAL LIABILITIES & OWNERS' EQUITY                       | \$ 22,110,441             | \$ 29,608,929             | \$ 39,473,826             | \$ 51,882,192             | \$ 65,693,583             |

</TABLE>

- (A) Original SFG Investors will hold Preferred Stock and Common Stock in SFG Holdings.
- (B) Income Taxes are impacted by an approximately \$25 - \$35 million dollar Net Operating Loss carryforward from the former SFG Company.

The accompanying notes to financial statements are an integral part of these reports.

## INCOME STATEMENT

|  | Year 1       | Year 2       | Year 3       | Year 4       | Year 5       |
|--|--------------|--------------|--------------|--------------|--------------|
| INCOME   |              |              |              |              |              |
| Interest Income - Contracts Receivable - Auto    | \$ 3,555,227 | \$ 4,739,692 | \$ 6,187,851 | \$ 7,852,255 | \$ 8,962,734 |
| Interest Income - Contracts Receivable - Water   | 449,769      | 1,453,103    | 2,494,351    | 3,618,938    | 4,825,148    |
| Bad Debt Expense                                 | (406,366)    | (471,091)    | (545,921)    | (640,699)    | (708,839)    |
| Amortized Discount on Purchase                   | 386,048      | 447,537      | 518,625      | 608,664      | 673,397      |
| Gain (Loss) on Sale of Contracts                 | 1,479,384    | 1,972,512    | 2,650,563    | 3,390,255    | 3,698,460    |
| TOTAL INCOME                                     | 5,464,061    | 8,141,752    | 11,305,469   | 14,829,414   | 17,450,900   |
| EXPENSES   |              |              |              |              |              |
| Interest Expense:                                |              |              |              |              |              |
| Line of Credit - 3rd Party (water)               |              |              |              |              |              |
|  | 0            | 0            | 225,000      | 675,000      | 1,125,000    |
| Interest - \$10 m Investors                      | 270,833      | 770,833      | 1,000,000    | 1,000,000    | 1,000,000    |
| Commission Expense - \$ 10 m Investors           | 250,000      | 250,000      | 0            | 0            | 0            |
| OPERATING EXPENSES                               |              |              |              |              |              |
| Commission Exp. Water                            |              |              |              |              |              |
|  | 119,300      | 132,810      | 171,650      | 211,725      | 220,200      |
| Servicing Fees - Auto                            | 344,463      | 483,188      | 654,257      | 847,895      | 975,425      |
| Servicing Fees - Water                           | 108,361      | 350,091      | 600,956      | 871,899      | 1,162,507    |
| Legal  | 43,800       | 43,800       | 43,800       | 43,800       | 43,800       |
| General & Administrative                         | 1,350,198    | 1,383,953    | 1,471,087    | 1,507,864    | 1,545,561    |
| TOTAL EXPENSES                                   | 2,486,956    | 3,414,676    | 4,166,750    | 5,158,183    | 6,072,493    |
| -----  |              |              |              |              |              |
| INCOME FROM OPERATIONS                           | 2,977,106    | 4,727,077    | 7,138,719    | 9,671,230    | 11,378,407   |
| Depreciation                                     | 31,450       | 31,450       | 19,100       | 10,000       | 10,000       |
| -----  |              |              |              |              |              |
| INCOME FROM OPERATIONS NET OF DEPRECIATION       | 2,945,656    | 4,695,627    | 7,119,619    | 9,661,230    | 11,368,407   |
| Income Taxes (see note re: NOL Carryforward) (B) | 0            | 0            | 0            | 0            | 0            |
| -----  |              |              |              |              |              |
| NET INCOME AFTER TAXES                           | 2,945,656    | 4,695,627    | 7,119,619    | 9,661,230    | 11,368,407   |
| Minority Interest                                | 526,651      | 853,033      | 1,303,724    | 1,761,329    | 2,063,798    |
| -----  |              |              |              |              |              |
| NET INCOME AFTER MINORITY INTEREST               | \$ 2,419,004 | \$ 3,842,594 | \$ 5,815,896 | \$ 7,899,901 | \$ 9,304,609 |
| =====  |              |              |              |              |              |

&lt;/TABLE&gt;

Note B: Income Taxes are impacted by an approximately \$ 25 - \$35 million dollar Net Operating Loss carryforward from the former SFG Company.

The accompanying notes to financial statements are an integral part of these reports.

## SFG HOLDING CONSOLIDATED FINANCIAL STATEMENTS

|                                    | Year 1        | Year 2        | Year 3        | Year 4        | Year 5        |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|
| CASH FLOWS FROM OPERATIONS         |               |               |               |               |               |
| AUTO                               |               |               |               |               |               |
| Collection of Contracts Receivable | \$ 10,279,896 | \$ 13,430,600 | \$ 17,266,033 | \$ 21,708,231 | \$ 24,691,069 |
| Sales of Bulk Loans                | 14,506,128    | 19,341,504    | 25,990,146    | 33,243,210    | 36,265,320    |
| Subtotal Auto Inflows              | 24,786,024    | 32,772,104    | 43,256,179    | 54,951,441    | 60,956,389    |
| Bulk Purchases                     | 25,494,000    | 28,774,800    | 48,288,000    | 38,482,000    | 50,616,000    |
| Commission on Bulk Purchases       | 100,550       | 129,060       | 164,150       | 204,225       | 220,200       |
| Servicing Fees                     | 344,463       | 483,188       | 654,257       | 847,895       | 975,425       |
| Subtotal Auto Outflows             | 25,939,013    | 29,387,048    | 39,300,407    | 49,340,120    | 51,811,625    |
| SUBTOTAL AUTO                      | (1,152,989)   | 3,385,056     | 3,955,772     | 5,611,321     | 9,144,764     |
| WATER                              |               |               |               |               |               |
| Collection of Contracts Receivable | 749,777       | 2,422,362     | 4,158,151     | 6,032,868     | 8,043,652     |
| Subtotal Water Inflows             | 749,777       | 2,422,362     | 4,158,151     | 6,032,868     | 8,043,652     |

|                                       |              |              |              |              |               |
|---------------------------------------|--------------|--------------|--------------|--------------|---------------|
| Bulk Purchases                        | 5,239,400    | 6,072,000    | 7,061,000    | 8,257,000    | 9,430,000     |
| New Investors - Contributions         | (5,000,000)  | (5,000,000)  | 0            | 0            | 0             |
| New Investors - Commission            | 250,000      | 250,000      | 0            | 0            | 0             |
| Expense                               |              |              |              |              |               |
| New Investors - Interest Payments     | 156,250      | 645,833      | 989,583      | 1,000,000    | 1,241,667     |
| Funding from Line of Credit           | 0            | 0            | (5,000,000)  | (5,000,000)  | (5,000,000)   |
| Interest Expense - Line of Credit     | 0            | 0            | 189,063      | 637,500      | 1,087,500     |
| Servicing Fees                        | 108,361      | 350,091      | 600,956      | 871,899      | 1,162,507     |
| Subtotal Water Outflows               | 754,011      | 2,317,925    | 3,840,602    | 5,766,399    | 7,921,673     |
| SUBTOTAL WATER                        | (4,234)      | 104,437      | 317,549      | 266,469      | 121,979       |
| TOTAL INFLOWS                         | (1,157,224)  | 3,489,493    | 4,273,321    | 5,877,790    | 9,266,742     |
| G&A                                   |              |              |              |              |               |
| General & Administrative              | 1,350,198    | 1,383,953    | 1,471,087    | 1,507,864    | 1,545,561     |
| Legal Expenses                        | 43,800       | 43,800       | 43,800       | 43,800       | 43,800        |
| TOTAL GENERAL & ADMINISTRATIVE        | 1,393,998    | 1,427,753    | 1,514,887    | 1,551,664    | 1,589,361     |
| NET CASH FLOW - OPERATIONS            | (2,551,222)  | 2,061,740    | 2,758,434    | 4,326,126    | 7,677,381     |
| Net Financing Activity                | 0            | 0            | 0            | 0            | 0             |
| Cash Equity Infusion (SFG)            | 125,000      | 0            | 0            | 0            | 0             |
| Distributions to Former SFG Investors | (A) (0)      | (2,381,452)  | (2,381,452)  | (2,381,452)  | 0             |
| NET EQUITY CASHFLOWS                  | (2,381,452)  |              |              |              |               |
| BEGINNING CASH BALANCE                | 7,197,500    | 4,771,278    | 4,451,567    | 4,828,549    | 6,773,223     |
| ENDING CASH BALANCE                   | \$ 4,771,278 | \$ 4,451,567 | \$ 4,828,549 | \$ 6,773,223 | \$ 12,069,153 |

</TABLE>

(A) Original SFG Investors will hold Preferred Stock and Common Stock in SFG Holdings.

The accompanying notes to financial statements are an integral part of these reports.

#### NOTES TO EXHIBIT 5

The Trustee has prepared Exhibit 5 to illustrate projected operations and distributions under the Plan. The projections are based on specific assumptions, summarized in these accompanying notes.

#### 1. LIMITATIONS.

##### 1.1. PURPOSE OF PROJECTIONS; NO AUDIT

Exhibit 5 has been prepared to depict the impact of the proposed restructuring of claims against the Estate and to estimate possible results of operations of SFG in accordance with the Trustee's Plan of Reorganization. The projections have been developed by current management and have not been audited or reviewed by an independent accountant and are not based upon any formal valuation of the company. The projections have been prepared for illustration purposes, and are therefore not necessarily in accordance with generally accepted accounting principles.

##### 1.2. EXPLANATORY NOTES INCORPORATED.

These notes constitute an integral part of the projections.

##### 1.3. PROJECTIONS BASED ON STATED ASSUMPTIONS.

The estimates contained in the projections are based solely upon the assumptions described herein. There can be no assurance that any of the assumptions will be realized and all assumptions are subject to various risks.

##### 1.4. LIMITED PURPOSE OF PROJECTIONS.

These projections have been prepared solely for purposes of illustrating the feasibility of the accompanying Plan of Reorganization, should the assumptions described herein be correct. Accordingly, these projections should not be used for any other purpose.

#### 2. AMOUNT, CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS.

2.1. ESTIMATE OF CLAIM AMOUNTS AND TREATMENT.

For the projections contained in Exhibit 5, the following claim amounts and classification, as described in the text of the Disclosure Statement, have been assumed:

| CLASS NO. | CLASS NAME                      | ESTIMATED TOTAL |
|-----------|---------------------------------|-----------------|
| 1-A       | Administrative Claims           | \$2,000,000     |
| 1-B       | Priority Wage Claims            | 12,000          |
| 1-C       | Priority Benefit Claims         | 0               |
| 1-D       | Priority Deposit claims         | 0               |
| 1-E       | Priority Tax Claims             | 55,000          |
| 2-A       | Great Southern Building Claim   | 1,650,000       |
| 2-B       | Great Southern Portfolio Claim  | 0               |
| 2-C       | Sinclair Bank Portfolio Claim   | 0               |
| 2-D       | Colonial Trust Claim            | 5,000,000       |
| 2-E       | Lessor Secured Claim            | 0               |
| 2-F       | Deposit Secured Claim           | 0               |
| 3-A       | FRI Investor Claims             | 66,000,000      |
| 3-B       | Subordinate FRI Investor Claims | 11,000,000      |
| 3-C       | Potential Defendant Claims      | 0               |
| 3-D       | General Claims                  | 400,000         |
| 3-E       | Inter-Company Claims            | 0               |
| 4-A       | Interests                       | N/A             |

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2.2. ADDITIONAL INFORMATION REGARDING CLAIMS.

Additional details regarding the estimated amounts is as follows:

2.2.1. 1-A ADMINISTRATIVE CLAIMS.

Administrative claims consist of costs and expenses incurred since the Petition Date in the administration of the Estate, including ordinary operating expenses, payroll and related expenses, lease payments, and professional fees. As of August 31, the Estate had accrued and unpaid obligations for accrued taxes and other ordinary course expenses and the following professional fees:

| PROFESSIONAL                   | SERVICES PERFORMED              | AMOUNT OWED    |
|--------------------------------|---------------------------------|----------------|
| MCA                            | Accountants for Debtor          | \$131,165.00   |
| Quarles, Brady, Streich Lang   | Attorneys for Debtor            | 187,000.00     |
| Stolar Partnership             | Special Litigation Counsel      | 173,003.68     |
| Deacy & Deacy                  | Special Litigation Counsel      | 24,192.86      |
| Kirkpatrick, Phillips & Miller | Investor Committee Accountant   | 37,622.00      |
| Plaster & Moon                 | Counsel for Investors Committee | 113,549.98     |
| Osborn Maledon                 | Attorneys for Trustee           | 288,133.81     |
| L. Geoffrey Consulting         | Forensic accountant             | 13,458.45      |
| Biltmore Associates            | Trustee services                | 127,770.87     |
| TOTALS                         |                                 | \$1,094,896.65 |

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The Estate will continue to incur professional fees for the Trustee's counsel and accountants and the Investor Committee's counsel and accountants through the effective date. The Trustee believes these expenses will aggregate \$1,750,000 to \$2,000,000, and has based the accompanying projections on the high end of this estimate.

The projections assume that administrative claims will be paid on or shortly after the Effective Date from the proceeds of settlements with Potential Defendants.

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#### 2.2.2. 1-E PRIORITY TAX CLAIMS.

Priority Tax Claims consist of property tax claims aggregating \$55,000, payable in quarterly installments over four years. 2.2.3. 2-A GREAT SOUTHERN BUILDING SECURED CLAIM.

The projections assume that this secured claim will be paid in full from the proceeds of the sale of the office building prior to the Effective Date.

#### 3. ASSETS AVAILABLE ON EFFECTIVE DATE.

##### 3.1. CASH.

The projections assume that, as of the Effective Date, SFG Holding and the Reorganized Debtor will have \$7,000,000 in cash, after the payment of all Priority Claims. The Trustee estimates that, by the Effective Date, the Estates will have received \$2,000,000 from the sale of the office building, after payment of the secured claim, and will have recovered \$7,000,000 from settlement of Potential Defendant claims.

##### 3.2. LOAN PORTFOLIO.

The projections assume that, as of the Effective Date, SFG Holdings and the Reorganized Debtor will have a consumer loan portfolio of \$7,000,000, including the remaining balance of its existing portfolio, the balance of the Canadian subsidiary's portfolio, and certain recoveries from the Potential Defendants.

#### 4. JOINT VENTURE.

The projections assume that the proposed joint venture will be consummated on the Effective Date. The Joint Venture is the main United States operational entity. It is owned, at formation, 90% by SFG Holding and 10% by IFR. IFR is an unrelated party, heavily experienced in origination, servicing and collection of sub-prime paper. Additional assumptions with respect to the joint venture are as follows.

##### 4.1. JOINT VENTURE TERMS.

The terms of the Joint Venture, to be submitted to the Bankruptcy Court as follows, are assumed to be consistent with the terms set forth on Attachment A.

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##### 4.2. OTHER OPERATIONS.

The projections assume that SFG Holding will advance funds and assign consumer loans to the joint venture and that the Reorganized Debtor will continue to operate an auto loan financing operation.

##### 4.3. PARTICIPATION IN RECOVERY OF CLAIMS.

The projections assume that SFG Holding will receive the proceeds of settlements with Potential Defendants and that the joint venture will not participate in such proceeds.

#### 5. OPERATION ASSUMPTIONS.

##### 5.1. FINANCIAL STATEMENTS.

The operations of SFG Holding, the Reorganized Debtor, the Canadian wholly owned subsidiary and the VFR Joint Venture are consolidated in the accompanying financial projections. IFR's minority interest is reflected as a liability on the Balance Sheet.

##### 5.2. MINORITY SHARE.

IFR's minority interest will be 10% initially and will reach a maximum of 20%, only after they have sold \$2.5 million in Certificates and use their 5% commission earned to "acquire" the next 10% equity interest.

### 5.3. AUTO BUSINESS.

Bulk auto loans are purchased at a 25% discount at three months of age, held for 3 months. Debtor's most recent purchases were based on a 30-40% discount. Then 90% of that purchase is then sold at an 18 % discount, consistent with Debtor's recent experience. The average term is 30 months, loan amount is \$6000 and interest rate is 25%. No bad debt expense is experienced beyond the 25 points purchased consistent with Debtor's recent experience. Cash flow for the Auto Business is derived from a Line of Credit (LOC) furnished to VFR by SFG Holding. All cash available from the Auto Business is reinvested in Auto paper throughout the five year period shown.

### 5.4. HOME IMPROVEMENT/WATER BUSINESS.

Based upon historical experience of Eagle Financial, individual water softener system loans are purchased at a 8% discount at origination, and held through out their life. The average term is 60 months, loan amount is \$4000 and interest rate is 18.5%. No bad debt expense is experienced beyond the 8 points purchased at.

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Cash flow for the Home Improvement/Water Business is derived from the proceeds of a Private Placement Memorandum (PPM). All cash available from the Home Improvement/Water Business is reinvested in Home Improvement/Water paper throughout the five year period shown.

### 5.5. SERVICING OF LOAN PORTFOLIOS.

The Servicing of both the Auto and Home Improvement/Water loan portfolios will be done by Eagle Financial of Springfield, Missouri. Eagle is an existing servicer of sub-prime water conditioning paper, whose management has decades of experience in servicing and collecting sub-prime loans.

### 5.6. FINANCING .

The projections assume that a line of credit will be furnished by SFG Holding from settlement proceeds and any other available funds to auto lines at prime plus 2. The PPM furnished for the water loans is 5 year fixed rate certificates at 10%.

### 5.7. CANADIAN OPERATIONS.

The projections assume that Debtor's Canadian operations will continue. Consumer loans from Canadian operations are assumed to have averages term of 20 months, and interest rate of 27%, based upon current averages. The projections assume that the consumer loans will be purchased at a 20% discount, with 10 points amortized as Discount and 10 points for bad debt expense. Based on these assumptions, the projections suggest that Canadian operations will contribute in excess of US\$1,000,000 profit in year five.

### 5.8. SFG HOLDING PERSONNEL.

The projections assume that SFG Holding will be staffed with the CEO and three other persons to manage the public entity. SFG Holding will supervise the Joint Venture and the Canadian operations. It will also provide all public reporting and shareholder relations.

### 5.9. CASH AVAILABLE FOR DISTRIBUTION.

Distributions between years 1-5 are projected and reflected on the Balance Sheet, based upon available funds.

### 5.10. POTENTIAL SALES PROCEEDS IF COMPANY IS SOLD AT END OF YEAR 5.

If at the end of five years, the company is sold, the original investors might receive all of their original investment. About \$9.5 million is projected to be paid out to Investors over the five-year period and the remainder of the Preferred Stock will be repaid at time of the sale of the business to another company, in the form of stock or perhaps some cash. This would be contingent

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upon the successful financial results of the company's operations, market conditions at the time of any sale, and the tax treatment of sale proceeds.

THE PROCEEDS FROM SUCH A SALE ARE DETERMINED BY MARKET CONDITIONS AT THE TIME AN OFFER IS MADE AND ARE SUBJECT TO SHAREHOLDER APPROVAL.

## ATTACHMENT A (JOINT VENTURE TERMS)

- o IFR (an unrelated holding company) will acquire at closing, a 10% interest in VFR, a 90% owned subsidiary of SFG Holding.
- o IFR will provide the going concern value of the enterprise (employees and operations in place, contacts in the industry, location, etc.) for 10% of the Joint Venture, at closing. IFR will purchase an additional 10% of equity interest by contributing their 5% sales commission on the first \$2.5 million in Certificate sales.
- o VFR will hire auto originators and servicing personnel to the extent practical from the old SFG.
- o VFR will pay a reasonable Trustee fee in relation to the size and complexity of the offering. VFR has a Private Placement Memo in place to issue \$10.0 million in Fixed Rate Certificates in early 2002.
- o Eagle Financial, an affiliate of IFR, will enter into a Servicing Agreement with VFR for one year and pay normal market rate fees.
- o VFR will separate assets for collateralization purposes.
- o Eagle Financial will enter into a Servicing Agreement with Stevens Funding (a 100% subsidiary of SFG Holding) at closing.
- o SFG Holding will own 100% of Sinclair Credit of Canada, which will not be included in the Joint Venture.
- o SFG Holding will provide a revolving warehouse line of credit to VFR for up to \$5.0 million on market terms. This will not be subordinated to the Certificates and will be collateralized by the paper originated under the line.
- o VFR will be managed by one representative from IFR and one from SFG Holding for the first 12 months.
- o Upon sale of the company, all gains will be split in accordance with the equity ownership(80/20%), until the preferred shareholders are repaid in full. Any remaining gain will be split between IFR and the common shareholders on a 50/50 basis.

1

- o BANKRUPTCY COURT APPROVAL
- o These Terms are subject to the approvals of the Trustee, Creditors Committee and the Bankruptcy Court.

2

## ALTERNATE PLAN (NO JOINT VENTURE)

In the event that the joint venture is not consummated, the Company has developed an alternative plan that would provide a lesser level of projected earnings but still could produce distributions to the previous investors of \$9.5 million during the next 5 years.

The main distinction in the Alternate Plan is that the reorganized SFG would not enter the Home Improvement/Water market but instead would merely use the same Estate resources as the recommended plan (\$6.4 million in cash plus, \$7.0 million in contracts) and reenter the Auto bulk purchase market and hold the receivables until maturity. The Canadian subsidiary would remain part of the business.

This approach does not require raising neither bank lines of credit nor the sale of Certificates. It could be viewed as the "worst case alternative" and yet as a minimum, it provides at least eleven times the return of funds more than a chapter 7 liquidation. In the event the Company was to be sold in the fifth year, an additional payout of \$28-36 million might be available to the previous investors, in addition to the anticipated \$9.5 million in distributions during

the five-year period prior to sale. This would be contingent upon the successful financial results of the company's operations, market conditions at the time of sale, and the tax treatment of the sale proceeds.

ALTERNATIVE PLAN (NO JOINT VENTURE)  
CONSOLIDATED FINANCIAL STATEMENTS

<TABLE>  
<CAPTION>

| <S>   | Year 1<br><C>             | Year 2<br><C>             | Year 3<br><C>             | Year 4<br><C>             | Year 5<br><C>             |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| ASSETS  |                           |                           |                           |                           |                           |
| Cash  | \$ 305,862                | \$ 119,362                | \$ 69,047                 | \$ 595,263                | \$ 1,237,502              |
| Contracts Receivable - Auto<br>less Reserve for Bad Debts | 18,913,969<br>(3,679,286) | 21,015,423<br>(4,521,595) | 22,412,906<br>(4,759,217) | 24,428,446<br>(5,164,310) | 26,227,651<br>(5,505,677) |
| Net Loans   | 15,234,683                | 16,493,828                | 17,656,689                | 19,264,136                | 20,721,974                |
| Fixed Assets<br>less Accumulated Depreciation             | 180,000<br>(109,450)      | 180,000<br>(140,900)      | 180,000<br>(160,000)      | 180,000<br>(170,000)      | 180,000<br>(180,000)      |
| Net Fixed Assets  | 70,500                    | 39,100                    | 20,000                    | 10,000                    | 0                         |
| TOTAL ASSETS  | \$ 15,611,095             | \$ 16,652,290             | \$ 18,045,736             | \$ 19,869,399             | \$ 21,959,476             |
| LIABILITIES   |                           |                           |                           |                           |                           |
| Accounts Payable & Accrued Expenses                       | \$ 50,000                 | \$ 50,000                 | \$ 50,000                 | \$ 50,000                 | \$ 50,000                 |
| Accrued Commissions Payable                               | 11,372                    | 8,250                     | 10,500                    | 13,500                    | 17,625                    |
| Deferred Discount on Contracts Receivable                 | 406,952                   | 462,515                   | 535,391                   | 618,977                   | 647,580                   |
| TOTAL LIABILITIES   | \$ 468,327                | \$ 520,765                | \$ 595,891                | \$ 682,477                | \$ 715,205                |
| EQUITY  |                           |                           |                           |                           |                           |
| Contributed Capital                                       | \$ 13,449,500             | \$ 13,449,500             | \$ 13,449,500             | \$ 13,449,500             | \$ 13,449,500             |
| Current Earnings (before income taxes)                    | 11,693,268                | 5,063,476                 | 8,763,249                 | 12,81,778                 | 17,320,580                |
| Distribution to original SFG Investors (A)                | 0                         | (2,381,452)               | (4,762,904)               | (7,144,356)               | (9,525,808)               |
| TOTAL LIABILITIES   | 15,142,768                | 16,131,524                | 17,449,845                | 19,186,922                | 21,244,272                |
| TOTAL LIABILITIES & OWNERS' EQUITY                        | \$ 15,611,095             | \$ 16,652,290             | \$ 18,045,736             | \$ 19,869,399             | \$ 21,959,476             |

</TABLE>

(A) Original SFG Investors hold Preferred Stock in Reorganized Entity.

The accompanying notes to financial statements are an integral part of these reports.

ALTERNATIVE PLAN (NO JOINT VENTURE)  
CONSOLIDATED FINANCIAL STATEMENTS  
INCOME STATEMENT

<TABLE>  
<CAPTION>

| <S>                                    | Year 1<br><C> | Year 2<br><C> | Year 3<br><C> | Year 4<br><C> | Year 5<br><C> |
|--|---------------|---------------|---------------|---------------|---------------|
| INCOME                                 |               |               |               |               |               |
| Interest Income - Contracts Receivable | \$ 3,227,853  | \$ 5,173,511  | \$ 5,567,389  | \$ 6,067,811  | \$ 6,464,591  |
| Bad Debt Expense                       | (406,366)     | (471,091)     | (545,921)     | (640,699)     | (708,839)     |
| Amortized Discount of Purchase Price   | 447,537       |               |               |               |               |
| TOTAL INCOME                           | 3,207,535     | 5,149,956     | 5,540,093     | 6,035,776     | 6,429,149     |
| EXPENSES                               |               |               |               |               |               |

EXPENSES

## OPERATING EXPENSES

|                            |           |           |           |           |           |
|----------------------------|-----------|-----------|-----------|-----------|-----------|
| Commissions Expense - Auto | 86,425    | 83,310    | 100,900   | 123,225   | 136,950   |
| Servicing Fees -Auto       | 300,054   | 542,037   | 570,090   | 605,831   | 636,547   |
| Legal                      | 31,800    | 31,800    | 31,800    | 31,800    | 31,800    |
| General & Administrative   | 1,064,538 | 1,091,151 | 1,118,430 | 1,146,391 | 1,175,051 |
| TOTAL EXPENSES             | 1,482,817 | 1,748,298 | 1,821,220 | 1,907,247 | 1,980,348 |

|                        |           |           |           |           |           |
|------------------------|-----------|-----------|-----------|-----------|-----------|
| INCOME FROM OPERATIONS | 1,724,718 | 3,401,658 | 3,718,873 | 4,128,529 | 4,448,802 |
| Depredation            | 31,450    | 31,450    | 19,100    | 10,000    | 10,000    |

|  |           |           |           |           |           |
|--|-----------|-----------|-----------|-----------|-----------|
| INCOME FROM OPERATIONS NET OF DEPRECIATION | 1,693,268 | 3,370,208 | 3,699,773 | 4,118,529 | 4,438,802 |
|--|-----------|-----------|-----------|-----------|-----------|

|  |   |   |   |   |   |
|--|---|---|---|---|---|
| Income Taxes (see note re: NOL Carryforward) (B) | 0 | 0 | 0 | 0 | 0 |
|--|---|---|---|---|---|

|                        |              |              |              |              |              |
|------------------------|--------------|--------------|--------------|--------------|--------------|
| NET INCOME AFTER TAXES | \$ 1,693,268 | \$ 3,370,208 | \$ 3,699,773 | \$ 4,118,529 | \$ 4,438,802 |
|------------------------|--------------|--------------|--------------|--------------|--------------|

(B) Income Taxes are impacted by an approximately \$ 25 - \$35 million dollar Net Operating Loss carryforward from the former SFG Company.

The accompanying notes to financial statements are an integral part of these reports.

ALTERNATIVE PLAN (NO JOINT VENTURE)  
CONSOLIDATED FINANCIAL STATEMENTS

<TABLE>  
<CAPTION>

|                                      | CASH FLOWS FROM OPERATIONS |               |              |               |               |
|--------------------------------------|----------------------------|---------------|--------------|---------------|---------------|
|                                      | Year 1                     | Year 2        | Year 3       | Year 4        | Year 5        |
| AUTO                                 |                            |               |              |               |               |
| <S>                                  | <C>                        | <C>           | <C>          | <C>           | <C>           |
| Collection of Contracts Receivable   | \$ 10,211,304              | \$ 17,871,175 | \$ 1,707,108 | \$ 26,249,915 | \$ 30,640,914 |
| Subtotal Auto Inflows                | 10,211,304                 | 17,871,175    | 21,707,108   | 26,249,915    | 30,640,914    |
| Bulk Purchases                       | 15,631,500                 | 13,924,800    | 17,257,000   | 21,738,000    | 25,641,000    |
| Commissions - Bulk Purchases         | 75,050                     | 86,435        | 98,650       | 120,225       | 132,825       |
| Servicing Fees                       | 300,054                    | 542,037       | 570,090      | 605,831       | 636,547       |
| Distribution to Former SFG Investors | 0                          | 2,381,452     | 2,381,452    | 2,381,452     | 2,381,452     |
| Subtotal Auto Outflows               | 16,006,604                 | 16,934,724    | 20,307,192   | 24,845,508    | 28,791,824    |
| SUBTOTAL AUTO                        | (5,795,300)                | 936,451       | 1,399,916    | 1,404,407     | 1,849,090     |
| WATER                                |                            |               |              |               |               |
| SUBTOTAL WATER                       | 0                          | 0             | 0            | 0             | 0             |
| TOTAL INFLOWS G&A                    | (5,795,300)                | 936,451       | 1,399,916    | 1,404,407     | 1,849,090     |
| General & Administrative             | 1,064,538                  | 1,091,151     | 1,118,430    | 1,146,391     | 1,175,051     |
| Legal Expenses                       | 31,800                     | 31,800        | 31,800       | 31,800        | 31,800        |
| TOTAL G & A                          | 1,096,338                  | 1,122,951     | 1,150,230    | 1,178,191     | 1,206,851     |
| NET CASH FLOW - OPERATIONS           | (6,891,638)                | (186,500)     | 249,685      | 226,216       | 642,239       |
| FINANCING ACTIVITY                   |                            |               |              |               |               |
| NET FINANCING ACTIVITY               | 0                          | 0             | 0            | 0             | 0             |
| NET EQUITY CASHFLOWS                 | 7,000,000                  | 0             | 0            | 0             | 0             |
| Beginning Cash Balance               | 197,500                    | 305,862       | 119,362      | 369,047       | 595,263       |
| ENDING CASH BALANCE                  | \$ 305,862                 | \$ 119,362    | \$ 369,047   | \$ 595,263    | \$ 1,237,502  |

</TABLE>

(A) Original SFG Investors hold Preferred Stock in Reorganized Entity.

The accompanying notes to financial statements are an integral part of these reports.

EXHIBIT 6  
TO DISCLOSURE STATEMENT  
CHAPTER 7 LIQUIDATION ANALYSIS

EXHIBIT 6  
CHAPTER 7 LIQUIDATION ANALYSIS

| Item  | Notes | Amounts     |
|---|-------|-------------|
| Cash  | 1     | 100,000     |
| Receivables   | 2     | 4,000,000   |
| Less Bulk Sale Discount                             | 3     | (1,000,000) |
| Office Building                                     | 4     | 4,000,000   |
| Furniture & Fixtures                                | 5     | 490,196     |
| Less Bulk Sale Discount (90%)                       | 6     | (441,176)   |
| Recoveries from Related Parties                     | 7     | 500,000     |
| Recoveries from Avoidance Actions                   | 8     | 200,000     |
| Proceeds All Assets                                 |       | 7,849,020   |
| Secured Claim Building                              | 9     | (1,800,000) |
| Asset Disposition Costs                             | 10    | (200,000)   |
| Net Available for Priority<br>& Unsecured Creditors |       | 5,849,020   |
| Priority Claims                                     |       |             |
| Ch 11 Administrative Fees                           | 11    | (2,000,000) |
| Ch 7 Trustees Fee                                   | 12    | (321,924)   |
| Ch 7 Administrative Costs                           | 13    | (400,000)   |
| Priority Wage Claims                                | 14    | (12,000)    |
| Priority Tax Claims                                 | 15    | (55,000)    |
| Net Available for Non-Priority Claims               |       | 3,060,096   |
| Total Unsecured Claims                              | 16    | 77,600,000  |
| Dividend Distribution Rate                          |       | 3.94%       |

NOTES TO LIQUIDATION ANALYSIS

This liquidation analysis is based upon the following assumptions, which constitute an integral part of the analysis. Except as otherwise noticed, all recovery amounts are only estimates and the Trustee does not represent that the Estate will be able to recover the amounts indicated.

NOTE 1. CASH. Debtor's cash balance is assumed to be \$100,000, prior to

the sale of the office building or the payment of administrative expenses.

NOTE 2. RECEIVABLES. Receivables for the U.S. and Canadian operations are assumed to aggregate \$4,000,000.

NOTE 3. DISCOUNT FOR BULK SALE OF RECEIVABLES. This liquidation analysis is based upon the assumption that the consumer and commercial loan portfolio will be liquidated in one or more bulk sales. Based upon the recent experience of Debtor, this analysis estimates that such sales will require, on average, a discount of 25% from the net receivable amount for each of the receivables categories.

Exhibit 6 Liquidation Analysis 1

NOTE 4. OFFICE BUILDING. The value of the office building is estimated based upon the highest offer for the building received to date. The Trustee expects to sell the office building prior to the Effective Date.

NOTE 5. FURNITURE & FIXTURES. The going concern value of Debtor's furniture and fixtures is based upon the net book value as of July 31, 2001.

NOTE 6. DISCOUNT OF FURNITURE BULK SALE. This analysis assumes that Debtor's furniture, equipment and fixtures will be sold at a 90% discount from book value, based upon the Trustee's experience in other office liquidation sales.

NOTE 7. RECOVERIES FROM AFFILIATES. This analysis assumes that the Estate will recover \$500,000 on the Estate's claims against its former shareholders and officers based upon all theories of recovery, as described in Exhibit 2 to the Disclosure Statement. This estimate does not include any recoveries on claims that may be asserted by individual creditors, as described in Exhibit 2, and the estimated recovery is based, in part, upon the assumption that the assets of Debtor's principals will be substantially consumed by the cost of litigating against the Estate and individual creditors.

NOTE 8. RECOVERY FROM AVOIDANCE ACTIONS. This analysis assumes that a Chapter 7 trustee would seek to recover preferential payments and avoidable transfers from investors based upon the legal principles discussed in Exhibit 2, and that the net recovery (after fees and costs) of pursuing such claims would be \$200,000.

NOTE 9. SECURED CLAIM ON OFFICE BUILDING. The amount of the Great Southern claim secured by the office building is based upon the July 31 balance due.

NOTE 10. DISPOSITION COSTS. The analysis assumes the payment of a commission on the sale of the office building and additional costs in conducting an auction sale of Debtor's furniture and equipment.

NOTE 11. CHAPTER 11 ADMINISTRATIVE COSTS. Administrative costs are estimated based upon the Trustee's current estimation of such costs through the effective date of the Plan.

NOTE 12. CHAPTER 7 TRUSTEE FEE. Trustee's fees are estimated at 3% of total disbursements.

NOTE 13. ADDITIONAL CHAPTER 7 COSTS. Additional fees and costs for the collection, liquidation, and administration of the chapter 7 case are estimated at \$250,000.

NOTE 14. WAGE PRIORITY CLAIMS. See discussion of these claims in Disclosure Statement.

NOTE 15. TAX PRIORITY CLAIMS. See discussion of these claims in Disclosure Statement.

NOTE 16. TOTAL UNSECURED CLAIMS. See discussion of these claims in Disclosure Statement.

Exhibit 6 Liquidation Analysis 1

FIRST AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION  
OF  
FREEDOM FINANCIAL GROUP, INC.  
a Delaware corporation

Freedom Financial Group, Inc. (the "Corporation"), a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

1. That the name of the Corporation is Freedom Financial Group, Inc.
2. That the Corporation filed its original Certificate of Incorporation with the Secretary of State of Delaware on November 13, 2001, under the name Freedom Financial Group, Inc.
3. That the text of the Certificate of Incorporation of the Corporation as heretofore in effect is hereby amended and restated to read as set forth in full in the First Amended and Restated Certificate of Incorporation of the Corporation as attached hereto as Exhibit A.
4. That directors of the Corporation were not named in the original Certificate of Incorporation, that no director has been elected and that the Corporation has not received any payment for any of its stock and that no shares of stock have been issued or are outstanding.
5. That the foregoing First Amended and Restated Certificate of Incorporation of the Corporation and resolutions pertaining thereto were duly adopted by a majority of the incorporators of the Corporation in accordance with the provisions of Sections 241 and 103 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the undersigned has signed this First Amended and Restated Certificate of Incorporation as of this 28th day of October, 2002.

FREEDOM FINANCIAL GROUP, INC., a  
Delaware corporation

By: /s/ Jerry Fenstermaker

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Jerry Fenstermaker, Incorporator

EXHIBIT A

FIRST AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION  
OF  
FREEDOM FINANCIAL GROUP, INC.

Freedom Financial Group, Inc., was formed pursuant to the Chapter 11 Plan of Reorganization of Stevens Financial Group, Inc., filed with the United States Bankruptcy Court for the District of Arizona of October 30, 2001 and confirmed on December 31, 2001, as amended and corrected (the "Plan"), Case No. 01-03105-ECF-RTB, filed March 19, 2001, (the "Case"). The First Amended and Restated Certificate of Incorporation is duly filed pursuant to the Plan in accordance with Title 11 of the United States Code, 11 U.S.C. Sections 101 et seq (the "Code").

Pursuant to the General Corporation Law  
of the State of Delaware

FIRST: The name of the corporation is Freedom Financial Group, Inc. (hereinafter, the "Corporation").

SECOND: The address of the Corporation's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, County of New Castle, Wilmington, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

THIRD: The Corporation shall emerge as the reorganized debtor in the Case and engage in the business of investing and trading in debt instruments in accordance with the Plan for the benefit of the shareholders of the Corporation, but the Corporation may engage in any lawful act or activity for which Corporations may be organized under the General Corporate Law of the State of Delaware.

FOURTH:

4.1 The Corporation shall have authority to issue 19,000,000 shares of common stock, with a par value of \$.0001 per share (the "Common Stock"). The shares of Common Stock may be issued for cash, services, property or in exchange for a claim against, an interest in, or a claim for an administrative expense in the Case pursuant to the Plan, upon such conditions or terms as for an administrative expense in the Case pursuant to the Plan, upon such conditions or terms as may be determined by the Board of Directors who shall have full power and authority to fix the value of the property or services for which shares may be issued and whose valuations shall be conclusive, and the shares so issued shall be fully paid and non-assessable. Notwithstanding anything herein to the contrary, 9,000,000,000 shares of the authorized Common Stock shall be reserved pursuant to Section 4.4 D (7).

4.2 The Corporation shall have the authority to issue a total of 9,000,000 shares of preferred stock, with par value of \$.0001 per share, (the "Preferred Stock"). The Preferred Stock may be issued for cash, services, property or in exchange for a claim against, an interest in, or a claim for an administrative expense in the Case pursuant to the Plan, upon such conditions or terms as may be determined by the Board of Directors who shall have full power and authority to fix the value of the property or services for which shares may be issued and

whose valuations shall be conclusive, and the shares so issued shall be full paid and non-assessable.

4.3 Pursuant to Section 1123 (a) (6) of the Code and notwithstanding anything in this Certificate to the contrary, the Corporation shall not issue any nonvoting equity securities.

4.4 The rights, preferences, restrictions and other matters relating to the Preferred Stock are as follows:

(A) Dividend Rights. So long as any Preferred Stock is outstanding, no dividend or distribution shall be declared or paid on any shares of Common Stock. No dividends shall be paid on the Preferred Stock.

(B) Liquidation Preference.

(1) In the event of any liquidation, dissolution or winding up of this Corporation, either voluntary or involuntary (a "Liquidation Event") as further defined by B (3) hereof), the holders of Preferred Stock shall be entitled to receive, prior and in preference to any distribution of any of the assets of this Corporation to the holders of Common Stock by reason of their ownership thereof, an aggregate amount equal to the "Preferred Stock Redemption Value," less the aggregate of any "Redemption Payments", as these terms are defined below, actually paid on the Preferred Stock, which difference shall be prorated among all issued and outstanding shares of Preferred Stock. If upon the occurrence of a Liquidation Event, the assets and funds thus distributed among the holders of the Preferred Stock shall be insufficient to permit the payment to such holders of the full aforesaid preferential amount, then, the entire assets and funds of the Corporation legally available for distribution shall be distributed ratably among the holders of the Preferred Stock in proportion to the preferential amount each such holder is otherwise entitled to receive.

The term "Preferred Stock Redemption Value," as it relates to the Preferred Stock, shall mean an amount equal to the aggregate "Net Investment Amount" of all "Participating Creditors" as those terms are defined in the Plan.

(2) Upon completion of the distribution required by subsection B (1), all remaining assets of this Corporation, if any, shall be distributed among the holders of Common Stock pro rata based on the number of shares of Common Stock held by each.

(3) Unless waived by a majority of the then outstanding shares of Preferred Stock, voting together as a separate class, the consolidation or merger of the Corporation into or with any other entity or entities which results in the exchange of shares representing 50% or more of the outstanding shares of voting capital stock of the Corporation for securities or other consideration issued or paid or caused to be issued or paid by any such entity or affiliate thereof, or the sale or transfer by the Corporation of all or substantially all of its assets, shall be deemed to be a Liquidation Event.

(4) In the event the entire Preferred Stock Redemption Value is paid in full pursuant to this Section, the Preferred Stock shall be deemed cancelled with or without the surrender by such holders of the certificates representing such shares and all rights of the holders of shares of Preferred Stock shall cease and such shares shall not thereafter be transferred on the books of the Corporation or be deemed to be outstanding for any purpose whatsoever.

(C) Redemption.

(1) The Preferred Stock is subject at all times and from time to time to mandatory redemption by the Corporation. The Corporation shall use its best efforts, to the extent it may lawfully do so and to the extent funds are available after taking into account budget projections and anticipated future expenditures, as determined by the Board of Directors in its sole and absolute discretion, commencing six (6) months after the Effective Date of the Plan (as that term is defined therein) to pay in cash 1/28th of the Preferred Stock Redemption Value in 28 quarterly installments, subject to adjustment or prepayment by the Corporation consistent with this Section and the Plan as determined by the Board of Directors of the Corporation (each payment being a "Redemption Payment" and each payment date being referred to herein as a "Redemption Date"). Subject to this Section and provided funds are available pursuant to this Section, the amount of the Redemption Payment that this Corporation shall be required to pay in any quarter shall be equal to the amount determined by dividing (i) the Preferred Stock Redemption Value minus the aggregate amount of all Redemption Payments that have been made pursuant to this subsection C (1) by (ii) the number of remaining Redemption Dates (including the Redemption Date to which such calculation applies). Any Redemption Payment made pursuant to this Section shall be made on a pro rata basis among the holders of the Preferred Stock in proportion to the number of shares of Preferred Stock held by such holders. All shares of Preferred Stock shall remain outstanding until this Corporation has paid the entire Preferred Stock Redemption Value to the holders of the Preferred Stock. For the purposes of this Section, the Preferred Stock Redemption Value shall be deemed paid on the date the Board of Directors of this Corporation authorizes and directs the immediate payment of the final Redemption Payment from legally available funds of this Corporation (the "Final Redemption Date"). On the Final Redemption Value shall be deemed paid on the date the Board of Directors of this Corporation authorizes and directs the immediate payment of the final Redemption Payment from legally available funds of this Corporation (the "Final Redemption Date"). On the Final Redemption Date, the Preferred Stock shall be deemed cancelled with or without the surrender by such holders of the certificates representing such shares and all rights of the holders of shares of Preferred Stock shall cease and such shares shall not thereafter be transferred on the books of this Corporation or be deemed to be outstanding for any purpose whatsoever.

(2) Shares of Preferred Stock so redeemed or converted shall be cancelled and shall not be reissued, sold or transferred and the number of Preferred Shares of the Corporation authorized for issuance shall be reduced by the number of Preferred Shares so redeemed or converted.

(3) If the funds of this Corporation available for a Redemption Payment (as determined in accordance with this Certificate), or a Redemption Date are insufficient to make the full Redemption Payment as determined by the formula set forth above, those funds that are available shall be used to make the largest Redemption Payment appropriate under the circumstances as determined by the Board of Directors of this Corporation.

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(D) Conversion Rights. The holders of the Preferred Stock shall have conversions rights as follows (the "Conversion Rights"):

(1) Right to Convert. Each share of Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share and prior to the Final Redemption Date, into one share of fully paid and nonassessable Common Stock (subject to appropriate adjustments for stock splits, stock dividends, combinations or other recapitalizations). The conversion price ("Conversion Price") per share for shares of Preferred Stock shall be \$0.01 per share.

(2) Automatic Conversion. Each share of Preferred Stock shall automatically be converted into one share of Common Stock at the Conversion Price immediately upon the earlier of (i) the closing of the sale of the Corporation's Common Stock in a public offering pursuant to a registration statement on Form S-1 or Form SB-2 under the Securities Act of 1933, as amended, with aggregate proceeds to the Corporation and/or any selling stockholders (after deduction for underwriters' discounts and expenses relating to the issuance, including without limitation fees of the Corporation's counsel) of at least \$54,000,000; (ii) the date specified by written consent or agreement of the holders of not less than 70% of the then outstanding shares of Preferred Stock voting together as a separate class; or (iii) if a majority of the Preferred Stock waives the Liquidation Preference in accordance with Section 4.4 B (3) hereof, then upon the consolidation or merger of the Corporation into or with any other entity or entities which results in the exchange of shares representing 50% or more of the outstanding shares of voting capital stock of the Corporation for securities or other consideration issued or paid or cause to be issued or paid by any such entity or affiliate thereof, or the sale or transfer by the Corporation of all or substantially all of its assets.

(3) Mechanics of Conversion. Except as may otherwise be set forth herein, before any holder of Preferred Stock shall be entitled to convert the same into shares of Common Stock, such holder shall surrender the certificate or certificates therefore, duly endorsed, at the office of this Corporation or of any transfer agent for the Preferred Stock, and shall give written notice to this Corporation at its principal corporate office, of the election to convert the same and shall state therein the name or names in which the certificate or certificates for shares of Common Stock are to be issued. This Corporation shall, as soon as practicable thereafter, issue and deliver at such office to such holder, or to the nominee or nominees of such holder, a

certificate or certificates for the number of shares of Common Stock to which such holder shall be entitled as aforesaid. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the shares of Preferred Stock to be converted, and the person or persons entitled to receive the shares of Common Stock issuable upon such conversion shall be treated for all purposes as the record holder or holders of such shares of Common Stock as of such date. If the conversion is in connection with an underwritten offering of securities registered pursuant to the Securities Act of 1933, the conversion may, at the option of any holder tendering Preferred Stock for conversion, be conditioned upon the closing with the underwrites of the sale of securities pursuant to such offering, in which event the persons entitled to receive the Common Stock upon conversion the Preferred Stock shall not be deemed to have converted such Preferred Stock until immediately prior to the closing of such sale of securities.

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(4) Recapitalizations. If at any time or from time to time there shall be a recapitalization of the Common Stock (other than a subdivision, combination or merger or sale of assets transaction provided for elsewhere in this Section 4.4), provision shall be made so that the holders of Preferred Stock shall thereafter be entitled to receive the number of shares of stock or other securities or property of the Corporation or otherwise, to which a holder of Common Stock would have been entitled on such recapitalization.

(5) No Impairment. This Corporation will not, by amendment of its bylaws or through any reorganization, recapitalization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by this Corporation, but will at all times in good faith assist in the carrying out of all the provisions of this Section 4.4D and in the taking of all such action as may be necessary or appropriate in order to protect the Conversion Rights of the holders of Preferred Stock against impairment.

(6) No Fractional Shares. No fractional shares shall be issued upon the conversion of any share or shares of the Preferred Stock, and the number of shares of Common Stock to be issued shall be rounded to the nearest whole share.

(7) Reservation of Stock Issuable Upon Conversion. This Corporation shall at all times reserve and keep available out of its authorized by unissued shares of Common Stock, solely for the purpose of effecting the conversion of the shares of the Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the Stock, solely for the purpose of effecting the conversion of the shares of the Preferred Stock, such number of its shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then

outstanding shares of the Preferred Stock, in addition to such other remedies as shall be available to the holder of such Preferred Stock, this Corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite shareholder approval of any necessary amendment to this Certificate of Incorporation.

(8) Notices. Any notice required by the provisions of this Section 4.4D to be given to the holders of shares of Preferred Stock shall be deemed given if deposited in the United States mail, postage prepaid, and addressed to each holder of record at his address appearing on the books of this Corporation.

(E) Protective Provisions. As long as at least thirty percent (30%) of the total number of shares of Preferred Stock that have been issued (including shares that are no longer outstanding), shall remain outstanding (and have not been converted or redeemed), this Corporation shall not without first obtaining the approval (by vote or written consent, as provided by law) of the holders of a majority of the then outstanding shares of Preferred Stock, voting together as a separate class:

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(i) voluntary dissolve, liquidate or declare bankruptcy;

(ii) amend this Certificate of Incorporation or bylaws of the Corporation; or

(iii) sell, convey, or otherwise dispose of all or substantially all of its property or business, or merge into or consolidate with any other corporation (other than a wholly-owned subsidiary corporation), or effect any transaction or series of related transactions in which more than fifty-percent (50%) of the voting power of this Corporation is disposed of.

4.5 The rights relating to the Common Stock are as follows:

(A) Dividend Rights. Subject to the prior rights of holders of all classes of stock at the time outstanding having prior rights as to dividends, the holders of the Common Stock shall be entitled to receive, when and as declared by the Board of Directors, out of any assets of the Corporation legally available therefore, such dividends as may be declared from time to time by the Board of Directors. SO long as any Preferred Stock is outstanding, no dividend or distribution shall be declared or paid on any shares of Common Stock.

(B) Liquidation Rights. Upon the occurrence of a Liquidation Event, the assets of the Corporation shall be distributed as provided in Section 4.4B.

(C) Redemption. The Common Stock is not redeemable.

4.6 The rights pertaining to voting of the Common Stock and Preferred Stock are as follows:

(D) General Voting Rights. Except as may otherwise be set forth in this Certificate, the holders of Preferred Stock and Common Stock shall vote together as a single class on an as converted basis. The holder of each share of Preferred Stock shall have the right to one vote and the holder of each share of Common Stock shall have the right to one vote, and with respect to such vote, such holder shall have full voting rights and powers equal to the voting rights and powers of holders of Common Stock as provided by law. The holders of Preferred Stock and Common Stock shall be entitled to notice of any stockholders' meeting in accordance with the bylaws of this Corporation. At any such meeting the presence in person or by proxy of a majority of the voting power then outstanding shall constitute a quorum.

(E) Election of Directors. The holders of Preferred Stock and Common Stock voting together as a single class on an as converted basis, shall be entitled to elect all of the directors of the Corporation. At any meeting held for the purpose of electing directors, the presence in person or by proxy of a majority of the voting power then outstanding shall constitute a quorum for the election of directors. Except to the extent otherwise set forth herein, the number and election of directors shall be determined as set forth in the bylaws of the Corporation. Notwithstanding anything herein to the contrary, pursuant to that certain Order Confirming Plan of Reorganization, entered in the Case on December 28, 2001, for so long as this Corporation remain in existence each of the following individuals are prohibited from serving as an officer, director or employee of the corporation: Clarence W. Stevens, Pat Robarge and/or Damian Sinclair.

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FIFTH:

5.1 Liability of Directors. No director of the Corporation shall have personal liability to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty by such a director as a director. Notwithstanding the foregoing sentence, a director shall be liable to the extent provided by applicable law (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of a law, (iii) pursuant to Section 174 of the General Corporate Law of Delaware ("GCL"), or (iv) for any transaction from which such director derived an improper personal benefit. If the GDL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the GCL, as so amended. No amendment to or repeal of this Article 5 shall apply to or have an effect on the liability of a director of the Corporation with respect to any act or omission occurring prior to the time of such repeal, or modification.

## 5.2 Indemnification.

(F) Right to Indemnification. Subject to the terms and conditions of this Section, each officer or director of the Corporation who was or is made a party or witness or is threatened to be made a party or witness to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action or inaction in an official capacity while serving as a director, officer, employee or agent, will be indemnified and held harmless by the Corporation to the fullest extent authorized by the GCL as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith and such indemnification will continue as to an indemnitee who has ceased to be a director, officer, employee or agent and will inure to the benefit of the indemnitee's heirs, executors and administrators: provided, however, that, except as provided in the Section with respect to proceedings to enforce rights to indemnification, the Corporation will indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Section will include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the law requires, an advancement of expenses incurred by an indemnitee will be made only upon delivery to the Corporation of an undertaking in the form then required by the law (if any), by or on behalf of such indemnitee, with respect to the repayment of amounts so advanced (hereinafter an "undertaking").

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(G) Right of Indemnitee to Bring Suit. If a claim from an indemnitee under Section 5.2 (A) is not paid in full by the Corporation within 60 days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period will be 20 days, the indemnitee may at any time thereafter bring a lawsuit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such lawsuit or in a lawsuit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee will be entitled to be paid also the expenses of prosecuting or defending such lawsuit. In (i) any lawsuit brought by the

indemnitee to enforce a right to indemnification hereunder (but not in a lawsuit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) any lawsuit by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking the Corporation will be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met the applicable standard of conduct set forth in the law. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its shareholders) to have made a determination prior to the commencement of such lawsuit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel or its shareholders) that the indemnitee has not met such applicable standard of conduct, will create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a lawsuit brought by the indemnitee, be a defense to such lawsuit. In any lawsuit brought by the indemnitee to enforce a right hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified or to such advancement of expenses under this Section or otherwise will be on the Corporation.

(H) Specific Limitations on Indemnification. Notwithstanding anything in this Section 5.2 to the contrary, the Corporation will not be obligated to make any payment to any indemnitee with respect to any proceeding (i) to the extent that payment is actually made to the indemnitee under any insurance policy, or is made to indemnitee by the Corporation or an affiliate thereof otherwise than pursuant to this Section, (ii) for any expense, liability or loss in connection with a proceeding settled without the Corporation's written consent, which consent, however, must not be unreasonable withheld, (iii) for an accounting of profits made from the purchase or sale by the indemnitee of securities of the Corporation within the meaning of Section 16 (b) of the Securities and Exchange Act of 1934, as amended, or similar provisions of any state statutory or common law, or (iv) where prohibited by applicable law.

(I) Contract. The provisions of this Section 5.2 are a contract between the Corporation and each director and officer who serves in such capacity at any time while such Section 5.2 is in effect, and any repeal or modification of this Section 5.2 will not affect any rights or obligations then existing with respect to any state of facts existing during or before such repeal or modification or any action, lawsuit or proceeding brought before or after such repeal or modification based in whole or in part upon any such state of facts.

(J) Partial Indemnity. If the indemnitee is entitled under any provision of this Section 5.2 to indemnification by the Corporation for some or a portion of the expenses, liabilities or losses incurred in connection with an action, lawsuit or proceeding but not, however, for all of the total amount

thereof, the Corporation will nevertheless indemnify the indemnitee for the portion thereof to which the indemnitee is entitled. Moreover, notwithstanding any other provision of this Section 5.2, to the extent that the indemnitee has been successful on the merits or otherwise in defense of any or all claims relating in whole or in part to an action, lawsuit or proceeding or in defense of any issue or matter therein, including dismissal without prejudice, the indemnitee will be indemnified against all loss, expense and liability incurred in connection with the portion of the action, lawsuit or proceeding with respect to which the indemnitee was successful on the merits or otherwise.

(K) Non-Exclusivity of Rights. The rights to indemnification and to the advancement of expenses conferred in this Section 5.2 will not be exclusive of any other right which any person may have or acquire in the future under any statute, the Certificate of Incorporation, bylaw, agreement, vote of shareholders or disinterested directors or otherwise.

(L) Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the law.

(M) Indemnification of Employees and Agents of the Corporation. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses, to any employee or agent of the Corporation to the fullest extent of the provisions of this Section 5.2 with respect to the indemnification and advancement of expenses of directors and officers of the Corporation, or to such lesser extent as may be determined by the Board of Directors.

(N) Notice by Indemnitee and Defense of Claim. The indemnitee must promptly notify the Corporation in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any matter, whether civil, criminal, administrative or investigative. The omission so to notify the Corporation will not relieve it from any liability which it may have to the indemnitee if such omission does not prejudice the Corporation's right. If such omission does prejudice the Corporation's rights, the Corporation will be relieved from liability only to the extent of such prejudice; nor will such omission relieve the Corporation from any liability which it may have to the indemnitee otherwise than under this Section 5.2. With respect to any actions, lawsuits or proceedings as to which the indemnitee notifies the Corporation of the commencement thereof:

(1) The Corporation will be entitled to participate therein at its own expense; and

(2) The Corporation will be entitled to assume the defense thereof, with counsel reasonably satisfactory to the indemnitee; provided, however, that the Corporation will not be entitled to assume the defense of any proceeding (and this Section 5.2 (I) will be inapplicable to such proceeding) if

the indemnitee will have concluded reasonably that there may be a conflict of interest between the Corporation and the indemnitee with respect to such action, lawsuit or proceeding. After notice from the Corporation to the indemnitee of its election to assume the defense thereof, the Corporation will not be liable to the indemnitee under this Section 5.2 for any expenses subsequently incurred by the indemnitee in connection with the defense thereof, other than reasonable costs of investigation or as otherwise provided below. The indemnitee will have the right to employ its own counsel in such proceeding but the fees and expenses of such counsel incurred after notice from the Corporation of its assumption of the defense thereof will be at the expense of the indemnitee unless:

(i) The employment of counsel by the indemnitee has been authorized by the Corporation in writing; or

(ii) The Corporation has not employed counsel to assume the defense in such proceeding within a reasonable period of time after giving the indemnitee notice of its assumption of the defense or has not assumed such defense and be acting in connection therewith with reasonable diligence; in each of which cases the fees and expenses of such counsel shall be at the expense of the Corporation.

(3) The Corporation will not settle any proceeding in any manner which would impose any penalty or limitation on the indemnitee without the indemnitee's written consent; provided, however, that the indemnitee will not unreasonably withhold his consent to any proposed settlement.

SIXTH: Except as otherwise provided in this Certificate, in furtherance and not in limitation of the powers conferred by statute, the Board of Directors of this Corporation is expressly authorized to make, alter, amend, rescind or repeal the bylaws of the Corporation.

SEVENTH: The name and mailing address of the Incorporator are as follows:

Jerry Fenstermaker  
3058 East Elm Street  
Springfield, Missouri 65802

EIGHTH: The duration of the Corporation shall be perpetual.

NINTH: The stockholders of the corporation shall have no preemptive rights.

STATE OF DELAWARE  
CERTIFICATE OF AMENDMENT  
OF CERTIFICATE OF INCORPORATION

Freedom Financial Group, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation") does hereby certify:

FIRST: That at a meeting of the Board of Directors of the Corporation, resolutions were duly adopted setting forth a proposed amendment of the First Amended and Restated Certificate of Incorporation of the Corporation to increase the number of authorized shares of common stock from 19,000,000 to 36,000,000, declaring said amendment to be advisable and directing that the amendment be considered at the next annual meeting of the stockholders. The resolution setting forth the proposed amendment is as follows:

RESOLVED, that the Certificate of Incorporation of this corporation be amended by changing Section 4.1 of Article FOURTH so that, as amended, said Section 4.1 shall be and read as follows:

4.1 The Corporation shall have authority to issue 36,000,000 shares of common stock, with a par value of \$.0001 per share (the "Common Stock"). The shares of Common Stock may be issued for cash, services, property or in exchange for a claim against, an interest in, or a claim for an administrative expense in the Case pursuant to the Plan, upon such conditions or terms as may be determined by the Board of Directors who shall have full power and authority to fix the value of the property or services for which shares may be issued and whose calculations shall be conclusive, and the shares so issued shall be fully paid and non-assessable. Notwithstanding anything herein to the contrary, 9,000,000 shares of the authorized Common Stock shall be reserved pursuant to Section 4.4 D (7).

SECOND: That thereafter, the annual meeting of the stockholders of the Corporation was duly called and held upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware, at which meeting the necessary number of shares as required by statute were voted in favor of the amendment.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

FOURTH: That the capital of the Corporation shall not be reduced under or by reason of said amendment.

IN WITNESS WHEREOF, the Corporation has caused this certificate to be signed this 26th day of April, 2005.

By: /s/ Jerald L. Fenstermaker

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Jerald L. Fenstermaker, President & CEO

BYLAWS OF  
FREEDOM FINANCIAL GROUP, INC.

Freedom Financial Group, Inc., (the "Corporation") was formed pursuant to the Trustee's Amended Plan of Reorganization of Stevens Financial Group, Inc., filed with the United States Bankruptcy Court for the District of Arizona on October 30, 2001, as amended and corrected (the "Plan"), as the reorganized debtor of Stevens Financial Group, Inc., Case No. 01-03105- ECF-RTB, filed March 19, 2001 (the "Case"). These bylaws have been duly adopted by the Corporation. If anything herein is deemed to conflict with any provisions of the Plan, the Plan shall control.

1. OFFICES

1.1 Registered Office. The registered office of the Corporation is The Corporation Trust Company, 1209 Orange Street, in the City of Wilmington, County of New Castle, State of Delaware, 19801.

1.2 Other Offices. The Corporation also may have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

2. STOCKHOLDERS

2.1 Shareholder Meetings.

(a) Time and Place of Meetings. Meetings of the stockholders shall be held at such times and places, either within or without the State of Delaware, as may from time to time be fixed by the Board of Directors and stated in the notices or waivers of notice of such meetings.

(b) Annual Meeting. Annual meetings of stockholders shall be held on the first Tuesday in the month of April or when otherwise designated by the Board of Directors. If a meeting date falls on a legal holiday, then the meeting shall be held on the next secular day following, or at such other date and time as may be set and stated in the notice of the meeting. At the annual meeting, stockholders shall elect a board of directors and transact such other business as properly may be brought before the annual meeting.

(c) Special Meetings. Special meetings of the stockholders of the Corporation for any purpose or purposes may be called at any time only by the President, or the Board of Directors pursuant to a resolution approved by a majority of the whole Board of Directors, or at the request in writing of stockholders owning at least 10% of the capital stock issued and outstanding and entitled to vote. Business transacted at any special meeting of the stockholders shall be limited to the purposes stated in the notice of such meeting.

(d) Notice of Meetings. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, written notice of each meeting of the stockholders must be given not less than 10 days nor more than 60 days before the date of such meeting to each shareholder entitled to vote at the meeting, directed to such shareholder's address as it appears on the books of the Corporation, such notice to specify the place, date, hour and purpose or purposes of such meeting. If mailed, such notice will be deemed to be given when deposited in the United States mail, postage prepaid, addressed to the shareholder at his address as it appears on the stock ledger of the Corporation. When a meeting of the stockholders is adjourned to another time or place, notice need not be given of when and where such adjourned meeting will resume if the time and place of the resumed meeting are announced at the meeting of the stockholders at which the adjournment is taken, unless the adjournment is for more than 30 days or unless after the adjournment a new record date or time is fixed for such adjourned meeting, in which event a notice of such adjourned meeting must be given to each shareholder of record entitled to vote at the adjourned meeting. Notice of the time, place and purpose of any meeting of the stockholders may be waived in writing either before or after such meeting and will be waived by any shareholder by such shareholder's attendance at such meeting in person or by proxy. Any shareholder so waiving notice of a meeting will be bound by the proceedings of that meeting in all respects as if due notice of that meeting had been given.

(e) Quorum. Except as otherwise required by law, the Certificate of Incorporation or these Bylaws, the holders of not less than a majority of the shares entitled to vote at any meeting of the stockholders, present in person or by proxy, will constitute a quorum and the affirmative vote of the majority of such quorum will be deemed the act of the stockholders. If a quorum fails to attend any meeting of the stockholders, the presiding officer of such meeting may adjourn such meeting from time to time to another place, date or time, until a quorum is present or represented. At such a previously adjourned meeting which is resumed and at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting of the stockholders as originally noticed. The foregoing notwithstanding, if a notice of any adjourned special meeting of the stockholders is sent to all stockholders entitled to vote at such meeting which states that such adjourned special meeting will be held with those present in person or by proxy constituting a quorum, then, except as otherwise required by law, those present at such adjourned special meeting of the stockholders will constitute a quorum and all matters will be determined by a majority of the votes cast at such special meeting.

2.2 Determination of Stockholders Entitled to Notice and to Vote. To determine the stockholders entitled to notice of any meeting of the stockholders or to vote at such meeting, the Board of Directors may fix in advance a record date as provided in Section 7.1 of these Bylaws, or if no record date is fixed by the Board of Directors, a record date will be the day before notice is sent.

### 2.3 Voting.

(a) Except as otherwise required by law, the Certificate of

Incorporation or these Bylaws, each shareholder present in person or by proxy at a meeting of the stockholders will be entitled to one vote for each full share of stock registered in the name of such shareholder on the record date fixed by the Board of Directors, these Bylaws or by law of the determination of stockholders entitled to vote at such meeting.

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(b) Every shareholder entitled to vote at a meeting of the stockholders may do so either (i) in person or (ii) by one or more agents authorized by a written proxy executed by the shareholder or such shareholder's duly authorized agent, whether by manual signature, typewriting, fax or otherwise as permitted by law. No proxy shall be voted on after three years from its date, unless the proxy provides for a longer period.

(c) Voting may be by voice or by ballot, as the presiding officer of the meeting of the stockholders determines in his sole discretion. On a vote by ballot, each ballot must be signed by the shareholder voting, or by such shareholder's proxy, and must state the number of shares voted.

(d) In advance of or at any meeting of the stockholders, the Chairman of the Board or President may appoint one or more persons as inspectors of election (the "Inspectors") to act at such meeting. Such Inspectors will take charge of the ballots at such meeting. After the balloting on any question, the Inspectors will count the ballots cast and make a written report to the secretary of such meeting or the results. Subject to the direction of the presiding officer of the meeting, the duties of such Inspectors may further include without limitation: determining the number of shares outstanding and the voting power of each; the shares represented at the meeting; the existence of a quorum; the authenticity, validity, and effect of proxies; receiving votes, ballots, or consents; hearing and determining all challenges and questions in any way arising in connection with the right to vote; counting and tabulating all votes of consents and determining when the polls shall close; determining the result; and doing such acts as may be proper to conduct the election or vote with fairness to all stockholders. An Inspector need not be a shareholder, officer or director of the Corporation. Any officer of the Corporation may be appointed as an Inspector on any question other than a vote for or against such officer's election to any position with the Corporation or on any other questions in which such officer may be directly interested. If there are three or more Inspectors, the determination, report or certificate of a majority of such Inspectors will be effective as if unanimously made by all Inspectors.

2.4 List of Stockholders. The officer who has charge of the stock ledger of the Corporation will prepare and make available, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at it, arranged in alphabetical order, showing the address and the number of shares registered in the name of each such shareholder. Such list will be open to the examination of any shareholder, for any purpose germane to such meeting, either at a place within the city where such meeting is to be held and which place must be specified in the notice of such meeting, or, if not so

specified, at the place where such meeting is to be held. The list also must be produced and kept at the time and place of the meeting of the stockholders during the whole time thereof, and may be inspected by any shareholder who is present.

2.5 Action by Consent of Stockholders. Any action that can be taken at any annual or special meeting of the Stockholders of the Corporation may be taken without a meeting, prior notice or a vote if a consent or consents in writing setting forth the action so taken is signed by the stockholders holding the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote on such action were present and voted. The Secretary of the Corporation will record such written consent in the Minute Book of the Corporation under its proper date and to deliver such written consent to the Corporation's registered office.

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2.6 Conduct of Meetings. The presiding officer of the meeting will have full and complete authority to determine the agenda, to set the procedures and order the conduct of meetings, all as deemed appropriate by such person in his sole discretion with due regard to the orderly conduct of business.

2.7 Notice of Agenda Matters. If a shareholder wishes to present to the Chairman of the Board or the President an item for consideration as an agenda item for a meeting of stockholders, he must give timely notice to the Secretary of the Corporation and give a brief description of the business desired to be brought before the meeting. To be timely, a shareholder's notice must be delivered to or mailed and received at the principal executive offices of the Corporation, not less than 60 days nor more than 90 days prior to the meeting; provided, however, that in the event that less than 70 days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the shareholder to be timely must be so received not later than the close of business on the fifteenth day following the date on which such notice of the date of the meeting was mailed or such public disclosure was made and provided further that any other time period necessary to comply with federal proxy solicitation rules or other regulations shall be deemed to be timely.

## 3. BOARD OF DIRECTORS

3.1 General Powers. Unless otherwise restricted by law, the Certificate of Incorporation or these Bylaws as to action which shall be authorized or approved by the stockholders, and subject to the duties of directors as prescribed by these Bylaws, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be controlled by, the Board of Directors.

### 3.2 Election of Directors.

(a) Number, Qualification and Term of Office. The authorized number of directors of the Corporation shall be fixed from time to time by the Board of

Directors, but will not be less than one nor more than seven. The exact number of directors shall be determined from time to time by a resolution duly adopted by a majority of the whole Board of Directors. Directors need not be stockholders and may succeed themselves. The directors shall have a one year term of office.

(b) Resignation. Any director may resign from the Board of Directors at any time by giving written notice to the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein, or if the time when such resignation shall become effective shall not be so specified, then such resignation shall take effect immediately upon its receipt by the Secretary; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

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(c) Nomination of Directors. Candidates for director of the Corporation shall be nominated only either by:

(i) the Board of Directors or a committee appointed by the Board of Directors, or

(ii) nomination at any stockholders' meeting by or on behalf of any shareholder entitled to vote at it; provided, that written notice of such shareholder's intent to make such nomination or nominations must be given, either by personal delivery or by United States certified mail, postage prepaid, to the Secretary of the Corporation not later than (1) with respect to an election to be held at an annual meeting of the stockholders, 20 days in advance of such annual meeting, and (2) with respect to an election to be held at a special meeting of the stockholders for the election of directors, the close of business on the 15th day following the date on which notice of such special meeting is first given to the stockholders entitled to vote at it. Each such notice by a shareholder must set forth: (1) the name and address of the (A) shareholder who intends to make the nomination and (B) person or persons to be nominated; (2) a representation that the shareholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (3) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (4) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy or information statement filed with the Securities and Exchange Commission pursuant to the proxy rules promulgated under the Securities Exchange Act of 1934, as amended, or any successor statute thereto, had the nominee been nominated, or intended to be nominated, by the Board of Directors; and (5) the manually signed consent of each nominee to serve as a director of the Corporation if so elected. The presiding officer of the meeting of the stockholders may refuse to acknowledge the nominee of any person not made in compliance with the foregoing procedure.

(d) Vacancies. Vacancies and new directorships resulting from an increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by the sole remaining director. Directors chosen as described in this Section 3.2(d) will hold office until their successors are duly elected at the annual meeting and qualified. If no directors are in office, an election may be held as provided by statute.

### 3.3 Meetings of the Board of Directors.

(a) Regular Meetings. Regular meetings of the Board of Directors will be held without call at the following times:

(i) at such times as the Board of Directors may from time to time by resolution determine; and

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(ii) one-half hour prior to any special meeting of the stockholders and immediately following the adjournment of any annual or special meeting of the stockholders. Notice of all such regular meetings hereby is dispensed with.

(b) Special Meetings. Special meetings of the Board of Directors may be called by the Chairman, the President, or the Board of Directors pursuant to a resolution approved by a majority of the whole Board of Directors. Notice of the time and place of special meetings of the Board of Directors will be given by the Secretary or an Assistant Secretary of the Corporation, or by any other officer authorized by the Board of Directors. Such notice will be given to each director personally or by mail, messenger, telephone or fax at such director's business or residence address. Notice by mail must be deposited in the United States mail, postage prepaid, not later than the fifth day prior to the date fixed for such special meeting. Notice by telephone or fax must be sent, and notice given personally or by messenger must be delivered, at least 24 hours prior to the time set for such special meeting. Notice of a special meeting of the Board of Directors need not contain a statement of the purpose of such special meeting.

(c) Adjourned Meetings. A majority of directors present at any regular or special meeting of the Board of Directors or any committee thereof, whether or not constituting a quorum, may adjourn any meeting from time to time until a quorum is present or otherwise. Notice of the time and place of resuming any adjourned meeting will not be required if the time and place are fixed during the meeting before it is adjourned.

(d) Place of Meetings. Meetings of the Board of Directors, both regular and special, may be held either within or without the State of Delaware.

(e) Participation by Telephone or Video Conference. Members of the

Board of Directors or any committee of it may participate in any meeting of the Board of Directors or committee through the use of conference telephone, video or similar communications equipment. So long as all members participating in such meeting can hear and speak to one another, such participation will constitute presence in person at such meeting.

(f) Quorum. At all meetings of the Board of Directors or any committee of it, a majority of the total number of directors of the entire then authorized Board of Directors or such committee will constitute a quorum for the transaction of business. The act of a majority of the directors present at any such meeting at which there is a quorum will be the act of the Board of Directors or any committee, except as may be otherwise specifically provided by law, the Certificate of Incorporation or these Bylaws. A meeting of the Board of Directors or any committee at which a quorum initially is present may continue to transact business notwithstanding the withdrawal of directors so long as any action is approved by at least a majority of the required quorum for such meeting.

(g) Waiver of Notice. The transactions of any meeting of the Board of Directors or any committee of it, however called and noticed or wherever held, will be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present and if, either before or after the meeting, each of the directors not present signs a written waiver of notice, a consent to hold such meeting, or an approval of the minutes of it. All such waivers, consents or approvals must be filed with the corporate records or made a part of the minutes of the meeting.

3.4 Action Without Meeting. Any action required or permitted to be taken by the Board of Directors at any meeting or at any meeting of a committee may be taken without a meeting if all members of the Board of Directors or such committee consent in writing and the writing or writings are filed with the minutes of the proceedings of the Board of Directors or such committee.

3.5 Compensation of Directors. Unless otherwise restricted by law, the Certificate of Incorporation or these Bylaws, the Board of Directors have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors, a stated salary as director or other compensation (i.e., stock options). No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of committees of the Board of Directors may be allowed like compensation for attending committee meetings.

### 3.6 Committees of the Board.

(a) Committees. The Board of Directors may, by resolution adopted by a majority of the Board of Directors, designate one or more committees of the

Board of Directors, each committee to consist of one or more directors. Each such committee, to the extent permitted by law, the Certificate of Incorporation and these Bylaws, will have and may exercise such of the powers of the Board of Directors in the management and affairs of the Corporation as may be prescribed by the resolutions creating such committee. Such committee or committees will have such name or names as may be determined from time to time by resolution adopted by the Board of Directors. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or members of such committee who are present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. The Board of Directors has the power, at any time for any reason, to change the members of any such committee, to fill vacancies, and to discontinue any such committee.

(b) Minutes of Meetings. Each committee must keep regular minutes of its meetings and report the same to the Board of Directors when required.

(c) Executive Committee. There may be an Executive Committee consisting of at least two members of the Board of Directors elected by the Board. Members of the Executive Committee will serve at the pleasure of the Board of Directors and each member of the Executive Committee may be removed with or without cause at any time by the Board of Directors. Vacancies will be filled by the Board of Directors. The Executive Committee may exercise the powers of the Board of Directors and the management of the business and affairs of the corporation, but will not possess any authority prohibited to it by law.

3.7 Interested Directors. In addition to the statutory and corporate common law of the State of Delaware, no contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, will be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee of it which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose if (i) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders;

or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee of it or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

#### 4. OFFICERS

##### 4.1 Officers.

(a) Number. The officers of the Corporation will be chosen by the Board of Directors and may include a Chairman of the Board of Directors (who must be a director as chosen by the Board of Directors) and will include a President, a Treasurer, and a Secretary. The Board of Directors also may appoint one or more Vice Presidents, Assistant Secretaries or Assistant Treasurers and such other officers and agents with such powers and duties as it deems necessary. Any Vice President may be given such specific designation as may be determined from time to time by the Board of Directors. Any number of offices may be held by the same person, and unless otherwise required by law, the Certificate of Incorporation or these Bylaws. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

(b) Election and Term of Office. The officers will be elected annually by the Board of Directors at its regular meeting following the annual meeting of the stockholders and each officer will hold office until the next annual election of officers and until such officer's successor is elected and qualified, or until such officer's death, resignation or removal. Any officer may be removed at any time, with or without cause, by a vote of the majority of the whole Board of Directors. Any vacancy occurring in any office may be filled by the Board of Directors.

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(c) Salaries. The salaries of all officers of the Corporation will be fixed by the Board of Directors or a committee of it from time to time.

4.2 Chairman of the Board of Directors. The Chairman of the Board of Directors, if there be a Chairman, will preside at all meetings of the stockholders and the Board of Directors and will have such other power and authority as may from time to time be assigned by the Board of Directors.

4.3 President. The President will be the chief executive officer of the Corporation, will preside at all meetings of the stockholders and the Board of Directors (if a Chairman of the Board has not been elected), and will see that all orders and resolutions of the Board of Directors are carried into effect. Subject to the provisions of these Bylaws and to the direction of the Board of Directors, the President will have the general and active management of the business of the Corporation, may execute all contracts and any mortgages, conveyances or other legal instruments in the name of and on behalf of the

Corporation, but this provision does not prohibit the delegation of such powers by the Board of Directors to some other officer, agent or attorney-in-fact of the Corporation.

4.4 Vice Presidents. In the absence or disability of the President, the Vice Presidents in order of their rank as fixed by the Board of Directors, or if not ranked, the Vice President designated by the Board of Directors, will perform all the duties of the President, and when so acting will have all the powers of, and be subject to all the restrictions upon, the President. The Vice Presidents will have such other powers and perform such other duties as from time to time may be prescribed for them, respectively, by the Board of Directors or these Bylaws.

4.5 Secretary and Assistant Secretaries. The Secretary will record or cause to be recorded, in books provided for the purpose, minutes of the meetings of the stockholders, the Board of Directors and all committees of the Board of Directors; see that all notices are duly given in accordance with the provisions of these Bylaws as required by law; be custodian of all corporate records (other than financial) and of the seal of the Corporation, and have authority to affix the seal to all documents requiring it and attest to the same; give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors; and, in general, will perform all duties incident to the office of Secretary and such other duties as may, from time to time, be assigned to him by the Board of Directors or by the President. At the request of the Secretary, or in the Secretary's absence or disability, any Assistant Secretary will perform any of the duties of the Secretary and, when so acting, will have all the powers of, and be subject to all the restrictions upon, the Secretary.

4.6 Treasurer and Assistant Treasurers. The Treasurer will keep or cause to be kept the books of account of the Corporation and will render statements of the financial affairs of the Corporation in such form and as often as required by the Board of Directors or the President. The Treasurer, subject to the order of the Board of Directors, will have custody of all funds and securities of the Corporation and will deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. He will disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements. The Treasurer will perform all other duties commonly incident to his office and will perform such other duties and have such other powers as the Board of Directors or the President designates from time to time. At the request of the Treasurer, or in the Treasurer's absence or disability, any Assistant Treasurer may perform any of the duties of the Treasurer and, when so acting, will have all the powers of, and be subject to all the restrictions upon, the Treasurer. Except where by law the signature of the Treasurer is required, each of the Assistant Treasurers will possess the same power as the Treasurer to sign all certificates, contracts, obligations and other instruments of the Corporation.

## 5. INDEMNIFICATION AND INSURANCE

5.1 Right to Indemnification. Subject to the terms and conditions of this Section 5, each officer or director of the Corporation who was or is made a party or witness or is threatened to be made a party or witness to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action or inaction in an official capacity while serving as a director, officer, employee or agent, will be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith and such indemnification will continue as to an indemnitee who has ceased to be a director, officer, employee or agent and will inure to the benefit of the indemnitee's heirs, executors and administrators; provided, however, that, except as provided in this Section 5 with respect to proceedings to enforce rights to indemnification, the Corporation will indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Section will include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the law requires, an advancement of expenses incurred by an indemnitee will be made only upon delivery to the Corporation of an undertaking in the form then required by the law (if any), by or on behalf of such indemnitee, with respect to the repayment of amounts so advanced (hereinafter an "undertaking").

5.2 Right of Indemnitee to Bring Suit. If a claim from an indemnitee under Section 5.1 is not paid in full by the Corporation within sixty days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period will be 20 days, the indemnitee may at any time thereafter bring a lawsuit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such lawsuit or in a lawsuit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee will be entitled to be paid also the expenses of prosecuting or defending such lawsuit. In (i) any lawsuit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a lawsuit brought by the

indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) any lawsuit by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking the Corporation will be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met the applicable standard of conduct set forth in the law. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such lawsuit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel or its stockholders) that the indemnitee has not met such applicable standard of conduct, will create a presumption that the indemnitee has not met the applicable standard or conduct or, in the case of such a lawsuit brought by the indemnitee, be a defense to such lawsuit. In any lawsuit brought by the indemnitee to enforce a right hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified or to such advancement of expenses under this Section or otherwise will be on the Corporation.

5.3 Specific Limitations on Indemnification. Notwithstanding anything in this Section to the contrary, the Corporation will not be obligated to make any payment to any indemnitee with respect to any proceeding (i) to the extent that payment is actually made to the indemnitee under any insurance policy, or is made to indemnitee by the Corporation or an affiliate thereof otherwise than pursuant to this Section, (ii) for any expense, liability or loss in connection with a proceeding settled without the Corporation's written consent, which consent, however, must not be unreasonably withheld, (iii) for an accounting of profits made from the purchase or sale by the indemnitee of securities of the Corporation within the meaning of Section 16(b) of the Securities Exchange Act of 1934, as amended, or similar provisions of any state statutory or common law, or (iv) where prohibited by applicable law.

5.4 Contract. The provisions of this Section are a contract between the Corporation and each director and officer who serves in such capacity at any time while such Section is in effect, and any repeal or modification of this Section will not affect any rights or obligations then existing with respect to any state of facts existing during or before such repeal or modification or any action, lawsuit or proceeding brought before or after such repeal or modification based in whole or in part upon any such state of facts.

5.5 Partial Indemnity. If the indemnitee is entitled under any provision of this Section to indemnification by the Corporation for some or a portion of the expenses, liabilities or losses incurred in connection with an action, lawsuit or proceeding but not, however, for all of the total amount thereof, the Corporation will nevertheless indemnify the indemnitee for the portion thereof

to which the indemnitee is entitled. Moreover, notwithstanding any other provision of this Section, to the extent that the indemnitee has been successful on the merits or otherwise in defense of any or all claims relating in whole or in part to an action, lawsuit or proceeding or in defense of any issue or matter therein, including dismissal without prejudice, the indemnitee will be indemnified against all loss, expense and liability incurred in connection with the portion of the action, lawsuit or proceeding with respect to which the indemnitee was successful on the merits or otherwise.

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5.6 Non-Exclusivity of Rights. The rights to indemnification and to the advancement of expenses conferred in this Section will not be exclusive of any other right which any person may have or acquire in the future under any statute, the Certificate of Incorporation, bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

5.7 Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the law.

5.8 Indemnification of Employees and Agents of the Corporation. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses, to any employee or agent of the Corporation to the fullest extent of the provisions of this Section with respect to the indemnification and advancement of expenses of directors and officers of the Corporation, or to such lesser extent as may be determined by the Board of Directors.

5.9 Notice by Indemnitee and Defense of Claim. The indemnitee must promptly notify the Corporation in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any matter, whether civil, criminal, administrative or investigative. The omission so to notify the Corporation will not relieve it from any liability which it may have to the indemnitee if such omission does not prejudice the Corporation's rights. If such omission does prejudice the Corporation's rights, the Corporation will be relieved from liability only to the extent of such prejudice; nor will such omission relieve the Corporation from any liability which it may have to the indemnitee otherwise than under these Sections. With respect to any actions, lawsuits or proceedings as to which the indemnitee notifies the Corporation of the commencement thereof:

(a) The Corporation will be entitled to participate therein at its own expense; and

(b) The Corporation will be entitled to assume the defense thereof, with counsel reasonably satisfactory to the indemnitee; provided, however, that

the Corporation will not be entitled to assume the defense of any proceeding (and this Section 5.9 will be inapplicable to such proceeding) if the indemnitee will have concluded reasonably that there may be a conflict of interest between the Corporation and the indemnitee with respect to such action, lawsuit or proceeding. After notice from the Corporation to the indemnitee of its election to assume the defense thereof, the Corporation will not be liable to the indemnitee under this Section for any expenses subsequently incurred by the indemnitee in connection with the defense thereof, other than reasonable costs of investigation or as otherwise provided below. The indemnitee will have the right to employ its own counsel in such proceeding but the fees and expenses of such counsel incurred after notice from the Corporation of its assumption of the defense thereof will be at the expense of the indemnitee unless:

(i) The employment of counsel by the indemnitee has been authorized by the Corporation in writing; or

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(ii) The Corporation has not employed counsel to assume the defense in such proceeding within a reasonable period of time after giving the indemnitee notice of its assumption of the defense or has not assumed such defense and be acting in connection therewith with reasonable diligence;

in each of which cases the fees and expenses of such counsel shall be at the expense of the Corporation.

(c) The Corporation will not settle any proceeding in any manner which would impose any penalty or limitation on the indemnitee without the indemnitee's written consent; provided, however, that the indemnitee will not unreasonably withhold his consent to any proposed settlement.

## 6. CERTIFICATES FOR SHARES AND THEIR TRANSFER

6.1 Certificates for Shares. Unless otherwise provided by a resolution of the Board of Directors, the shares of the Corporation will be represented by a certificate. The certificates of stock of the Corporation will be numbered and entered in the books of the Corporation as they are issued. They will exhibit the holder's name and Humber of shares and will be signed by or in the name of the Corporation by (a) the Chairman of the Board of Directors, the President or any Vice President and (b) the Treasurer, any Assistant Treasurer, the Secretary or any Assistant Secretary. Any or all of the signatures on a certificate may be facsimile. In case any officer of the Corporation, transfer agent or registrar who has signed, or whose facsimile signature has been placed upon such certificate, will have ceased to be such officer, transfer agent or registrar before such certificate is issued, such certificate may nevertheless be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issuance.

### 6.2 Classes of Stock.

(a) If the Corporation is authorized to issue more than one class of stock or more than one series of any class, the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualification, limitations, or restrictions of such preferences or rights will be set forth in full or summarized on the face or back of the certificate that the Corporation issues to represent such class or series of stock; provided, that, in lieu of the foregoing requirements, there may be set forth on the face or back of the certificate that the Corporation will issue to represent such class or series of stock, a statement that the Corporation will furnish without charge to each shareholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences or rights.

(b) Within a reasonable time after the issuance or transfer of uncertificated stock, the Corporation will send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to applicable law or a statement that the Corporation will furnish without charge to each shareholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences or rights.

6.3 Transfer. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignation or authority to transfer, the Corporation will issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books. Upon receipt of proper transfer instructions from the registered owner of uncertificated shares, such uncertificated shares will be canceled, issuance of new equivalent uncertificated shares or certificated shares will be made to the person entitled thereto and the transaction will be recorded upon the books of the Corporation.

6.4 Record Owner. The Corporation is entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof, and, accordingly, will not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person, whether or not it will have express or other notice thereof, save as expressly provided by the laws of the State of Delaware.

6.5 Lost Certificates. The Board of Directors may direct a new certificate or certificates or uncertificated shares to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit, in form and substance acceptable to the Corporation, of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such

issuance of a new certificate or certificates or uncertificated shares, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as the Board of Directors will require and to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

## 7. MISCELLANEOUS

### 7.1 Record Date.

(a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of the stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which will not be more than 70 nor less than 10 days prior to the date of such meeting nor more than 70 days prior to any other action. If not fixed by the Board of Directors, the record date will be determined as provided by law.

(b) A determination of stockholders of record entitled to notice of or to vote at a meeting of the stockholders will apply to any adjournments of the meeting, unless the Board of Directors fixes a new record date for the adjourned meeting.

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(c) Holders of stock on the record date fixed by the Board of Directors are entitled to notice and to vote or to receive the dividend, distribution or allotment of rights or to exercise the rights, as the case may be, notwithstanding any transfer of the shares on the books of the Corporation after the record date, except as otherwise provided by agreement or by law, the Certificate of Incorporation or these Bylaws.

7.2 Execution of Instruments. The Board of Directors may, in its discretion, determine the method and designate the signatory officer or officers, or other persons, to execute any corporate instrument or document or to sign the corporate name without limitation, except where otherwise provided by law, the Certificate of Incorporation or these Bylaws. Such designation may be general or confined to specific instances.

7.3 Voting of Securities Owned by the Corporation. All stock and other securities of other corporations held by the Corporation must be voted, and all proxies with respect thereto must be executed, by the person so authorized by resolution of the Board of Directors, or, in the absence of such authorization, by the President.

7.4 Corporate Seal. A corporate seal will not be requisite to the validity

of any instrument executed by or on behalf of the Corporation. If a corporate seal is used, the same will be at the pleasure of the officer affixing seal either (a) a circle having on the circumference thereof the words "Freedom Financial Group, Inc." and in the center "Incorporated - 2001, Delaware," or (b) a seal containing the words "Corporate Seal" in the center of it.

7.5 Construction and Definitions. Unless the context requires otherwise, the general provisions, rules of construction and definitions in the Delaware General Corporation Law and the Certificate of Incorporation will govern the construction of these Bylaws.

7.6 Amendments. These Bylaws may be altered, amended or repealed by a majority vote of the Board of Directors or the stockholders.

FREEDOM FINANCIAL GROUP, INC.

RESOLUTION TO AMEND THE BYLAWS

WHEREAS, the Board of Directors finds it to be in the best interests of Freedom Financial Group, Inc. (the "Company") to divide the Board of Directors into three substantially equal classes of directors to serve three-year staggered terms.

WHEREAS, in accordance with Section 7.6 of the Company's Bylaws, the Bylaws may be amended by a majority vote of the Board of Directors.

RESOLVED, that the Company's Bylaws be amended as follows:

Section 3.2(a) is deleted in its entirety and replaced with the following:

(a) Number, Qualification and Term of Office. The number of directors of the corporation shall be fixed from time to time by the Board of Directors, but will be no less than three (3) and no more than seven (7). The exact number of directors shall be determined from time to time by a resolution duly adopted by a majority of the whole Board of Directors. Directors need not be stockholders. At the 2004 annual meeting of the stockholders, the stockholders shall elect directors who shall be divided into three (3) substantially equal classes: Class I, Class II, and Class III. Each Class shall be elected for an initial term as follows: Class I - one year; Class II - two years; Class III - three years. After the initial terms, each Class shall be elected to three-year terms, and only one Class will be voted upon by the stockholders at each annual meeting of the stockholders.

AMENDED AND RESTATED TRUST AGREEMENT  
OF FREEDOM FINANCIAL GROUP I STATUTORY TRUST

among

FREEDOM FINANCIAL GROUP, INC.,

CHRISTIANA BANK & TRUST COMPANY

as Delaware Trustee

and

VERN SCHWEIGERT

as Regular Trustee

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AMENDED AND RESTATED TRUST AGREEMENT  
OF FREEDOM FINANCIAL GROUP I STATUTORY  
TRUST

This Amended and Restated Trust Agreement is entered into as of the Effective Date by and among Christiana Bank & Trust Company, a Delaware banking corporation, solely in its capacity as the Delaware Trustee hereunder, Vern Schweigert, an individual solely in his or her capacity as Regular Trustee hereunder, and Freedom Financial Group, Inc., a Delaware corporation. Each of Freedom Financial Group, Inc. and the Trustees may be referred to herein as a "Party" or collectively as the "Parties." Unless otherwise stated, all capitalized terms shall have the meanings set forth in Article I below.

RECITALS

WHEREAS, the Trust was initially formed on December 16, 2002 by the execution by the Delaware Trustee of a Trust Agreement (the "Initial Trust Agreement") and the filing with the Delaware State Office of the Certificate of Trust;

WHEREAS, the Trust was formed for the purpose of implementing certain transactions contemplated by the Trustee's Plan of Reorganization;

WHEREAS, the Trustee's Plan of Reorganization contemplates that the Trust will be established for the benefit of the Participating Creditors to hold as of the Effective Date 9,000,000 shares of Preferred Stock; and

WHEREAS, the Parties desire to enter into this Trust Agreement to amend and restate in its entirety the Initial Trust Agreement and to provide for the establishment and operation of the Trust as the Preferred Stock Trust contemplated by the Trustee's Plan of Reorganization.

NOW, THEREFORE, in consideration of the mutual covenants and

understandings contained herein, and subject to and on the terms and conditions herein set forth, the Parties hereby amend and restate in its entirety the Initial Trust Agreement and hereby agree as follows:

## ARTICLE I

### DEFINITIONS

#### 1.1 Definitions.

(a) As used herein, capitalized terms shall have the meaning set forth below unless otherwise stated:

"Administrative Expenses" shall have the meaning set forth in Section 4.7(c) hereof.

"Administrative Expense Reserve" shall have the meaning set forth in Section 4.7(c) hereof.

"Beneficial Owner" shall mean, as of the Effective Date, each Person who is a Participating Creditor in respect of its Shares and, after the Effective Date, each such Person who continues to hold Shares and each Person to whom Shares have been Transferred in accordance with all terms and restrictions hereof.

"Certificate of Trust" shall mean the Trust's certificate of trust as filed with the Delaware State Office on December 16, 2002 and any amendments, restatements or corrections thereto.

"Chapter 11 Trustee" shall mean Vern Schweigert, solely in his capacity as Chapter 11 Trustee in the Reorganization Case, and any permitted successor or assign.

"Committee Member" shall have the meaning set forth in Section 5.1 hereof.

"Delaware Act" shall mean the Delaware Statutory Trust Act, Chapter 38 of Title 12 of the Delaware Code, and any successor statute, each as amended from time to time.

"Delaware State Office" shall mean the office of the Secretary of State of the State of Delaware.

"Delaware Trustee" shall mean Christiana Bank & Trust Company, solely in its capacity as Delaware Trustee hereunder, and any permitted successor or assign.

"Distributable Cash" shall mean all cash received by the Trust in respect of the Preferred Stock or any other Trust Asset whether sales proceeds,

dividends or other distributions, redemption proceeds, liquidation preferences or otherwise.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974 and any successor statute, each as amended from time to time.

"Expenses" shall have the meaning set forth in Section 4.8(d) hereof.

"IRC" shall mean the Internal Revenue Code of 1986 and any successor statute, each as amended from time to time.

"Indemnified Persons" shall have the meaning set forth in Section 4.8(d) hereof.

"Initial Distribution Month" shall have the meaning set forth in Section 3.3(b) hereof.

"Initial Trust Agreement" shall have the meaning set forth in the preamble hereto.

"Investment Company Act" shall mean the Investment Company Act of 1940 and any successor statute, each as amended from time to time.

"Party" or "Parties" shall have the meaning set forth in the preamble hereto.

"Person" shall mean an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, any other business entity, or a governmental entity (or any department, agency, or political subdivision thereof).

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"Preferred Stock" shall mean the preferred stock of Freedom Financial Group to be issued pursuant to the Trustee's Plan of Reorganization and held by the Trust for the benefit of the Beneficial Owners.

"Regular Trustee" shall mean Vern Schweigert, solely in his or her capacity as Regular Trustee hereunder, and any permitted successor or assign.

"Securities Act" shall mean the Securities Act of 1933 and any successor statute, each amended from time to time.

"Shares" shall mean the shares of beneficial interest into which the beneficial interest in the Trust shall be divided and includes fractions of Shares as well as whole Shares.

"Transfer" shall mean, when used as a noun, any sale, assignment or other transfer and, when used as a verb, to sell, assign or otherwise transfer

and, in each case, includes a transfer by operation of law.

"Treasury Regulations" shall mean the regulations adopted by the U.S. Department of the Treasury under the IRC as in effect from time to time.

"Trust" shall mean the Delaware statutory trust formed under the Delaware Act by the Initial Trust Agreement and the filing of the Certificate of Trust and continued by this Trust Agreement.

"Trust Agreement" shall mean this Amended and Restated Trust Agreement of the Trust as from time to time amended, supplemented, restated or otherwise modified.

"Trust Assets" shall mean the Preferred Stock held by the Trust and any other property received by the Trust in addition to, in connection with or in exchange therefor and all proceeds of any of the foregoing.

"Trust Certificate" shall mean a certificate issued by the Trust representing Shares of a Beneficial Interest in the Trust substantially in the form attached hereto as Exhibit 3.

"Trustees" shall mean the Regular Trustee and the Delaware Trustee collectively (and "Trustee" shall refer to each individually).

"Trustee's Plan of Reorganization" shall mean the Corrected Trustee's Amended Plan of Reorganization dated October 30, 2001 as approved by the United States Bankruptcy Court for the District of Arizona in Case No. B 01-03105-ECF-RTB, In re: Stevens Financial Group, Inc.

"Trust Supervision Committee" shall have the meaning set forth in Section 5.1 hereof.

(b) Capitalized terms used herein and not herein defined are used as defined in the Trustee's Plan of Reorganization.

## ARTICLE II

### DECLARATION OF TRUST

2.1 Formation of the Trust. The Trust was formed on December 16, 2002 pursuant to the Initial Trust Agreement and upon the filing of the Certificate of Trust with the Delaware State Office. The Trust has been created pursuant to the Trustee's Plan of Reorganization to act as the Preferred Stock Trust to hold the Preferred Stock and any proceeds thereof for the benefit of Participating Creditors and their permitted successors and assigns as the Beneficial Owners of the Trust. It is the intention of the Parties hereto that the Trust be established under and comply with the Delaware Act, and that this document constitute the governing instrument of the Trust. The Regular Trustee may

transact the business and affairs of the Trust in the name "Freedom Financial Group I Statutory Trust."

2.2 Purpose of the Trust. The sole purpose of the Trust is to distribute the Trust Assets to the Beneficial Owners and otherwise hold the Trust Assets as herein set forth, with no objective to engage in the conduct of a trade or business. Specifically, the purpose of the Trust is: (i) to pay amounts to the Beneficial Owners in accordance with the provisions of the Trustee's Plan of Reorganization and this Trust Agreement; and (ii) to otherwise meet the purposes and requirements stated in the Trustee's Plan of Reorganization and this Trust Agreement. In furtherance of this purpose, the Regular Trustee, subject to the direction of the Trust Supervision Committee, is hereby authorized and directed to take all reasonable and necessary actions to hold the Trust Assets and to distribute the Trust Assets as hereinafter set out, in as prompt, efficient and orderly a fashion as possible in accordance with the provisions of the Trustee's Plan of Reorganization and this Trust Agreement.

2.3 Property of the Trust. The Trust shall hold the legal title to the Trust Assets and shall hold such property in trust to be administered and disposed of by it pursuant to the terms of this Trust Agreement and the Trustee's Plan of Reorganization for the benefit of the Beneficial Owners. The Regular Trustee is authorized to make disbursements and payments from the Trust in accordance with this Trust Agreement and the Trustee's Plan of Reorganization.

2.4 Issuance of Preferred Stock. Upon the Effective Date, Freedom Financial Group will issue 9,000,000 shares of Preferred Stock to the Trust which shall constitute the initial Trust Property. Freedom Financial Group shall cooperate and take all such actions as the Regular Trustee may deem reasonably necessary or desirable in order fully to effectuate the issuance of the Preferred Stock to the Trust.

2.5 Acceptance of Conveyance. The Regular Trustee, on behalf of the Trust, is hereby directed to, and the Regular Trustee agrees that it will, accept delivery, on behalf of the Trust, from Freedom Financial Group of the 9,000,000 shares of Preferred Stock constituting the initial Trust Assets.

2.6 Fiscal Year. The Trust's fiscal year shall end on December 31 of each year, unless the Regular Trustee deems it necessary or appropriate to establish some other date on which the fiscal year of the Trust shall end.

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2.7 Office. The principal office of the Trust, and such additional offices as the Regular Trustee may determine to establish, shall be located at such place or places inside or outside the State of Delaware as the Regular Trustee may designate from time to time.

ARTICLE III  
TRUST ADMINISTRATION

### 3.1 Beneficial Owners; Shares.

(a) Only Beneficial Owners shall be entitled to any rights, benefits or payments pursuant to this Trust Agreement. A schedule of Beneficial Owners is attached hereto as Exhibit 1 and, as of the Effective Date, each Beneficial Owner shall be deemed to have the number of Shares set forth opposite his, her or its name on Exhibit 1. Each Participating Creditor by receipt and acceptance of a Trust Certificate or any distributions made hereunder shall be deemed a Beneficial Owner of the Trust in respect of its Shares and shall be bound by the terms and conditions of this Trust Agreement, and each Person who becomes a Beneficial Owner after the Effective Date shall be bound by the terms and conditions of this Trust Agreement.

(b) Ownership of Shares shall entitle the Beneficial Owner thereof to the rights and benefits, subject to the restrictions and limitations, under this Trust Agreement and, except to the extent modified hereby, under the Delaware Act. The Trust shall have nine million (9,000,000) Shares authorized having a par value of \$0.0001 per Share, and all authorized Shares will be issued as of the Effective Date. After the Effective Date, no new Shares will be authorized or issued; provided that Shares may be Transferred and Trust Certificates may be reissued as provided herein.

### 3.2 Trust Certificates.

(a) The Shares of each Beneficial Owner shall be evidenced by a Trust Certificate. Each Trust Certificate shall be executed by any one or more of the Committee Members (or by another person designated by the Trust Supervision Committee).

(b) The Trust shall keep or cause to be kept a register in which, subject to such regulations as the Regular Trustee may adopt, the Trust will provide for the registration of Shares and the registration of Transfers of Shares. The books of the Trust shall be conclusive evidence of the ownership of all Shares. Upon surrender for registration of Transfer of any Trust Certificate, and subject to the further provisions of this Article III and any limitations on Transfer contained elsewhere in this Trust Agreement, the Trust will cause the execution, in the name of the registered holder or the designated transferee, of one or more new Trust Certificates, evidencing the same number of Shares as the Trust Certificate surrendered. Every Trust Certificate surrendered for registration of transfer shall be duly endorsed, or shall be accompanied by a written instrument of transfer in form satisfactory to the Trust duly executed, by the registered holder thereof or such holder's duly authorized attorney. Upon the Transfer of Shares in accordance with the terms hereof, the transferee thereof shall, when such Transfer has been recorded on the books of the Trust, be deemed to be a Beneficial Owner with respect to the

Shares so Transferred. Until Shares are Transferred in accordance with the terms hereof, the registered holder thereof shall be deemed to be the Beneficial Owner of such Shares for all purposes hereunder and neither the Trust, the Regular Trustee nor any Committee Member shall be affected by any notice to the contrary.

(c) The Trust shall issue a new Trust Certificate in the case of any Trust Certificate previously issued if the registered holder of the Trust Certificate (i) makes proof by affidavit, in form and substance satisfactory to the Regular Trustee, that a previously issued Trust Certificate has been lost, destroyed or stolen, (ii) requests the issuance of a new Trust Certificate before the Trust has received notice that the Trust Certificate has been acquired by a purchaser for value in good faith and without notice of an adverse claim, (iii) upon request by the Regular Trustee, delivers to the Trust a bond, in form and substance satisfactory to the Regular Trustee, with such surety or sureties and with fixed or open liability as the Regular Trustee may direct, to indemnify the Trust, as registrar, against any claim that may be made on account of the alleged loss, destruction or theft of the Trust Certificate, and (iv) satisfies any other reasonable requirements imposed by the Regular Trustee.

(d) So long as the Trust shall keep its own register for the registration of Shares and the registration of Transfers of Shares, no service charge shall be made for any registration of transfer or exchange of Trust Certificates, but the Trust may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any Transfer or exchange of Trust Certificates and the Beneficial Owner proposing the Transfer shall be responsible for the costs and expenses referenced in clause (e) below.

(e) No Transfer of any Shares (or any Trust Certificate representing Shares) shall be made unless such Transfer is exempt from the registration requirements of the Securities Act and any applicable state securities laws pursuant to Section 1145 of the United States Bankruptcy Code or otherwise, or is made in accordance with all such requirements of the Securities Act and all such state securities laws. No Transfer of any Shares (or any Trust Certificate representing Shares) shall be made if such proposed Transfer would (i) result in any violation of ERISA, (ii) result in any violation of Section 4975 of the IRC, (iii) cause any Trust Assets to be deemed to be plan assets (as defined in the regulations of the U.S. Department of Labor) or (iv) cause the Trust to be subject to the Investment Company Act. Any Beneficial Owner shall establish to the reasonable satisfaction of the Trust the satisfaction of all conditions and requirements for the Transfer of any Shares (or any Trust Certificate representing any Shares) set forth herein and, without limiting the generality of the foregoing, in connection with any proposed Transfer the Trust may require an opinion of counsel, in form and substance reasonably satisfactory to the Trust and to be paid for by the Beneficial Owner proposing such Transfer. In addition to the foregoing, in connection with any proposed Transfer of any Shares (or any Trust Certificate representing any Shares), the Trust may require evidence from the Beneficial Owner proposing such Transfer that the Transfer will not affect the tax status of the Trust and will not otherwise adversely affect the interests of the Trust or any Beneficial Owner including, without

limitation, as the result of the imposition of any United States federal withholding taxes on the Trust (except to the extent that such withholding taxes would be payable solely from amounts otherwise distributable to the prospective transferee of such Transfer) or otherwise impose any additional legal or regulatory requirements or burdens on any

Beneficial Owner, Trustee, Committee Member or the Trust or any other employee or agent thereof.

### 3.3 Distributions Prior to Dissolution of the Trust.

(a) All distributions by the Trust prior to the dissolution of the Trust shall be made pursuant to this Section 3.3. Distributions by the Trust after the dissolution of the Trust shall be made pursuant to Section 8.2 hereof.

(b) Prior to dissolution of the Trust, all Distributable Cash shall be distributed by the Regular Trustee in accordance with this Section 3.3. The Regular Trustee shall make the first distribution hereunder on the fifth business day of the first month in which the Trust has any material amount (in the judgment of the Trust Supervision Committee) of Distributable Cash (the "Initial Distribution Month"). Thereafter, the Regular Trustee shall make distributions, to the extent of material Distributable Cash (in the judgment of the Trust Supervision Committee), on the fifth business day of each three month anniversary of the Initial Distribution Month. All distributions made pursuant to this Section 3.3 shall be payable to the Persons who were Beneficial Owners of record on the first business day of the month in which such distribution is made and shall be made to such Persons in proportion to the Shares owned by each as a Beneficial Owner as of such day.

(c) Pursuant to Section 4.6 hereof, the Regular Trustee may invest and reinvest cash constituting a part of the Trust Assets, provided that the Regular Trustee shall make all such investments on a short term basis with a view to having the maximum amount of Distributable Cash on hand to make distributions to the Beneficial Owners in accordance with this Section 3.3 and shall liquidate any investments made pursuant to Section 4.6 hereof as necessary to make such distributions.

(d) Notwithstanding anything to the contrary in this Trust Agreement, no distribution shall be made in violation of the Delaware Act or other applicable law.

## ARTICLE IV

### DUTIES AND POWERS OF THE TRUSTEES

#### 4.1 Appointment of the Trustees.

(a) Regular Trustee. There shall be one (1) Regular Trustee. The initial Regular Trustee shall be Vern Schweigert.

(b) Delaware Trustee. So long as required by the Delaware Act, there shall be one (1) Delaware Trustee who or which shall be (i) a natural person who is a resident of the State of Delaware or (ii) if not a natural person, an entity that has its principal place of business in the State of Delaware and otherwise meets the requirements of applicable law. The initial Delaware Trustee shall be Christiana Bank & Trust Company.

4.2 Term of Service. Each Trustee shall serve until the earlier of: (i) its resignation pursuant to Section 4.3(a) hereof (or, in the case of the Delaware Trustee, Section 4.8(f) hereof); (ii) its removal pursuant to Section 4.3(b) hereof; or (iii) the termination of this Trust pursuant to Section 8.1 hereof.

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#### 4.3 Resignation and Removal of Trustee.

(a) Resignation of Trustee. Each Trustee may resign and be discharged from any future obligations and liabilities hereunder by giving written notice thereof to any member of the Trust Supervision Committee at least thirty (30) days prior to the date of resignation set forth in the notice of resignation. Such resignation shall become effective after the day specified in such notice and on the day when a successor Trustee is appointed pursuant to Section 4.3(c) below and the successor Trustee accepts such appointment in writing.

(b) Removal of Trustee. In addition, each Trustee may be removed with or without cause at any time by written notice signed by the Trust Supervision Committee. Upon any such removal, such removed Trustee shall be entitled to any reimbursement and indemnification set forth in this Trust Agreement which remain due and owing to such Trustee at the time of such removal. Such removal shall be effective when a successor Trustee is appointed pursuant to Section 4.3(c) below and the successor Trustee has accepted the appointment in writing.

(c) Appointment of a Successor Trustee. If, at any time, a Trustee gives notice of its intent to resign pursuant to this Section 4.3 or shall be removed or shall become incapable of acting, within thirty (30) days thereafter, the Trust Supervision Committee shall choose and appoint a successor Trustee to act under this Trust Agreement. If a successor Trustee shall not have been appointed within such thirty (30) day period, the Trust Supervision Committee may apply to any court of competent jurisdiction to appoint a successor Trustee to act until such time, if any, that a successor Trustee shall have been appointed as provided above. Any successor Trustee so appointed by such court shall immediately and without further act be superseded by any successor Trustee appointed as provided above.

(d) Acceptance of Appointment by Successor Trustee. Any successor Trustee appointed hereunder shall execute an instrument accepting such appointment hereunder in the form determined by the Trust Supervision Committee.

Thereupon, such successor Trustee shall, without any further act, become vested with all of the estates, properties, rights, powers, trusts and duties of its predecessor in the Trust hereunder with like effect as if originally named herein from that date forward. No successor Trustee shall be liable personally for any act or omission of any predecessor Trustee.

4.4 Powers of the Regular Trustee. Subject to the limitations set forth in this Trust Agreement (including the limitation on the authority of the Regular Trustee to Transfer any shares of Preferred Stock without the express direction of the Trust Supervision Committee), the Regular Trustee shall have the power to take any and all actions that, in the Regular Trustee's judgment and discretion, are necessary and proper to fulfill the purposes of the Trust, and shall include the power:

(a) to receive, hold and administer all the Trust Assets and to have exclusive possession and control thereof for the purposes set forth in Section 2.2 hereof;

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(b) to enter into, perform and exercise rights under contracts binding upon the Trust (but not upon the Regular Trustee in its individual capacity) that are reasonably incident to the administration of the Trust and which the Regular Trustee, in the exercise of its judgment, believes to be in the best interests of the Trust;

(c) to establish and maintain accounts at banks and other financial institutions, in a clearly specified fiduciary capacity, into which any reserves or other cash and property of the Trust may be deposited, and draw checks or make withdrawals from such accounts, and to pay or distribute such amounts of the Trust Assets as permitted or required under the Trustee's Plan of Reorganization or this Trust Agreement;

(d) to employ and compensate attorneys, accountants, appraisers or any successor or other persons whose services may be necessary or advisable in the judgment of the Regular Trustee, to advise or assist the Regular Trustee in the discharge of its duties as Regular Trustee, or otherwise in the exercise of any powers vested in the Regular Trustee, and to pay from the Trust Assets reasonable compensation to such attorneys, accountants, appraisers or other persons;

(e) to collect and receive any income, proceeds of sale, and distributions derived from or relating to the Trust Assets and to distribute the same to the Beneficial Owners in accordance with the terms of the Trustee's Plan of Reorganization and this Trust Agreement;

(f) to pay from the Trust Assets any and all necessary expenses attributable or relating to the management, maintenance, administration, preservation or liquidation of the Trust Assets; and

(g) to sue or be sued in connection with any matter arising from or related to the Trustee's Plan of Reorganization or this Trust Agreement that affects in any way the rights or obligations of the Trust, the Regular Trustee or the Beneficial Owners.

4.5 Reporting Duties of the Regular Trustee. The Regular Trustee shall submit to the Trust Supervision Committee periodic reports relating to the balance of the Trust Assets, payments made to the Beneficial Owners and the Administrative Expenses of the Trust, as the Trust Supervision Committee shall request. The Trust Supervision Committee on behalf of the Beneficial Owners shall have the right to conduct financial audits of the Trust. The Regular Trustee shall prepare, file and mail, or cause to be prepared, filed and mailed any reports, forms or other information or documents that have to be filed with the Securities and Exchange Commission or with any other governmental unit or agency thereof. The Regular Trustee shall prepare and distribute, or cause to be prepared and distributed any other reports or other information the Regular Trustee determines is necessary or appropriate. The right of the Beneficial Owners to receive reports and other information as set forth in this Trust Agreement is in lieu of the right to access information under Section 3819 of the Delaware Act.

4.6 Investment of the Trust Assets; Tax Liability. So long as the Trust exists, the Regular Trustee shall, as it deems appropriate, from time to time, invest and reinvest any cash constituting a part of the Trust Assets in accordance with the investment guidelines attached here as Exhibit 2, subject to the requirement to distribute Trust Assets as herein provided. The

Regular Trustee shall have the right to liquidate any investment held to provide funds necessary to make distributions of the Trust Assets pursuant to this Trust Agreement. The Regular Trustee shall not have any liability for any loss sustained as a result of any investment made pursuant to this Trust Agreement or as a result of any liquidation of any investment prior to its maturity or for electing not to invest or reinvest the Trust Assets. The Trust shall pay from the Trust Assets any and all tax liability arising from the operation of the Trust and shall meet any and all reporting requirements for such investments as provided in Article VII herein. The Regular Trustee shall have the power to exercise all rights with respect to the Trust's investments.

#### 4.7 Administrative Expenses.

(a) Authority to Engage Professionals and Administrative Personnel. The Regular Trustee shall have the power to appoint such officers and hire such employees and engage such legal, financial, accounting, investment, auditing, and other professionals, service providers, or consultants as the business of the Trust may reasonably require, and to delegate to such persons such powers and authorities as the fiduciary duties of the Regular Trustee permit and as the

Regular Trustee, in its reasonable discretion, deems advisable or necessary to carry out the terms of this Trust Agreement. The Delaware Trustee shall be authorized to employ legal counsel, including the firm of Morris, Nichols, Arsht & Tunnell, in connection with performing its services hereunder.

(b) Compensation and Expenses of the Regular Trustee. Any compensation to be received by the Regular Trustee shall be determined by the Trust Supervision Committee. The Trust shall reimburse the Regular Trustee as a part of the Administrative Expenses for all reasonable out-of-pocket costs and expenses incurred by the Regular Trustee in connection with the performance of its duties hereunder.

(c) Administrative Expenses and Payment Thereof. The Regular Trustee shall periodically estimate the funds that are reasonably expected to be necessary to pay administrative expenses incurred or expected to be incurred pursuant to the execution of the Regular Trustee's and the Delaware Trustee's duties ("Administrative Expenses"). Such Administrative Expenses shall include, any compensation of the Regular Trustee, the compensation of the Delaware Trustee and any Trust employees, payment of all professionals and consultants engaged by the Trust, the Regular Trustee or the Delaware Trustee, the reimbursement of reasonable expenses of any Committee Members, and the expenses of operating and administering the Trust. The Regular Trustee shall, from time to time, set aside from the Trust Assets such amounts so determined to be sufficient to pay the Administrative Expenses (the "Administrative Expense Reserve") and shall not use the Administrative Expense Reserve for any other purpose, except as otherwise required by this Trust Agreement. To the extent that the amount of funds in the Administrative Expense Reserve is at any time insufficient, the Regular Trustee shall pay from the Trust Assets all expenses, charges, liabilities and obligations of the Trust, including such debts, liabilities, or obligations as may be payable from the Trust Assets, interest, taxes, assessments, and public charges of every kind and nature, and the costs, charges and expenses in connection with or arising out of the execution or administration of the Trust and the Trust Assets, and such other payments and disbursements as are provided for in the Trustee's Plan of Reorganization or this Trust Agreement or which may be necessary or appropriate charges against the Trust and the Trust Assets, and the Regular Trustee, in its judgment, may, from time

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to time, make provision by reserve or otherwise, out of the Trust Assets, for such amount or amounts as the Regular Trustee in its judgment may determine to be necessary or appropriate to meet or satisfy unascertained, unliquidated or contingent liabilities of the Trust, the Regular Trustee or the Delaware Trustee.

#### 4.8 Delaware Trustee.

(a) The Delaware Trustee is appointed to serve as the trustee of the Trust in the State of Delaware for the sole purpose of satisfying the

requirement of Section 3807 of the Delaware Act that the Trust have at least one trustee with a principal place of business in Delaware. It is understood and agreed by the Parties hereto and each Beneficial Owner that the Delaware Trustee shall have none of the duties or liabilities of any other Trustee of the Trust or any administrator or manager of the Trust or any other person or entity. The duties of the Delaware Trustee shall be limited to (a) accepting legal process served on the Trust in the State of Delaware and (b) the execution of any certificates required to be filed with the Delaware State Office that the Delaware Trustee is required to execute under Section 3811 of the Delaware Act. To the extent that, at law or in equity, the Delaware Trustee has duties (including fiduciary duties) and liabilities relating thereto to the Trust or any Beneficial Owner, it is hereby understood and agreed by the other Parties hereto and all Beneficial Owners that such duties and liabilities are replaced by the duties and liabilities of the Delaware Trustee expressly set forth in this Agreement. The Delaware Trustee shall have no duty or liability with respect to the administration of the Trust, the investment of the Trust Property or the payment of dividends or other distributions of income or principal to the Beneficial Owners.

(b) The Delaware Trustee shall not be liable for the acts or omissions of the Regular Trustee or any administrator or manager of the Trust or any other person or entity, nor shall the Delaware Trustee be liable for supervising or monitoring the performance of the duties and obligations of the Regular Trustee or any administrator or manager of the Trust or the Trust or of any other person or entity under this Agreement or any related document. The Delaware Trustee shall not be personally liable under any circumstances, except for its own willful misconduct. In particular, but not by way of limitation:

(i) The Delaware Trustee shall not be personally liable for any error of judgment made by a responsible officer of the Delaware Trustee in good faith;

(ii) No provision of this Agreement shall require the Delaware Trustee to expend or risk its personal funds or otherwise incur any financial liability in the performance of its rights or powers hereunder;

(iii) Under no circumstance shall the Delaware Trustee be personally liable for any representation, warranty, covenant, agreement, or indebtedness of the Trust;

(iv) The Delaware Trustee shall not be personally responsible for or in respect of the validity or sufficiency of this Trust Agreement or for the due execution hereof by the other Parties;

(v) The Delaware Trustee shall incur no liability to anyone in acting upon any signature, instrument, notice, resolution, request, consent, order, certificate, report,

opinion, bond or other document or paper believed by it to be genuine and believed by it to be signed by the proper party or parties. The Delaware Trustee may accept a certified copy of a resolution of any governing body of any person as conclusive evidence that such resolution has been duly adopted by such person and that the same is in full force and effect. As to any fact or matter the manner of ascertainment of which is not specifically prescribed herein, the Delaware Trustee may for all purposes hereof rely on a certificate, signed by any officer of the party delivering the certificate, as to such fact or matter, and such certificate shall constitute full protection to the Delaware Trustee for any action taken or omitted to be taken by it in good faith in reliance thereon;

(vi) In the exercise or administration of its duties hereunder, the Delaware Trustee (A) may act directly or through agents or attorneys pursuant to agreements entered into with any of them, and the Delaware Trustee shall not be liable for the default or misconduct of such agents or attorneys if such agents or attorneys shall have been selected by the Delaware Trustee in good faith and (B) may consult with counsel, accountants and other skilled persons to be selected in good faith and employed by it, and it shall not be liable for anything done, suffered or omitted in good faith by it in accordance with the advice or opinion of any such counsel, accountants or other skilled persons; and

(vii) In accepting and performing its duties hereunder the Delaware Trustee acts solely as trustee hereunder and not in its individual capacity, and all persons having any claim against the Delaware Trustee or the Trust by reason of the transactions contemplated by this Trust Agreement shall look only to the Trust Property for payment or satisfaction thereof.

(c) The Delaware Trustee shall be paid compensation by the Trust as set forth in a separate fee agreement. In addition, the Trust shall reimburse the Delaware Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Delaware Trustee in accordance with any of the provisions of this Agreement (including, without limitation, the reasonable compensation and the expenses and disbursements of its counsel and agents).

(d) The Trust shall be liable for, and hereby agrees to indemnify, defend and hold harmless the Delaware Trustee and any of the shareholders, officers, directors, employees and agents of the Delaware Trustee (the "Indemnified Persons") from and against, any and all losses, damages, liabilities, claims, actions, suits, costs, expenses, disbursements (including the reasonable fees and expenses of counsel), taxes and penalties of any kind and nature whatsoever (collectively, "Expenses"), to the extent that such Expenses arise out of or are imposed upon or asserted at any time against such Indemnified Persons with respect to the performance of this Agreement, the creation, operation or termination of the Trust or the transactions contemplated hereby; provided, however, that the Trust shall not be required to indemnify any Indemnified Person for any Expenses that are held by a court of competent jurisdiction in a final, nonappealable proceeding to be the result of the willful misconduct or bad faith of such Indemnified Person. As security for any

amounts owing to the Delaware Trustee hereunder, the Delaware Trustee shall have a lien against the Trust Property, which lien shall be prior to the rights of any beneficial owner of the Trust. The obligations of the Trust under this Section shall survive the termination of this Agreement and the resignation or removal of the Delaware Trustee.

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(e) To the fullest extent permitted by law, Expenses to be incurred by an Indemnified Person shall, from time to time, be advanced by, or on behalf of, the Trust prior to the final disposition of any matter upon receipt by the Trust of an undertaking by, or on behalf of, such Indemnified Person to repay such amount if it shall be determined that the Indemnified Person is not entitled to be indemnified hereunder.

(f) Notwithstanding anything to the contrary herein, if any amounts shall be due and owing to the Delaware Trustee hereunder and remain unpaid for more than ninety (90) days, the Delaware Trustee shall immediately be entitled to resign by notice to any member of the Trust Supervision Committee. Such resignation shall not relieve the Trust of any liability or obligation to the Delaware Trustee.

## ARTICLE V

### TRUST SUPERVISION COMMITTEE

5.1 Trust Supervision Committee. There shall be a Trust Supervision Committee, which shall have three (3) members (each, a "Committee Member" and collectively, the "Trust Supervision Committee"). Upon execution of this Trust Agreement, Gary Lipscomb, Jerry Fenstermaker and Vern Schweigert shall be the Committee Members and constitute the Trust Supervision Committee. Immediately following the first annual shareholders meeting of Freedom Financial Group, each member of the Trust Supervision Committee will be subject to removal and replacement by the Board of Directors of Freedom Financial Group and each member of the Trust Supervision Committee shall thereafter serve for a one year term. At the expiration of the one year term of each member of the Trust Supervision Committee, the Board of Directors of Freedom Financial Group will designate the new members of the Trust Supervision Committee, provided that if designated by the Board of Directors of Freedom Financial Group, a member of the Trust Supervision Committee may serve for more than one consecutive one-year term. The resignation, removal, incapacity or death of any or all of the Committee Members, governed by Section 5.4 below, shall not operate to dissolve or terminate the Trust.

5.2 Committee Members as Beneficial Owners. The Committee Members may be Beneficial Owners.

5.3 Actions by Majority Vote. Unless otherwise specified herein, any action required or permitted to be taken by the Trust Supervision Committee

pursuant to this Trust Agreement shall be taken by the affirmative vote at a meeting or by written consent of not less than a majority of the Committee Members. The Trust Supervision Committee shall meet at such times and places as the Trust Supervision Committee deems necessary or appropriate. The Trust Supervision Committee may delegate any of their powers or duties to an individual Committee Member or a subcommittee of Committee Members, as the Trust Supervision Committee deems necessary or appropriate. In carrying out any of the powers or duties delegated to them, such officers, employees, professionals, agents and representatives shall be entitled to the same rights, claims and protections as the Committee Members would have had with respect thereto.

#### 5.4 Resignation and Removal of Committee Members.

(a) Resignation. A Committee Member may resign and be discharged from any future obligations and liabilities hereunder by giving written notice thereof to the other Committee Members at least thirty (30) days prior to the date of resignation set forth in the notice of resignation.

(b) Removal. Members of the Trust Supervision Committee may be removed with or without cause by the Board of Directors of Freedom Financial Group

(c) Appointment of Successor Committee Member. If a vacancy in the Trust Supervision Committee occurs whether by death or pursuant to Sections 5.4(a) or 5.4(b) above, the Board of Directors of Freedom Financial Group shall promptly appoint a successor.

5.5 Powers of the Trust Supervision Committee. Notwithstanding anything to the contrary in this Trust Agreement, the administration and management of the Trust will be subject to the decisions of the Trust Supervision Committee and the Trust Supervision Committee may direct the Regular Trustee with respect to all actions regarding the Trust Property. Without limiting the generality of the foregoing, the Regular Trustee shall have no power or authority to Transfer, by operation of law or otherwise, any shares of the Preferred Stock held by the Trust except at the express direction of the Trust Supervision Committee; provided, further, however, that the Trust Supervision Committee has no power or authority to, and agrees that it will not, (i) Transfer, by operation of law or otherwise fewer than all of the shares of Preferred Stock held by the Trust or (ii) Transfer, by operation of law or otherwise, the shares of Preferred Stock held by the Trust except in connection with a transaction involving the sale of all or substantially all of the equity or assets of Freedom Financial Group.

### ARTICLE VI

#### THE REGULAR TRUSTEE AND TRUST SUPERVISION COMMITTEE GENERALLY

6.1 Agreement of Regular Trustee and the Committee Members to Serve in those Capacities. The Regular Trustee and each of the Committee Members agree to

act as the Regular Trustee and the Committee Members, respectively, of the Trust pursuant to the terms of the Trustee's Plan of Reorganization and this Trust Agreement. The Regular Trustee and the Committee Members shall have and shall exercise the rights and powers granted in this Trust Agreement and shall be charged solely with the performance of the duties declared in this Trust Agreement on the part of the Regular Trustee and the Committee Members, respectively. The Regular Trustee also agrees to receive and disburse all funds actually received by the Regular Trustee constituting part of the Trust Assets pursuant to the terms of the Trustee's Plan of Reorganization and this Trust Agreement.

6.2 No Implied Duties. The Regular Trustee, the Committee Member and the Trust Supervision Committee shall not manage, control, use, sell, dispose, collect or otherwise deal with the Trust Assets or otherwise take any action hereunder except as expressly provided in this Trust Agreement, and no implied duties or obligations at law, in equity or otherwise, whatsoever

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of the Regular Trustee, the Committee Member or the Trust Supervision Committee shall be read into this Trust Agreement. Except as otherwise expressly provided in this Trust Agreement, the Regular Trustee, the Committee Member and the Trust Supervision Committee shall have no duties or obligations under any law, including without limitation, laws or statutes otherwise applicable to trustees or trusts in equity or otherwise.

6.3 Liabilities of Trust. The Trust, the Regular Trustee, Committee Members and the Trust Supervision Committee shall have no liabilities whatsoever except (a) in accordance with this Trust Agreement and (b) the obligation to pay and reimburse the Trustees, the Committee Member and the Trust Supervision Committee and the officers, employees, professionals, agents and representatives of the Trust in accordance with this Trust Agreement.

6.4 No Recourse Against the Regular Trustee, the Committee Members or the Trust Supervision Committee. No recourse shall ever be had, directly or indirectly, against the Regular Trustee, the Committee Member or the Trust Supervision Committee or any of the officers, employees, professionals, agents or representatives of the Trust, whether by legal, equitable or other proceedings, by virtue of any law, statute, regulation or otherwise, or by virtue of any indebtedness of the Trust, it being expressly understood and agreed that all liabilities of the Trust shall be enforceable only against, and be satisfied only out of, the Trust Assets or shall be evidence only of a right to payment out of the Trust Assets, as the case may be.

6.5 Limitation on Liability. No provision of the Trustee's Plan of Reorganization or this Trust Agreement shall be construed to impose any liability upon the Trustees, the Committee Members or the officers, employees, professionals, agents or representatives of the Trustees or the Trust unless it shall be proven that the actions or omissions of such persons or entity constituted willful misconduct or bad faith in the exercise of, or failure to

exercise, any right or power under the Trustee's Plan of Reorganization or this Trust Agreement.

6.6 Reliance on Certificates or Opinions. In the absence of willful misconduct on the part of the Regular Trustee, the Committee Members or the Trust Supervision Committee, each of the Regular Trustee, the Committee Members and the Trust Supervision Committee may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, upon any certificates or opinions conforming to the requirements of the Trustee's Plan of Reorganization or this Trust Agreement furnished to one of them by another of them.

6.7 Discretion of the Regular Trustee, the Committee Members and the Trust Supervision Committee. Except as otherwise expressly provided in the Trustee's Plan of Reorganization or this Trust Agreement, the Regular Trustee, the Committee Members and the Trust Supervision Committee, within the limitations and restrictions expressed and imposed in the Trustee's Plan of Reorganization and this Trust Agreement, may act freely under all or any of the rights, powers and authority conferred in the Trustee's Plan of Reorganization or this Trust Agreement in all matters concerning the Trust and the Trust Assets, after forming their respective business judgment based upon the circumstances of any particular question or situation as to the course to pursue, without the necessity of obtaining the consent or permission or authorization of the Beneficial Owners; and the rights, powers and authority conferred on the Regular Trustee and the Committee Members by the Trustee's Plan of Reorganization and this Trust Agreement are conferred in contemplation of such freedom of business judgment and action within the limitations and restrictions so expressed and imposed; provided, however, that the Regular Trustee, each Committee Member and the Trust Supervision Committee shall not be liable for any error of judgment, unless it shall be proved that the Regular Trustee or such Committee Member or the Trust Supervision Committee, respectively, acted in a manner which constituted willful misconduct or bad faith.

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6.8 Genuineness of Documents. The Regular Trustee, the Committee Members or the Trust Supervision Committee and the officers, employees, professionals, agents and representatives of the Regular Trustee and/or the Trust may rely and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, objection, order, judgment, decree, or other paper or document reasonably believed by them to be genuine and to have been signed, made, entered or presented by the proper party, parties, official, officials, entity or entities.

6.9 Retention of Professionals. The Regular Trustee may consult with legal counsel and with independent public accountants and other professionals or experts. The Regular Trustee and the Committee Members shall not be liable for any action taken or suffered by any of them or omitted to be taken by any of them without willful misconduct in reliance on any opinion or certification of

such accountants or in accordance with the advice of such counsel or other professionals or experts, provided that such accountants, counsel and experts were selected and retained in accordance with this Trust Agreement.

6.10 Reliance on the Regular Trustee, the Committee Members or the Trust Supervision Committee. No entity dealing with the Regular Trustee or the Committee Members or the Trust Supervision Committee or any other officers, employees, professionals, agents or representatives of the Trust shall be obligated to see to the application of any funds, securities, or other property paid or delivered to any of them or the Trust or to inquire into the expediency or propriety of any transaction or the right, power or authority of the Regular Trustee, the Committee Members or the Trust Supervision Committee to enter into or consummate any transaction upon such terms as the Regular Trustee, the Committee Members or the Trust Supervision Committee deem necessary or appropriate. Entities dealing with the Regular Trustee or the Committee Members or the Trust Supervision Committee and the officers, employees, professionals, agents or representatives of the Trust shall look only to the Trust Assets to satisfy any liability incurred by any of them to such entities in carrying out the terms of the Trustee's Plan of Reorganization and this Trust Agreement, and the Regular Trustee and the Committee Members and the Trust Supervision Committee and the officers, employees, professionals, agents or representatives of the Regular Trustee or the Trust shall have no personal, individual or corporate obligation to satisfy any such liability.

6.11 Indemnification of Trustees and Agents. The Trust shall indemnify and hold harmless to the full extent of the Trust Assets any entity who was or is a party, or is threatened to be made a party to any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative by reason of the fact that such entity is or was a Trustee or one of the Committee Members or an officer, employee, professional, agent or representative of a Regular Trustee or the Trust, from and against any and all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such entity in connection with such action, suit or proceeding, including

appeals thereof, if such entity acting without willful misconduct in the exercise and performance of any power or duties of such entity in accordance with the Trustee's Plan of Reorganization and this Trust Agreement.

6.12 Payment of Expenses. Expenses (including attorneys' fees) incurred in defending any action, suit or proceeding referred to above may be paid by the Trust in advance of the final disposition of such action, suit or proceeding, upon an undertaking by the Trustee or a Committee Member or officer, employee, professional, agent or representative of the Trust to repay such amount if it shall ultimately be determined that such entity is not entitled to be indemnified.

## ARTICLE VII

### TAX PROVISIONS

7.1 Income Tax Status. Parties intend that the Trust shall be treated as a "grantor trust" governed by Section 671 of the IRC and not as a "business entity" as that term is defined under Treasury Regulations Section 301.7701-2(a) and the Parties agree to cause the Trust to comply with the applicable provisions of the IRC and the Treasury Regulations in the manner necessary to effect the intention of the Parties as set forth above that the Trust be accorded such treatment and each Beneficial Owner agrees not to take any action inconsistent with such treatment. Subject to the foregoing, the Regular Trustee is authorized to take any action that may be necessary or appropriate to (i) maximize any potential tax benefit to the Beneficial Owners and (ii) minimize any potential tax liability of the Beneficial Owners arising out of the operations of the Trust. For all federal income tax purposes, consistent valuations shall be used by the Trust for the transferred Trust Assets.

7.2 Tax Returns and Reports. The Regular Trustee shall cause to be prepared and timely filed, at the cost and expense of the Trust, such tax returns with the Internal Revenue Service (and any state or local taxing authorities) as may be required by law by virtue of the existence and operation of the Trust and shall pay any taxes shown as due thereon. Within the later of forty-five (45) days after the end of each calendar year and forty-five (45) days after receiving a request from a Beneficial Owner, the Trust shall cause to be prepared and mailed to a Beneficial Owner such tax returns, reports or schedules as may be required by law and such other information as may be reasonably requested by such Beneficial Owner in writing to enable such Beneficial Owner to complete and file his, her, or its federal, state and local income and other tax returns.

7.3 Withholding. The Trust may withhold from the amount distributable from the Trust at any time such sum or sums as may be sufficient to pay any tax or taxes or other charge or charges which have been or may be imposed on the distributee or upon the Trust with respect to the amount distributable or to be distributed as required by any income tax law of the United States or any regulation promulgated thereunder, or as required by any state or political subdivision or entity by reason of any distribution.

7.4 Tax Duties of the Regular Trustee. The Regular Trustee shall cause a Federal Employer Identification Number ("FEIN") for the Trust to be obtained and shall cause annual

income tax returns to be filed on behalf of the Trust on the basis of a December 31 year end. The Regular Trustee shall take all steps necessary to ensure that any tax obligations imposed upon the Trust are paid and otherwise comply with

any reporting obligation of the Trust. To the extent necessary to satisfy this objective, the Regular Trustee is hereby authorized, among other things: (1) to obtain a tax identification number for the Trust; (2) to communicate with the Internal Revenue Service and state and local taxing authorities on behalf of the Trust; (3) to make payment of taxes on behalf of the Trust (which taxes will be paid out of the Trust Assets); and (4) to file all applicable tax returns for the Trust.

## ARTICLE VIII

### DISSOLUTION

8.1 Events of Dissolution. The Trust shall be dissolved upon the earlier to occur of the following:

(a) the distribution of all of the Trust Assets to the Beneficial Owners as set forth in the Trustee's Plan of Reorganization and this Trust Agreement; or

(b) the vote, at any time after the one year anniversary of the Effective Date, of at least two-thirds of the common stock of Freedom Financial Group;

8.2 Dissolution and Winding Up of the Trust.

(a) Upon the dissolution of the Trust pursuant to Section 8.1(b) above, the Regular Trustee, after satisfaction of all liabilities to creditors of the Trust as provided in the Delaware Act, shall distribute the Preferred Stock held by the Trust and any other remaining Trust Assets to the Beneficial Owners in proportion to their respective Shares.

(b) Upon the dissolution of the Trust pursuant to Section 8.1(a) above or upon the dissolution of the Trust pursuant to Section 8.1(b) above and completion of the winding up of the Trust's affairs pursuant to Section 8.2(a) above, a certificate of cancellation canceling the Certificate of Trust shall be filed with the Delaware State Office, which certificate of cancellation shall be executed by the Regular Trustee.

## ARTICLE IX

### REPRESENTATIONS AND WARRANTIES OF FREEDOM FINANCIAL GROUP

9.1 Representations and Warranties. Freedom Financial Group hereby represents and warrants to the Trust, for the benefit of the Beneficial Owners, as follows:

(a) Freedom Financial Group is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to issue the Preferred Stock to the Trust and carry on its business as now conducted and proposed to be conducted;

(b) The Preferred Stock issued to the Trust is duly authorized, validly issued, fully paid and non-assessable;

(c) The Preferred Stock issued to the Trust constitutes all of the preferred stock of Freedom Financial Group and Freedom Financial Group has not issued or authorized any equity interests other than its common stock and the Preferred Stock issued to the Trust; and

(d) Preferred Stock will be issued pursuant to Section 1145 of the United States Bankruptcy Code.

## ARTICLE X

### GENERAL PROVISIONS

10.1 Interpretation; Headings. Except where the context otherwise requires, words importing the masculine shall include the feminine and the neutral and vice versa, if appropriate; words importing the singular number shall include the plural number and vice versa; and the word "including" and similar terms shall be deemed to mean "including, without limitation." The section headings contained in this Trust Agreement are inserted for conveniences only and shall not affect in any way the meaning or interpretation of this Trust Agreement.

10.2 Irrevocability. Upon the Effective Date, the Trust shall not be revocable by any Party or any Beneficial Owner.

10.3 Amendments. No modification or amendment of any provision of the Trust Agreement shall be valid unless the same is in writing and signed by the Regular Trustee, and the Trust Supervision Committee; provided that no amendment shall impair materially the rights of the Beneficial Owners of the Trust without the consent of a majority in interest of the Beneficial Owners; provided, further, that no amendment shall adversely affect the rights, duties, obligations, liabilities or immunities of the Delaware Trustee without the consent of the Delaware Trustee.

10.4 Notices. All notices hereunder shall be in writing and shall be deemed to have been sufficiently given or served for all purposes: (i) if mailed, three (3) calendar days after being deposited, postage prepaid, in the United States Mail, and sent via registered or certified mail; (ii) if delivered by overnight express courier, one (1) business day after being delivered to such courier; or (iii) if delivered in person or via facsimile subject to written confirmation of transmission, the same day as the delivery, provided that notices issued to the Trust shall be deemed received on the date actually received by the Trust. Notice to the Trust Supervision Committee shall be deemed notice to the Beneficial Owners and the Trust Supervision Committee shall forward, or cause to be forwarded, any notices to the Beneficial Owners at their

addresses on the books and records of the Trust to the extent the Trust Supervision Committee shall determine to be appropriate. Notices shall be addressed as follows:

If to Freedom Financial Group:

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Freedom Financial Group  
3042 E. Elm  
Springfield, MO 65802  
Fax: (417) 841-1200  
Attn: Jerry Fenstermaker

Copy to:

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Osborn Maledon PA  
2929 North Central Ave.  
Twenty-First Floor  
Phoenix, AZ 85012  
Fax: (602) 640-6047  
Attn: C. Taylor Ashworth

If to the Regular Trustee:

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Biltmore Associates  
1121 East Missouri Avenue  
Suite 100  
Phoenix, AZ 85016  
Fax: (602) 604-2335  
Attn: Vern Schweigert

Copy to:

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Osborn Maledon PA  
2929 North Central Ave.  
Twenty-First Floor Phoenix, AZ 85012  
Fax: (602) 640-6047  
Attn: C. Taylor Ashworth

If to the Trust Supervision Committee  
or any Committee Member:

If to Freedom Financial Group:

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Freedom Financial Group  
3042 E. Elm  
Springfield, MO 65802  
Fax: (417) 841-1200  
Attn: Jerry Fenstermaker

Osborn Maledon PA  
2929 North Central Ave.  
Twenty-First Floor Phoenix, AZ 85012  
Fax: (602) 640-6047  
Attn: C. Taylor Ashworth

If to the Delaware Trustee:

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Debra A. Balliet  
Trust Officer  
Christiana Bank & Trust Company  
1314 King Street  
P.O. Box 957 Wilmington, DE 19899-0957 Fax: (302)421-9015 (fax) Attn: Corporate Trust Department

10.5 Successors and Assigns. This Trust Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Trust Agreement or any of its rights, interests, or obligations hereunder without the prior written consent of the Trust Supervision Committee.

10.6 Entire Agreement. This Trust Agreement and the Trustee's Plan of

Reorganization (including the documents, exhibits and attachments referred to herein) contain the complete and entire understanding of the Parties with respect to the subject matter hereof, and no changes shall be recognized as valid unless they are made as required by Section 10.3 herein. The event of any conflict between the terms of the Trustee's Plan of Reorganization and the terms of this Trust Agreement, pursuant to the Trustee's Plan of Reorganization, the Bankruptcy Court retains jurisdiction to resolve such conflict.

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10.7 Counterparts. This Trust Agreement may be executed in one or more counterparts (including by means of facsimile), each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

10.8 Governing Law. This Trust Agreement shall in all respects be governed by, and construed in accordance with, the laws of the State of Delaware (excluding conflict of law rules), including all matters of construction, validity and performance; provided, however, that there shall not be applicable to the Trust, the Trustees or this Trust Agreement, any provisions of the laws (statutory or common) of the State of Delaware, other than the Delaware Act, pertaining to trusts that relate to or regulate, in a manner inconsistent with the terms hereof (i) the filing with any court or governmental body or agency of trustee accounts or schedule of trustee fees and charges, (ii) affirmative requirements to post bonds for trustees, officers, agents, or employees of a trust, (iii) the necessity for obtaining court or other governmental approval concerning the acquisition, holding or disposition of real or personal property, (iv) fees or other sums payable to trustees, officers, agents, or employees of a trust, (v) the allocation of receipts and expenditures to income and principal, (vi) restrictions or limitations on the permissible nature, amount or concentration of trust investments or requirements relating to the titling, storage or other manner of holding or investing trust assets, or (vii) the establishment of fiduciary or other standards or responsibilities or limitations on the acts or powers of trustees.

10.9 Severability. Any term or provision of this Trust Agreement that is invalid or unenforceable in any situation or in any jurisdiction shall not affect the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction, or the validity or the enforceability of the remaining terms and provisions, unless the invalidity or unenforceability of such provision will materially change the purpose or effect of this Trust Agreement.

10.10 Further Assurances. Each Party shall execute, acknowledge, deliver, file and record any and all such writings and take any and all such other actions, as each other Party may consider reasonably necessary, appropriate or helpful in order to further evidence, effectuate, secure and perfect the benefits to be afforded to the Beneficial Owners as contemplated in this Trust Agreement and the Trustee's Plan of Reorganization.

(signature pages follow)

IN WITNESS WHEREOF, the Parties hereto have caused this Trust Agreement to be duly executed as of the date set forth in the preamble hereto by their authorized representative as indicated below.

FREEDOM FINANCIAL GROUP, INC.

By: /s/ Jerry Fenstermaker

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Name: Jerry Fenstermaker  
Title: President

VERN SCHWEIGERT,  
as Regular Trustee

By: /s/ Vern Schweigert

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Name: Vern Schweigert  
Title: Regular Trustee

CHRISTIANA BANK & TRUST COMPANY,  
as Delaware Trustee

By: /s/ Debra A. Balliet

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Name: Debra A. Balliet  
Title: Trust Officer

SCHEDULE 1

SCHEDULE OF EXHIBITS

- Exhibit 1 - Beneficial Owners and Shares
- Exhibit 2 - Investment Guidelines
- Exhibit 3 - Form of Trust Certificate

## EXHIBIT 1

### BENEFICIAL OWNERS AND SHARES

attached hereto

## EXHIBIT 2

### INVESTMENT GUIDELINES

- I. United States-Direct Obligations (e.g., Treasury Bills, Notes and Bonds). Any United States direct obligation that has a maturity of not more than 3 months from the date of purchase.
- II. Government Agencies and Instrumentalities-Direct or Indirect Obligations (e.g., notes issued by the Federal Home Loan Bank and Federal National Mortgage Association). Any government agency or instrumentality direct or indirect obligation that has a maturity of not more than 3 months from the date of purchase.
- III. Commercial Paper. Any commercial paper note of a foreign or domestic corporation that has a maturity of not more than three months and that is rated no lower than A-1 by S&P or P-1 by Moody's.
- IV. Medium Term Notes. Any promissory note of a domestic corporation that has a maturity of not more than 3 months from the date of purchase and that is rated not lower than A by S&P or Moody's.
- V. Bank Securities. Any foreign or domestic banker's acceptance, certificate of deposit, time deposit or note that has a maturity of not more than 3 months from the date of purchase and that is rated no lower than A by Moody's or S&P.
- VI. Municipal Securities. Any issue that includes direct or indirect obligations of any state, county, city or other qualifying entity. A short-term issue may be rated no lower than MIG 1 or SP-1; a long-term issue may be rated no lower than A by S&P or Moody's. Issues must have a maturity or redemption option of not more than 3 months from the date of purchase.
- VII. Money Market Fund. Any money market fund that has minimum net assets of \$500 million and an average portfolio maturity of not more than 180 days.

VIII. Other (e.g., U.S. dollar asset-backed securities, private placements, U.S. dollar obligations of foreign governments, supra-national organizations, and domestic and foreign corporations). Any other investment that has a maturity of not more than 3 months from the date of purchase and that is rated no lower than A by Moody's or S&P.

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EXHIBIT 3

FORM OF TRUST CERTIFICATE

attached hereto

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## EMPLOYMENT AGREEMENT

THIS AGREEMENT is entered in between Freedom Financial Group, Inc., a Delaware corporation (hereinafter "Company") and Jerald L. Fenstermaker of Springfield, Missouri, (hereinafter "Employee") and on this 17th day of September, 2004, agree as follows:

WITNESSETH:

WHEREAS, Employee is presently President of Company;

WHEREAS, Company and Employee desire to enter into an agreement for employment of Employee for a period of two (2) years from and after September 15, 2004;

NOW, THEREFORE, in consideration of the covenants and agreements as hereinafter set forth, the parties agree as follows:

1. Employment. Subject to the terms and conditions of this Agreement, effective as of September 15, 2004, (the "Effective Date"), the Company hereby employs Employee to perform the duties described in Section 4 hereof. Employee shall be an employee at will, subject only to the express provisions of this Agreement.

2. Term of the Agreement. The term of this Agreement is two (2) years, beginning September 15, 2004 and ending September 14, 2006.

3. Compensation of Employee:

(a) Base Compensation: Employee will be paid an annual base salary of \$185,000.00 a year, payable in equal payments, bi-monthly, on the same day and date as other employees of Company are paid. Annual compensation of \$185,000.00 is gross compensation. Company will deduct therefrom the normal and usual deductions for taxes, insurance and deductions of a similar nature.

(b) Additional Compensation: In addition to Employee's base compensation, Employee shall be entitled to additional compensation of \$16,250.00 a quarter with total additional compensation not to exceed \$65,000.00 in a twelve (12) month period. If the Company meets financial goals of minimum net losses or income, as reflected on Exhibit "A" attached hereto for any quarters during the term of this agreement, commencing with the quarter beginning October 1, 2004, and continuing quarterly thereafter, as determined by the reviewed financial statements by outside auditors of the Company. For each quarter in which the Company meets or exceeds the financial goals as reflected on Exhibit A, Employee will be paid the gross sum of \$16,250.00, less all applicable taxes and all other usual and normal deductions. The financial goals of the Company are cumulative meaning

that if the financial goals for any one quarter are not met or exceeded, but the financial goals of the company for two or more consecutive quarters are met or exceeded, then Employee is entitled to be paid the quarterly additional compensation of \$16,250.00 for each of the quarters which have been combined. The goals are cumulative for a period of one year. The present goals are cumulative for the period ending September 30, 2005. Goals for the first three quarters of 2006 have not yet been set by the board of Company and Employee. When the financial goals of the Company are established for those quarters, they will be reflected as a part of this Agreement as Exhibit "B".

(c) Effect of Termination on Compensation: If Employee's employment is terminated without cause, Employee shall receive his base salary through the month in which the termination becomes effective. In addition, he will receive all additional compensation to which he is entitled under the terms hereof ending with the quarter immediately before the effective date of his termination. In addition thereto, if Employee's employment is not terminated for cause, he shall receive severance pay of \$3,000.00 monthly for the remaining term of this Agreement up to September 14, 2006. If Employee resigns from his employment prior to September 14, 2006, then Company will owe Employee compensation only for his employment up to the date of his resignation.

4. Duties of Employee. Employee shall, during the term hereof, have the title of President of the Company, and shall perform such duties as and have such authority as are customary and usual for such position. Without limiting the generality of the foregoing:

(a) Full Time. Employee shall devote Employee's full working time during regular and normal business hours to the business of the Company and shall, in accordance with professional standards generally observed by senior management of the Company, seek to maximize the financial success of the Company's business and to optimize the goodwill and reputation of the Company within its industry and with its customers. Nothing contained herein shall be construed to prohibit Employee from engaging in other businesses so long as such business does not compete with the business of the Company or conflict with the Employee's duties hereunder;

(b) Reporting. Employee shall report to the Board of Directors of the Company.

5. Expenses. Employee will be authorized to incur reasonable and necessary expenses in connection with the discharge of Employee's duties and in promoting the business of the Company. The Company, according to its usual practices, will reimburse Employee for all such reasonable and necessary expenses upon presentation of a properly itemized account of such expenditures, setting forth the business reasons for such expenditures.

6. Other Benefits. Employee shall be entitled to such pension, profit sharing and fringe benefits, such as hospitalization, medical, life and other insurance benefits, sick pay and short-term disability, paid time off including vacation, as determined for similarly situated employees of the Company by the President and Chief Executive Officer of the Company and approved by the Board of Directors of the Company (the "Fringe Benefits"). Employee acknowledges that the Company shall have the right to change the Fringe Benefits from time to time, and such changes shall not be deemed a termination of employment by the Company.

7. Stock Ownership. Employee currently owns 700,000 shares of common stock of Company. Employee shall be protected against dilution of his shares during the term of this Agreement. Unless terminated for cause, if Employee's employment with Company is terminated, either voluntarily or involuntarily, Employee shall have the right to put his stock to Company at ninety percent (90%) of its value as determined by a recognized market for the stock of Company as of the date of termination of Employee's employment with Company. In the event there is no recognized market for the shares of stock of Company, then Employee shall have the right to put his stock to Company at ninety (90%) percent of its fair market value as of the date of his termination. The parties agree that until the Preferred Stock is fully paid, the Common Stock of the Company has no value. If Employee resigns his employment or voluntarily terminates his employment with Company during the first year of the term of this Agreement, then he will voluntarily assign to the Company at no cost or charge to Company 350,000 shares of stock in Company which Employee currently owns. Employee will be under no obligation to return any shares of stock to Company if his employment is terminated for any reason on or after September 15, 2005. In the event of the sale or liquidation of Company or if Employee is totally disabled, then all 700,000 shares of stock which Employee currently owns are deemed owned and vested in Employee.

8. Termination by the Company Due to Death, Disability, Cause or Other.

(a) Death, Disability. In the event of Employee's death during the Term, this Agreement and the employment of Employee hereunder shall terminate automatically as of the date of death, except that Sections 9, 10, 11, 12, 13, 14 and 15 shall survive such termination. In the event of Employee's Disability (as hereinafter defined) for ninety (90) consecutive calendar days or one hundred and twenty (120) calendar days in the aggregate during any consecutive twelve (12) months of the Term, the Company shall have the right, by written notice to Employee, to terminate this Agreement and the employment of Employee hereunder as of the date of such notice, except that Sections 9, 10, 11, 12, 13, 14 and 15 shall survive such termination. "Disability" for the purposes of this Agreement shall mean Employee's physical or mental disability so as to render Employee incapable of carrying out substantially all of Employee's duties under this Agreement. In the event of termination pursuant to this subsection (a), the Company shall not be under any

further obligation to Employee hereunder except to pay Employee (or Employee's estate) within thirty (30) days of such termination (a) salary, declared bonuses and benefits (including paid time off pay) accrued and payable up to the date of termination, (b) reimbursement for expenses accrued and payable under Section 5 hereof through the date of termination, and (c) continued Employee's Fringe Benefits other than paid time off (as defined in Exhibit A attached hereto) for the remaining term of this agreement.

(b) Cause. The Company shall have the right to discharge Employee and terminate this Agreement for Cause (as hereinafter defined) by written notice to Employee and this Agreement shall be deemed terminated as of the date of such notice, except that Sections 9, 10, 11, 12, 13, 14 and 15 shall survive such termination. For the purpose of this Agreement, "Cause" shall mean (a) conviction of, or a plea of nolo contendere to, a felony, (b) substantial neglect, substantial misconduct or substantial failure (including conflict of interest) in the carrying out of Employee's duties in accordance with Section 4 hereof, (c) the engaging by Employee in a material act or acts of dishonesty adversely affecting the Company, any affiliate or any client of the Company, or (d) habitual drunkenness or the illegal use of drugs by Employee. In the event of a termination pursuant to this subsection (b), the Company shall not be under any further obligation to Employee hereunder, except to pay Employee within thirty (30) days of such termination (i) salary, declared bonuses and benefits (including paid time off pay) accrued and payable up to the date of termination, and (ii) reimbursement for expenses accrued and payable under Section 5 hereof through the date of termination.

(c) Termination by the Company Other Than Due to Death, Disability or Cause. This Agreement and the employment of Employee hereunder may be terminated by the Company other than pursuant to subsection (a) or subsection (b) by giving thirty (30) days prior written notice to the Employee at any time, and such termination shall be effective as of the date of termination stated in such notice, except that Sections 9, 10, 11, 12, 13, 14 and 15 shall survive such termination. In the event of a termination pursuant to this subsection (c), the Company shall not be under any further obligation to Employee hereunder, except to pay Employee (a) within thirty (30) days of such termination (i) salary, declared bonuses and benefits (including paid time off pay) accrued and payable up to the date of termination, (ii) reimbursement for expenses accrued and payable under Section 5 hereof through the date of termination, and (b) Severance Benefits as defined below.

(d) Severance Benefits. For purposes of this Agreement, "Severance Benefits" shall mean (a) The sum of \$3,000.00 a month for each month that remains under the term of this agreement, which be payable to Employee monthly starting with the first month following

termination; and (b) continuation of all of Employee's Fringe Benefits, except vacation pay, for the remaining term of this agreement. To the extent any of the Fringe Benefits are not readily available to the Employee following termination of employment, the monthly cost thereof, except vacation pay, incurred by Company prior to termination shall be paid to Employee at the same time as the Severance Base Salary.

9. Termination by the Employee. The Employee shall have the right to terminate Employee's employment under this Agreement by giving thirty (30) days prior written notice to the Company at any time, and such termination shall be effective as of the date of termination stated in such notice, provided that the Company may elect to accelerate the date of termination. Sections 9, 10, 11, 12, 13, 14 and 15 shall survive such termination. In the event Employee terminates employment under this Section 9, the Company shall not be under any further obligation to Employee hereunder, except to promptly pay Employee (a) salary, declared bonuses and benefits (including vacation pay) accrued and payable up to the date of termination, and (b) reimbursement for expenses accrued and payable under Section 5 hereof through the date of termination.

10. Non-Disclosure. Employee agrees that during and after the expiration of the Term, any confidential information concerning the Company or its businesses, or customers of the Company (including, without limitation, trade secrets, plans, processes, customer lists, customer names and all other information relating to customers, price lists, pricing policies, any and all financial information, employee lists, prospect lists, contracts and compilations of information, records and specifications) which comes to Employee in the course of Employee's employment and which is not (independent of disclosure by Employee) public knowledge or general knowledge in the trade, shall remain confidential and, except as required by legal process, may not be used or made available for any purpose except as necessary in the performance of Employee's duties hereunder. Employee agrees that, upon termination of Employee's employment hereunder, Employee will promptly deliver to the Company all materials constituting confidential information (including all copies thereof that are in the possession of, or under the control of, the Employee), and Employee will not make or retain any copies or extracts of such materials in any form.

11. Governing Law and Choice of Venue. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Missouri. The parties hereto agree to submit to the jurisdiction of the courts of Missouri for the purposes of enforcement of this Agreement or any action that may arise relating to the employment relationship or the enforcement of this Agreement between Employee and Company. The parties further agree that any such action must be brought in a court of competent jurisdiction sitting in the State of Missouri.

12. Severability. Each of the sections contained in this Agreement shall be enforceable independently of every other section in this Agreement, and the invalidity or unenforceability of any section shall not invalidate or render unenforceable any other section contained in this Agreement. Employee

acknowledges that the restrictive covenants contained in this Agreement are a condition of this Agreement and are reasonable and valid in geographical and temporal scope and in all other respects. If any court determines that any of the covenants contained herein, or any part of any of them, is invalid or unenforceable, the remainder of such covenants and parts thereof shall not thereby be affected and shall be given full effect, without regard to the invalid portion. If any court determines that any of such covenants, or any part thereof, is invalid or unenforceable because of the geographic or temporal scope of such provision, such court shall reduce such scope only to the extent necessary to make such covenants valid and enforceable.

13. Survival of Certain Provisions. Any termination or expiration of this Agreement or suspension of termination of Employee's employment by Company notwithstanding, the provisions of this Agreement that are intended to continue and survive shall so continue and survive. This Agreement and all rights hereunder shall inure to the benefit of Company, its successors and assigns.

14. Cumulative Remedies and Fees. All rights and remedies of Company shall be cumulative and Company shall have the right to obtain specific performance against Employee for the enforcement of this Agreement. In addition to its other remedies, Employee agrees that should Company elect to remedy any actual or threatened breach of this Agreement by filing suit, Company shall be entitled to a judgment and award against Employee in an amount equal to Company's reasonable attorney's fees and costs associated with enforcement of any term of this Agreement.

15. Equitable Relief. Employee acknowledges that, due to the unique nature of the Confidential Information, Inventions, and Work Product, there may be no adequate remedy at law for any breach of the obligations hereunder, and that any such breach may allow Employee or third parties to unfairly compete with Company. For that reason, it is mutually agreed that upon any such breach or any threat thereof, Company shall be entitled to seek appropriate equitable relief, without bond, in addition to whatever remedies it might have at law in connection with any breach or enforcement of Employee's obligations hereunder or the unauthorized use or release of any Confidential Information, Inventions, and/or Work Product. Employee will notify Company in writing immediately upon the occurrence of any such unauthorized release or other breach of which Employee becomes aware.

16. Prior Agreements and Amendments. Employee hereby acknowledges receipt of a signed counterpart of this Agreement and acknowledges that it is Employee's entire agreement with Company concerning the subject matter, thereby canceling, terminating and superseding any previous oral or written understandings or agreements with Company or any officer or representative of Company. Nothing in this Agreement shall be deemed to limit the right of Company to terminate employment of Employee at will, with or without cause. No amendment or modification of this Agreement shall be valid or binding upon Company unless made in writing and signed by an officer of Company or upon Employee unless made in writing and signed by him.

17. Waiver. Employee's or Company's failure to insist upon strict compliance with any provision hereof or any other provision of this Agreement or the failure to assert any right Employee or Company may have hereunder shall not be deemed to be a waiver or subsequent breach of such provision or right or any other provision or right of this Agreement.

18. Notices. Any notice required by this Agreement or given in connection with it, shall be in writing and shall be given to the appropriate party by personal delivery, or by certified mail, postage prepaid, or recognized overnight delivery service.

If to Company:

Freedom Financial Group, Inc.  
3058 East Elm St.  
Springfield, MO 65802

If to Employee:

Jerald L. Fenstermaker

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[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have duly executed this Agreement under seal as of the day and year first above written.

COMPANY:

FREEDOM FINANCIAL GROUP, INC.  
a Delaware corporation

By: /s/ Robert Chancellor

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Name: Robert Chancellor  
Title: Chairman, Compensation Committee

EMPLOYEE:

/s/ Jerald L. Fenstermaker

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Jerald L. Fenstermaker

EXHIBIT A

TO EMPLOYMENT AGREEMENT

|              |                  |               |
|--------------|------------------|---------------|
| QV-IV, 2004  | Operating Income | (\$91,000.00) |
| QV-I, 2005   | Operating Income | (\$24,000.00) |
| QV-II, 2005  | Operating Income | \$53,000.00   |
| QV-III, 2005 | Operating Income | \$142,000.00  |
| QV-IV        | Operating Income | \$225,000.00  |

EXHIBIT "B"

TO EMPLOYMENT AGREEMENT

Mr. Jerry Fenstermaker  
President & CEO  
Freedom Financial Group, Inc.  
3058 E Elm Street  
Springfield, MO 65802

Dear Mr. Fenstermaker:

This agreement ("Agreement") sets forth the terms of the engagement by Freedom Financial Group, Inc. (the "Company") of Milestone Advisors, LLC ("MAL"), pursuant to which MAL shall act as financial advisor to the Company with regard to the proposed private offering of debt and equity securities (the "Offering"). It is acknowledged that the Company is under no obligation to enter into any transaction.

1. Scope of Services. In connection with the analysis and pursuit of exploring the Company's strategic alternatives, MAL will, as the Company's financial advisor and investment banker, work with the Company on one or more of the following activities, as requested from time to time by management of the Company (hereinafter referred to as the "Advisory Services"):

(a) Evaluation of the Company, its current and historical financial condition, franchise value, operations and projected results;

(b) Peer group performance comparisons and comparable company analyses;

(c) Advise on the transaction capacity, appropriate transaction structure and pricing parameters for the Offering;

(d) Participation in: (i) discussions between the Company, its current shareholders and their representatives, and the potential debt and equity investors in the Offering (the "Potential Investors"); (ii) "due diligence" discussions between the Company and the Potential Investors; and (iii) negotiation of a letter of intent, memorandum of understanding and/or definitive agreement with the Potential Investors;

(e) Issue a fairness opinion to the Board of Directors of the Company, as to the fairness of the Offering from a financial point of view ("Fairness Opinion") within 45 days from the date the Company provides MAL with a completed set of due diligence materials, MAL will either (i) issue the Fairness Opinion or (ii) provide a summary response regarding its conclusion of the Offering;

(f) If appropriate, conduct presentations to the Company's Board of Directors regarding the Offering and the Fairness Opinion; and

Mr. Jerry Fenstermaker

(g) Such other financial advisory and investment banking services as are customary in engagements of the type contemplated hereby and as may be reasonably agreed upon by the Company and MAL.

## 2. Fees and Expenses

(a) MAL shall be paid a retainer fee of \$25,000 ("Retainer Fee"), which shall be paid upon execution of the Agreement; and

(b) Upon MAL's issuance of the Fairness Opinion, MAL shall be paid a fairness opinion fee equal to \$200,000 ("Fairness Opinion Fee");

(c) The Company will agree to reimburse MAL for reasonable out of pocket expenses, which may include but shall not be limited to costs of travel, meals and lodging, photocopying, telephone, facsimile and couriers, payable at the closing of the Offering, or if no Offering is consummated, at the time this Agreement is terminated.

3. Confidential Review. MAL and its agents and counsel will be accorded access to and may examine documents, records and other materials and information of the Company and its subsidiaries as MAL reasonably deems appropriate to perform its obligations hereunder. MAL shall keep all such information, to the extent confidential and proprietary to the Company, confidential except to the extent disclosure is required by any judicial, administrative or self-regulatory agency or organization. The following information shall not be deemed confidential or proprietary:

(a) Information that at the time of disclosure, or after disclosure, is or subsequently becomes generally available to the public or within the industries in which the Company or MAL and its affiliates conduct business, other than as a result of a breach by MAL of its obligations under this Agreement;

(b) Information that prior to or at the time of disclosure by the Company, was already in the possession of MAL or its affiliates (provided that MAL or its affiliates, at the time of such disclosure was not subject to a non-disclosure obligation relating to such information including any non-disclosure obligation under applicable "Insider Trading" laws and regulations) or could have been developed by them from information then in their possession, by the application of other information or techniques in their possession or generally available to the public or available to them, other than from the Company or its agents;

(c) Information that at the time of disclosure or subsequent to disclosure, is obtained by MAL or its affiliates from a third party who is lawfully in possession of the information and who is not in violation of any contractual, legal or fiduciary obligation to the Company with respect to that information; or

(d) Information that is or was independently developed by MAL or its affiliates

from information lawfully obtained by MAL or its affiliates from parties lawfully in possession of

Mr. Jerry Fenstermaker  
September 24, 2004  
Page 3

such information and who are not in breach of any contractual, legal or fiduciary obligation to the Company with respect to the information.

The Company has furnished and will continue to furnish or cause to be furnished to MAL such information as MAL believes appropriate to its assignment (all information so furnished being the "Information"). The Company recognizes and confirms that MAL: (a) will use and rely primarily on the Information and on information available from generally recognized public sources in performing the services contemplated by this Agreement without having independently verified the same; (b) does not assume responsibility for the accuracy or completeness of the Information and such other information; and (c) will not make an appraisal of any assets or liabilities of the Company or any of their market competitors.

4. Term. This Agreement and the retention of MAL hereunder shall remain in full force and effect for twelve months from the date hereof and may be terminated by the Company or MAL at any time, with or without cause, upon 30 days written notice to that effect to the other party, without further obligation to each other, except it is agreed that the provisions relating to indemnification, limitation of liabilities, contribution, settlement, the provisions relating to the payment of fees and expenses, confidentiality, the status of MAL as an independent contractor, the limitation on to whom MAL shall owe any duties and the waiver of the right to trial by jury in this Agreement will survive any such termination.

5. Independent Contractor. The Company acknowledges and agrees that it is a sophisticated business enterprise and that MAL has been retained pursuant to this Agreement to provide services to the Company solely with respect to the Offering. In such capacity, MAL shall act as an independent contractor, and any duties of MAL arising out of its engagement pursuant to this Agreement shall be contractual in nature and shall be owed solely to the Company. Each party disclaims any intention to impose any fiduciary duty on the either.

6. Indemnification, Contribution, and Limitation of Liability. The Company agrees to indemnify MAL and its controlling persons, representatives and agents in accordance with the indemnification provisions set forth in Appendix I, and agrees to the other provisions of Appendix I, which is incorporated herein by this reference, regardless of whether the proposed Acquisition Transaction is consummated.

7. Beneficiaries. This Agreement shall inure to the sole and exclusive benefit of MAL and the Company and the persons referred to in Appendix I and their respective successors and representatives. The obligations and liabilities under

this Agreement shall be binding upon MAL and the Company.

8. Amendments. This Agreement may be modified or amended, or its provisions waived, only in writing signed by the person or persons against whom enforcement of the modification, amendment or waiver is sought.

9. No Commitment. This Agreement does not and will not constitute any agreement, commitment or undertaking, express or implied on the part of MAL or any affiliate to purchase or to sell any securities or to provide any financing and does not ensure the successful arrangement or completion of a Acquisition Transaction.

Mr. Jerry Fenstermaker  
September 24, 2004  
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10. Entire Agreement. This Agreement constitutes the entire Agreement between the parties and supersedes and cancels any and all prior or contemporaneous arrangements, understandings and agreements, written or oral, between them relating to the subject matter hereof.

11. Severability. If any portion of this Agreement shall be held or made unenforceable or invalid by a statute, rule, regulation, decision of a tribunal or otherwise, the remainder of this Agreement shall not be affected thereby and shall remain in full force and effect, and, to the fullest extent, the provisions of the Agreement shall be severable.

12. Governing Law; Waiver of Trial by Jury

This Agreement, and the rights and obligations of the parties hereto, shall be governed by and construed in accordance with Delaware law (without regard to any rules or principles of conflicts of law that might look to any jurisdiction outside of the State of Delaware). Any dispute arising hereunder shall be brought before a court in the State of Delaware.

EACH OF THE PARTIES HERETO (ON ITS OWN BEHALF AND, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ON BEHALF OF ITS STOCKHOLDERS AND INDEMNIFIED PARTIES) WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERACTION (WHETHER BASED UPON CONTRACT, OR OTHERWISE) RELATED TO OR ARISING OUT OF THE ENGAGEMENT PURSUANT TO, OR THE PERFORMANCE OF THE SERVICES CONTEMPLATED BY, THIS AGREEMENT.

13. Waiver, Amendment and Modification; Headings

No waiver, amendment or other modification of this Agreement shall be effective unless signed in writing by each of the parties hereto. The headings used herein are for ease of reference only and shall not be used to construe the meaning of this Agreement.

If the foregoing terms correctly set forth our agreement, please sign and return to us a duplicate copy of this Agreement. We look forward to working with you toward the successful conclusion of this engagement and developing a long term relationship with the Company.

Very truly yours,

MILESTONE ADVISORS, LLC

By: /s/ Eugene S. Weil

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Eugene S. Weil  
Managing Director

Confirmed and accepted as of this  
27th day of September, 2004:

FREEDOM FINANCIAL GROUP, INC.

By /s/ Jerry Fenstermaker

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Jerry Fenstermaker  
President & CEO

Mr. Jerry Fenstermaker  
September 24, 2004  
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#### APPENDIX I

The Company agrees to indemnify and hold harmless MAL and its affiliates (as defined in Rule 405 under the Securities Act of 1933, as amended) and their respective directors, officers, employees, agents and controlling persons (MAL and each such person being an "Indemnified Party") from and against all losses, claims, damages and liabilities (or actions, including shareholder actions, in respect thereof), joint or several, to which such Indemnified Party may become subject under any applicable federal or state law, or otherwise, which are related to or result from the performance by MAL of the services

contemplated by or the engagement of MAL pursuant to, this Agreement and will promptly reimburse any Indemnified Party for all reasonable expenses (including reasonable counsel fees and expenses) as they are incurred in connection with the investigation of, preparation for or defense arising from any threatened or pending claim, whether or not such Indemnified Party is a party and whether or not such claim, action or proceeding is initiated or brought by the Company. The Company will not be liable to any Indemnified Party under the foregoing indemnification and reimbursement provisions, (i) for any settlement by an Indemnified Party effected without its prior written consent (not to be unreasonably withheld); or (ii) to the extent that any loss, claim, damage or liability is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted primarily from MAL's willful misconduct or gross negligence. The Company also agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Company or its security holders or creditors related to or arising out of the engagement of MAL pursuant to, or the performance by MAL of the services contemplated by, this Agreement except to the extent that any loss, claim, damage or liability is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted primarily from MAL's willful misconduct or gross negligence. Notwithstanding the foregoing, the Company shall not be required by the Agreement to indemnify the Indemnified Party for any loss, claims, damage or liability which it may sustain as a result of any misstatements, misrepresentations by MAL or any failure to disclose any facts or information by MAL in the performance of its services.

Promptly after receipt by an Indemnified Party of notice of any intention or threat to commence an action, suit or proceeding or notice of the commencement of any action, suit or proceeding, such Indemnified Party will, if a claim in respect thereof is to be made against the Company pursuant hereto, promptly notify the Company in writing of the same. In case any such action is brought against any Indemnified Party and such Indemnified Party notifies the Company of the commencement thereof, the Company may elect to assume the defense thereof, with counsel reasonably satisfactory to such Indemnified Party, and an Indemnified Party may employ counsel to participate in the defense of any such action provided, that the employment of such counsel shall be at the Indemnified Party's own expense, unless (i) the employment of such counsel has been authorized in writing by the Company, (ii) the Indemnified Party has reasonably concluded (based upon advice of counsel to the Indemnified Party) that there may be legal defenses available to it or other Indemnified Parties that are different from or in addition to those available to the Company, or that a conflict or potential conflict exists (based upon advice of counsel to the Indemnified Party) between the Indemnified Party and the Company that makes it impossible or inadvisable for counsel to the Indemnifying Party to conduct the defense of both the Company and the Indemnified Party (in which case the Company will not have the right to direct the defense of such action on behalf of the Indemnified Party), or (iii) the Company has

Mr. Jerry Fenstermaker

not in fact employed counsel reasonably satisfactory to the Indemnified Party to assume the defense of such action within a reasonable time after receiving notice of the action, suit or proceeding, in each of which cases the reasonable fees, disbursements and other charges of such counsel will be at the expense of the Company; provided, further, that in no event shall the Company be required to pay fees and expenses for more than one firm of attorneys representing Indemnified Parties unless the defense of one Indemnified Party is unique or separate from that of another Indemnified Party subject to the same claim or action. Any failure or delay by an Indemnified Party to give the notice referred to in this paragraph shall not affect such Indemnified Party's right to be indemnified hereunder, except to the extent that such failure or delay causes actual harm to the Company, or prejudices its ability to defend such action, suit or proceeding on behalf of such Indemnified Party.

If the indemnification provided for in this Agreement is for any reason held unenforceable by an Indemnified Party, the Company agrees to contribute to the losses, claims, damages and liabilities for which such indemnification is held unenforceable (i) in such proportion as is appropriate to reflect the relative benefits to the Company, on the one hand, and MAL on the other hand, of the transaction contemplated by the Agreement whether or not the transaction is consummated or, (ii) if (but only if) the allocation provided for in clause (i) is for any reason unenforceable, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) but also the relative fault of the Company, on the one hand and MAL, on the other hand, as well as any other relevant equitable considerations. The Company agrees that for the purposes of this paragraph the relative benefits to the Company and MAL of the transaction as contemplated shall be deemed to be in the same proportion that the total value received or contemplated to be received by the Company or its shareholders, as the case may be, as a result of or in connection with the transaction, bear to the fees paid or to be paid to MAL under this Agreement. Notwithstanding the foregoing, the Company expressly agrees that MAL shall not be required to contribute any amount in excess of the amount by which fees paid MAL hereunder (excluding reimbursable expenses), exceeds the amount of any damages which MAL has otherwise been required to pay.

The Company agrees that without MAL's prior written consent, which shall not be unreasonably withheld, it will not settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding in respect of which indemnification could be sought under the indemnification provisions of this Agreement (in which MAL or any other Indemnified Party is an actual or potential party to such claim, action or proceeding), unless such settlement, compromise or consent includes an unconditional release of each Indemnified Party from all liability arising out of such claim, action or proceeding.

In the event that an Indemnified Party is requested or required to appear as a witness in any action brought by or on behalf of or against the Company in which such Indemnified Party is not named as a defendant, the Company

agrees to promptly reimburse MAL on a monthly basis for all expenses incurred by it in connection with such Indemnified Party's appearing and preparing to appear as such a witness, including, without limitation, the reasonable fees and disbursements of its legal counsel. In addition to any reimbursed fees, expenses or costs outlined hereunder, MAL shall also receive from the Company cash compensation of \$2,000.00 per person, per day, plus reasonable out-of-pocket expenses and costs should MAL be required to provide testimony in any formal or informal proceeding regarding the Company.

Mr. Jerry Fenstermaker

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If multiple claims are brought with respect to at least one of which indemnification is permitted under applicable law and provided for under this Agreement, the Company agrees that any judgment or arbitrate award shall be conclusively deemed to be based on claims as to which indemnification is permitted and provided for, except to the extent the judgment or arbitrate award expressly states that it, or any portion thereof, is based solely on a claim as to which indemnification is not available.

UNANIMOUS WRITTEN CONSENT  
OF THE BOARD RESOLUTION OF FREEDOM FINANCIAL, INC.

The undersigned, being all of the directors of Freedom Financial, Inc. and as expressly authorized by Sec. 141(f) of the Delaware General Corporation Law, hereby unanimously adopt the following resolutions:

WHEREAS, upon emerging from Bankruptcy proceedings, the corporation shall issue a total of 10,000,000 shares of its common stock, pursuant to a confirmed Plan of Reorganization; and,

WHEREAS, the Board of Directors in accordance with Section 6.5 of the confirmed Plan of Reorganization and prior agreements with members of management, deems it in the best interest of the corporation that key management personnel be granted shares of stock in the corporation, subject to forfeiture for early termination, as an incentive to encourage such persons to remain with the corporation,

Now Therefore, the following resolutions creating a stock bonus plan for the persons named herein, are unanimously adopted:

RESOLVED, that a stock bonus of commons shares of the Corporation's stock be granted to Jerry Fenstermaker, Dan Graham, and Jim Browne, hereinafter collectively referred to as "Management Shareholders," or individually as "a Shareholder" subject to the terms hereof, as follows:

1. 700,000 shares of Common Stock in the Corporation shall be issued to Jerry Fenstermaker, representing seven percent (7%) of the Common Stock being issued pursuant to the Plan.
2. 200,000 shares of Common Stock shall be issued to Dan Graham representing two percent (2%) the Common Stock being issued pursuant to the Plan.
3. 70,000 shares of Common Stock shall be issued to Jim Browne representing seven tenths of one percent (0.7%) the Common Stock being issued pursuant to the Plan.
4. The Corporation shall be responsible for all withholding and other employment taxes, if any, due to any tax authority.
5. If a Management Shareholder makes an election pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended, such Shareholder shall notify the Corporation in writing at the time the election is made.
6. If any Management Shareholder is terminated from employment without good cause shown, then with respect to any vested

Shares owned by such Shareholder, he shall have the option to

sell all, or any part, of his vested Shares to the Corporation for ninety percent (90%) of the fair market value of the shares. If the parties cannot agree upon fair market value, then an appraiser shall be appointed to determine such value.

The put option must be exercised within 90 days of date of termination of employment or such option will lapse. Payment will be made by the corporation, against delivery of duly endorsed shares, free and clear of all liens and encumbrances, as follows:

- a. If the purchase price is less than \$100,000, it shall be paid in cash in full at closing.
- b. If the purchase price is over \$100,000 but less than \$500,000, the greater of \$100,000 or 1/3 of the amount due shall be paid in cash at closing with the balance being paid in two further equal annual installment of principal with interest thereon at 9% per annum.
- c. If the purchase price is over \$500,000, the greater of \$250,000 or 1/4 of the amount due shall be paid in cash at closing with the balance being paid in three equal annual installments of principal with interest thereon at 9% per annum.

7. Upon the death or disability of a Shareholder,

- a. All shares owned by such Shareholder shall be deemed fully vested and no longer subject to forfeiture as set forth below.
- b. The put option to sell shares to the Corporation shall be set at 100% of fair market value.
- c. Notice of exercise of the put option shall be given to the Corporation by the person designated below no later than 90 days after the first to occur of:
  - i. The appointment of a personal representative, in event of death, or guardian in the event of legal incompetency.
  - ii. The termination of employment due to disability
  - iii. If no will has been filed in probate court within six months of the date of death, then the option may be

exercised by the surviving spouse, and if there is no surviving spouse, by the then living lineal descendants of the deceased, and if none, by the laws of descent and distribution in the state where the decedent is domiciled at the time of his death.

8. If any of the Management Shareholders voluntarily resigns or terminates his employment, or is terminated for good cause shown ("Withdrawal Event"), then the following shall apply:
  - a. If the Withdrawal Event occurs prior to September 14, 2003, the Shareholder will forfeit all of the shares issued to him by the Company, and forthwith endorse and surrender such shares.
  - b. If the Withdrawal Event occurs on or after September 14, 2003, and prior to and including September 13, 2004, the Shareholder will forfeit Seventy-five percent (75%) of the shares issued to him by the Company, and forthwith endorse and surrender such shares.
  - c. If the Withdrawal Event occurs on or after September 14, 2004, and prior to and including September 13, 2005, the Shareholder will forfeit Fifty percent (50%) of all shares of stock issued to him.
  - d. If the Withdrawal Event occurs on or after September 14, 2005, and prior to and including September 13, 2006, the Shareholder will forfeit Twenty Five percent (25%) of all shares of stock issued to him.
  - e. If the Withdrawal Event occurs on or after September 14, 2006, there shall be no forfeiture.
9. Upon a Withdrawal Event as above, Shareholder shall have the right to exercise a put option as described above in at 90% of fair market value.
10. The shares granted under this Resolution shall be subject to appropriate anti-dilution adjustment in the event of a stock split, stock dividend, recapitalization, merger, or conversion.

RESOLVED FURTHER,

That the Management Shareholders shall also enjoy the following additional rights:

1. In the event that additional common shares are issued by the

Corporation in exchange for any valuable consideration, the Management Shareholders, shall receive, as a bonus, the number of shares each which would have received if they had the pre-emptive right to subscribe for and receive shares.

2. In the event that any preferred shares are converted to common shares, then each of the Management Shareholders shall receive, as a bonus, a number of common shares necessary to maintain the same voting percentage of the common class of stock as such manager possessed prior to the conversion of some part or all of the preferred stock.
3. The Corporation agrees to take such steps as are necessary, including amending its Certificate of Incorporation, to provide a reserve of that number of common shares necessary to accomplish the purposes stated herein.

RESOLVED FURTHER, that any Employment Agreement between the Corporation and any Management Shareholders is hereby modified to include the provisions of these Resolutions, and all provisions of any other agreements between the Corporation and any Management Shareholder concerning issuance of shares of Common Stock in the Corporation to the Management Shareholder are hereby amended and modified in accordance herewith.

RESOLVED FURTHER, that each Management Shareholder, in order to receive the benefit of the plan established by these Resolutions, shall execute a copy of these Resolutions, thereby acknowledging the amendment of any Employment, or other, Agreement which said Shareholder may have with the Corporation, and agreeing to be bound by the terms of these Resolutions.

In witness whereof, the following directors and individuals have set their hands on the dates herein stated.

/s/ Jerry Fenstermaker  
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Jerry Fenstermaker, Director

Dated: 2/19/03  
-----

/s/ Gary Lipscomb  
-----  
Gary Lipscomb, Director

Dated: 2/19/03  
-----

/s/ Vern Schweigert  
-----  
Vern Schweigert, Director

Dated: 2/19/03

/s/ Jerry Fenstermaker  
-----  
Jerry Fenstermaker, An Individual

Dated: \_\_\_\_\_

/s/ Dan Graham  
-----  
Dan Graham, An Individual

Dated: 2/19/03  
-----

/s/ Jim Browne  
-----  
Jim Browne, An Individual

Dated: 3/3/03

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LEASE AGREEMENT

THIS LEASE AGREEMENT is made and entered into this 24th day of June, 2004, by and between Richard T. Gregg and Joseph Scott Schaefer, Lessor, and Freedom Financial Group, Inc., Lessee.

WITNESSETH:

That in consideration of the mutual promises and agreements herein contained, Lessor does by these presents lease unto Lessee, and Lessee hereby leases the following described real estate in Greene County, Missouri, to-wit:

That portion known as 3058 E. Elm, Springfield, Missouri 65802 (approximately 6,600 +/- square feet of space) (the "Leased Premises"). Lessor further agrees that Lessee, its agents, servants, employees and business invitees shall have access to and use of the common areas of the Building for purposes reasonably related to Lessee's use of the Leased Premises.

1. TERM. The initial term of this lease shall be two (2) years, and it shall commence on July 9, 2004, and it shall terminate on July 31, 2006. The parties further agree that under no circumstances shall the original fixed rent set forth in Paragraph 2 of this Lease Agreement be reduced.

The Lessee shall have the option to extend this Lease Agreement for three (3) additional terms of one (1) year each. Lessee shall exercise its option by giving Lessor Ninety (90) days advance written notice prior to the expiration of the then current lease term of its desire to exercise the option to extend the term of the Lease.

2. RENT. As compensation for its use of the Leased Premises Lessee does covenant, promise and agree to pay unto Lessor as monthly rent for the said premises on or before the first day of each month, the sum of Two Thousand Nine Hundred Ninety Seven Dollars (\$2,997.00). Lessor and Lessee agree and acknowledge that the Base Rent of Three Thousand Four Hundred Dollars (\$3,400.00) is reduced to compensate Lessee's costs incurred in relocating within 1

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Lessor's building. Rent for the first month shall be prorated. If any rental payment due hereunder is not paid when due, the unpaid balance hereof shall draw interest at the rate of ten percent (10%) per annum from its due date until paid, which interest shall become and for all purposes of this Lease Agreement be considered as rent. Rent for the option terms shall be adjusted by the change in the U.S. Consumer Price Index (CPI) based on the previous year. The first adjustment shall be based on \$3,400.00, the original base rent.

3. USE. The demised premises shall be used and occupied only for the

purpose of general offices and not otherwise. Lessee shall, at its own cost and expense, obtain any and all licenses and permits necessary for such use.

4. LESSOR'S OBLIGATION TO MAINTAIN. Lessor shall, at all times, at its sole cost and expense, keep the roof, foundation, plumbing and exterior walls of the building situated on the Leased Premises in good repair and condition, except for reasonable wear and tear, and except that Lessee shall repair any damage caused by Lessee or Lessee's invitees. In the event that the Leased Premises should become in need of repairs required to be made by Lessor hereunder, Lessee shall give immediate written notice thereof to Lessor, and Lessor shall proceed promptly to make such repairs; provided however, that Lessor shall not be responsible for any loss, whether by interruptions in Lessee's business or otherwise occasioned by Lessor's failure to make repairs for which Lessor is responsible if Lessor undertakes such repairs promptly. Lessor shall be responsible for parking lot repairs and maintenance including snow removal.

5. LESSEE'S OBLIGATION TO MAINTAIN. Lessee shall, throughout the term of this Lease Agreement, take good care of the interior of the Leased Premises, and keep the interior Leased Premises in good condition and make all necessary repairs, including repairs to interior windows, doors, and electrical fixtures and heating and air conditioning system (up to \$200.00 per year - Landlord to pay anything over \$200.00 per year). Lessee will repair exterior windows and doors only if damaged by Lessee or Lessee's guests. At the end or other termination of this

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Lease Agreement, Lessee shall deliver up the Leased Premises with all improvements located thereon, in good repair and condition, reasonable wear and tear or acts or omissions of Lessor only excepted.

6. LESSEE'S IMPROVEMENTS. Lessee shall not create any openings in the roof or exterior walls, nor shall Lessee make any substantial alterations, additions or improvements to the Leased Premises without the prior written consent of the Lessor, which shall not be unreasonably withheld, but at its own cost and expense and in a good workmanlike manner Lessee may make such minor alterations, additions or improvements, or erect such shelves and office furnishings as it may deem desirable, without altering the basic character of the building improvements, and in each case complying with all applicable government laws, ordinances, regulations and other requirements. All shelves, furniture, fixtures and personal property installed by Lessee must be removed by Lessee at the termination of this Lease Agreement, but without damage to the Leased Premises.

7. PROHIBITED USE. Lessee will not permit the Leased Premises to be used for any purpose or in any manner which would render the insurance thereon void, regardless of whether such insurance is held by Lessor or Lessee.

8. RESTRICTION AGAINST ADVERTISING. Except as otherwise provided in the Addendum to Lease, no sign, advertising or notice shall be inscribed, painted, affixed or displayed on any of the windows or doors or on any other part of the outside or inside of the Leased Premises, without the prior written consent of the Lessor. The Lessee's trade name signage must conform to the criteria outlined in the Addendum for all Lessee signage.

9. INSPECTION. Lessor and Lessor's agents and representatives shall have the right to enter and inspect the Leased Premises at any reasonable time during normal business hours for the purpose of ascertaining the condition of the Leased Premises, or Lessee's compliance with the terms of this Lease Agreement or in order to make such repairs as may be required to be made by the Lessor under the terms of this Lease Agreement. Lessor shall have the right to enter

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the Leased Premises at any time in case of emergency, as determined by Lessor.

10. UTILITIES. Lessee will pay for all water, gas, electricity and other utilities used by Lessee on, or in connection with the Leased Premises.

11. ASSIGNMENT AND SUBLETTING. Lessee shall not assign its rights under this Lease Agreement, nor shall Lessee sublet the whole or any part of the Leased Premises, without Lessor's prior written consent.

12. DAMAGE TO PREMISES. In case the Leased Premises shall be rendered untenable by fire, explosion or other casualty, and cannot be restored within ninety (90) days after such occurrence, Lessor or Lessee may, at their option, terminate this Lease. If the Leased Premises can be restored within ninety (90) days, this Lease shall not terminate and Lessor shall repair the Leased Premises within ninety (90) days. Rent shall abate during the period of untenability. If Lessor does not repair the Leased Premises within said ninety (90) day time, Lessee may at its option, terminate this Lease Agreement and the term hereby created shall cease and terminate.

13. LIABILITY INSURANCE. During the term of this Lease Agreement, Lessee agrees at its expense to provide and keep in force comprehensive general liability insurance with bodily injury liability limits of \$500,000.00 per person and \$1,000,000.00 per accident, protecting Lessor and Lessee against any liability to any person whomsoever for injury to person or damage to property arising out of or in connection with the Lessee's use of the Leased Premises or in the condition of the Leased Premises. Lessee further agrees to have the Lessor named as a named insured in said policy of insurance and to provide a copy of said policy of insurance to Lessor prior to occupying the Leased Premises. The policy of insurance shall require thirty (30) days advance written notice to Lessor of any cancellation of the policy of insurance. Lessor shall maintain comprehensive general liability insurance covering the parking and common areas protecting Lessor and Lessee against liability for injury to persons or damage to property resulting from Lessor's acts or omissions. Lessor

agrees to provide and keep in force during the term hereof fire and extended coverage insuring the Leased Premises and the building in which it

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is situated at full replacement value and to deliver a certificate to Lessee evidencing such coverage (and renewals of such coverage). Lessor shall not be liable to Lessee or Lessee's employees, agents or invitees, or to any person whomsoever, for any injury to person or damage to property on or about the Leased Premises, caused by negligence or misconduct of Lessee, its agents, servants, employees or invitees, and Lessee agrees to indemnify Lessor and hold Lessor harmless from any loss, expense or claims arising out of any such damage or injury. Lessee shall not be liable to Lessor or Lessor's employees, agents or visitors, or to any person whomsoever, for any injury to person or damage to property on or about the Leased Premises, caused by negligence or misconduct of Lessor, its agents, servants, employees or invitees, and Lessor agrees to indemnify Lessee and hold Lessee harmless from any loss, expense or claims arising out of any such damage or injury.

14. CONDEMNATION. If the whole or any substantial part of the Leased Premises should be taken for any public or quasi-public use under any governmental law, ordinance or regulation, or by right of eminent domain or should be sold to the condemning authority under threat of condemnation, this Lease Agreement shall terminate and the rent shall be abated during the unexpired portion of this Lease Agreement. All condemnation awards, except any award to the Lessee for interruption of Lessee's business or to defray the cost of moving to a new location, shall be paid to and belong to the Lessor.

15. EVENTS OF DEFAULT. The following shall be deemed Events of Default by Lessee under this Lease Agreement.

a) Lessee shall fail to pay any installment of rent due under this Lease Agreement if such failure shall continue for a period of ten (10) days after the due date thereof, with no written notice of delinquency from Lessor being required.

b) Lessee shall fail to comply with any term, provision or condition of this Lease Agreement, other than the payment of rent, and shall not cure such failure within thirty (30) days after written notice thereof from Lessor.

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16. LESSOR'S REMEDIES. Upon the occurrence of any Event of Default as set forth in Paragraph 15 of this Lease Agreement, Lessor shall have the option to pursue any one or more of the following remedies without any notice whatsoever:

a) Terminate this Lease Agreement and declare immediately due and payable the balance of rent for the remaining term of the Lease

Agreement, in which event Lessee shall immediately surrender the Leased Premises to Lessor, and if Lessee shall fail so to do, Lessor may without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Leased Premises and expel or remove Lessee and any other person who may be occupying the Leased Premises or any part thereof, without being liable for any claim or damages therefor and Lessee agrees to pay Lessor on demand the amount of all loss, damage, costs and expenses which Lessor may incur by reason of the Event of Default, including attorneys' fees, costs and expenses, and Lessee further agrees that Lessor shall not be liable for any damages to Lessee's property or business operations resulting to the Lessee from such action, whether caused by the negligence of Lessor or otherwise.

b) Enter upon and take possession of the Leased Premises and expel or remove Lessee and any other person who may be occupying the Leased Premises or any part thereof, and do or cause to be done whatever Lessee is obligated to do under the terms of this Lease Agreement, except that Lessor shall not use Lessee's trade name, signs or business identity in connection therewith, without being liable for any claim or damages therefor and Lessee agrees to pay Lessor on demand the amount of all loss, damage, costs and expenses which Lessor may incur by reason of the Event of Default, including reasonable attorneys' fees, costs and expenses, and Lessee further agrees that Lessor shall not be liable for any damages to Lessee's property or business operations resulting to the Lessee from such action, whether caused by the negligence of Lessor or otherwise.

Pursuit of any of the foregoing remedies shall not preclude pursuit of any other remedies

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herein provided or any other remedy provided by law or in equity, nor shall the pursuit of any remedy herein provided constitute a forfeiture or waiver of any rent due to Lessor hereunder or of any damages accruing to Lessor by reason of the violation of any of the terms, provisions or conditions contained in this Lease Agreement. Failure by Lessor to enforce one or more of the remedies herein provided upon an Event of Default shall not be deemed or construed to constitute a waiver of such default, or of any other violation or breach of any of the terms, provisions or conditions herein contained. If any action shall be taken by Lessor to recover any rent or other charges or payments under this Lease Agreement, or for or on account of any breach of or to enforce any of the terms, provisions or conditions of this Lease Agreement or for the recovery of possession of the Leased Premises, the Lessor shall be entitled to recover from the Lessee as a part of such costs Lessor's attorneys' fees and court costs and all expenses related to such actions, regardless of whether suit is filed.

17. LESSOR'S COVENANTS. Lessor covenants, warrants and represents that

it has full right and power to execute and perform this Lease Agreement and to grant the estate demised herein and that Lessee, on payment of the rent herein reserved and performing the covenants and agreements herein contained, shall peaceably and quietly have, hold and enjoy the Leased Premises during the full term of this Lease Agreement, or any extension or renewal hereof, provided however, that Lessee accepts this Lease Agreement subject and subordinate to any mortgage, deed of trust or other lien presently existing upon the Leased Premises. Lessor is hereby irrevocably vested with full power and authority to subordinate Lessee's interest hereunder to any recorded mortgage, deed of trust or other lien hereinafter placed on the Leased Premises, and Lessee agrees upon demand to execute such further instruments subordinating this Lease Agreement as Lessor may request, provided such further subordination shall be upon the express condition that the rights of Lessee as set forth in the Lease Agreement shall remain in full force and effect during the term of this Lease Agreement so long as Lessee shall continue to observe and perform all of the terms, provisions and conditions of this Lease Agreement.

18. COMPLIANCE. Each provision of this Lease Agreement or of any applicable governmental law or other requirement with reference to the making of any payment by Lessee

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to Lessor shall be deemed to be complied with when and if the following steps are taken:

a) All rent and other payments required to be made by Lessee to Lessor hereunder shall be payable to the Lessor at the address hereinbelow set forth or at such other address as the Lessor may specify from time to time by written notice, delivered in accordance herewith.

b) Any notice or document required or permitted to be delivered hereunder shall be deemed to be delivered (i) when received or rejected by a person at the intended address set out below, if delivered by courier, (ii) upon electronic confirmation of receipt if sent by facsimile to the fax number set forth by the signatures of the parties hereto or (iii) whether actually received or not, when deposited in the United States mail, postage prepaid, registered mail, return receipt requested, addressed to the parties hereto at the respective addresses set out opposite their names below or at such other address as they have heretofore specified by written notice delivered in accordance herewith.

19. ENTIRE AGREEMENT. This Lease Agreement, signed by Lessor and Lessee, embodies the entire agreement between the parties with respect to Lessor's leasing the Leased Premises to Lessee. There are no representations, terms, covenants, conditions or agreements between the parties pertaining to leasing the Leased Premises which are not herein contained. The terms, provisions, covenants and conditions contained in this Lease Agreement shall

apply to, and inure to the benefit of, and be binding upon the parties hereto and their respective successors in interest and legal representatives, except as otherwise herein expressly provided. All rights, powers, privileges, immunities and duties of Lessor under this Lease Agreement including but not limited to any notices required to be delivered by Lessor to Lessee hereunder, may at Lessor's option, be exercised or performed by Lessor's agent or attorney.

20. BROKERAGE. Mellinger Commercial LLC is the agent for the Lessor with duty to

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represent the Lessor's interest. Any information given to agent by Lessee or Lessee's agent may be disclosed to Lessor.

IN WITNESS WHEREOF, the parties have set their hand and seal, this 24th day of June, 2004.

LESSOR: Richard T. Gregg and Joseph Scott Schaefer

/s/ Richard T. Gregg

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RICHARD T. GREGG, Managing Member DATE 6/24/04

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JOSEPH SCOTT SCHAEFER DATE

LESSEE: Freedom Financial Group, Inc.

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Jerald L. Fenstermaker, President DATE

/s/ Jerald L. Fenstermaker

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LESSEE DATE 6/24/04

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LEASE AGREEMENT

THIS LEASE AGREEMENT is made and entered into this 13th day of December, 2001 by and between Richard T. Gregg and Joseph Scott Schaefer, Lessor, and Freedom Financial Group, Inc., Lessee.

WITNESSETH:

That in consideration of the mutual promises and agreements herein contained, Lessor does by these presents lease unto Lessee, and Lessee hereby leases the following described real estate in Greene County, Missouri, to-wit:

That portion known as 3042 E. Elm, Springfield, Missouri 65802 (approximately 3,000 +/- square feet of space) (the "Leased Premises").

Lessor further agrees that Lessee, its agents, servants, employees and business invitees shall have access to and use of the common areas of the Building for purposes reasonably related to Lessee's use of the Leased Premises,

1. TERM.. The initial term of this lease shall be one (1) year and eight (8) months, and it shall commence on January 1, 2002, and it shall terminate on August 31, 2003. The parties further agree that under no circumstances shall the original fixed rent set forth in Paragraph 2 of this Lease Agreement be reduced.

2. RENT. As compensation for its use of the Leased Premises Lessee does covenant, promise and agree to pay unto Lessor as monthly rent for the said premises on or before the first day of each month, the sum of One Thousand Six Hundred Fifty Dollars (\$1,650.00). Lessor hereby acknowledges receipt of the first month's rent and security deposit equal to one (1) month's rent. If any rental payment due hereunder is not paid when due, the unpaid balance hereof shall draw interest at the rate of ten percent (10%) per annum from its due date until paid, which interest shall become and for all purposes of this Lease Agreement be considered as rent.

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3. USE. The demised premises shall be used and occupied only for the purpose of general offices and not otherwise. Lessee shall, at its own cost and expense, obtain any and all licenses and permits necessary for such use.

4. LESSOR'S OBLIGATION TO MAINTAIN. Lessor shall, at all times, at its sole cost and expense, keep the root foundation, plumbing and exterior walls of the building situated on the Leased Premises in good repair and condition, except for reasonable wear and tear, and except that Lessee shall repair any damage caused by Lessee or Lessee's invitees. In the event that the Leased Premises should become in need of repairs required to be made by Lessor hereunder, Lessee shall give immediate written notice thereof to Lessor, and Lessor shall proceed promptly to make such repairs; provided however, that

Lessor shall not be responsible for any loss, whether by interruptions in Lessee's business or otherwise occasioned by Lessor's failure to make repairs for which Lessor is responsible if Lessor undertakes such repairs promptly. Lessor shall be responsible for parking lot repairs and maintenance including snow removal.

5. LESSEES OBLIGATION TO MAINTAIN. Lessee shall, throughout the term of this Lease Agreement, take good care of the Leased Premises, and keep the Leased Premises in good condition and make all necessary repairs, including repairs to interior windows, doors, and electrical fixtures and heating and air conditioning system (up to \$200.00 per year -- Landlord to pay anything over \$200.00 per year). Lessee will repair exterior windows and doors only if damaged by Lessee or Lessee's guests. At the end or other termination of this Lease Agreement, Lessee shall deliver up the Leased Premises with all improvements located thereon, in good repair and condition, reasonable wear and tear or acts or omissions of Lessor only excepted.

6. LESSEE'S IMPROVEMENTS. Lessee shall not create any openings in the roof or exterior walls, nor shall Lessee make any substantial alterations, additions or improvements to the Leased Premises without the prior written consent of the Lessor, which shall not be unreasonably withheld, but at its own cost and expense and in a good workmanlike manner Lessee may make such minor alterations, additions or improvements, or erect such shelves and office furnishings as it may deem desirable, without altering the basic character of the building

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improvements, and in each case complying with all applicable government laws, ordinances, regulations and other requirements. All shelves, furniture, fixtures and personal property installed by Lessee must be removed by Lessee at the termination of this Lease Agreement, but without damage to the Leased Premises.

7. PROHIBITED USE. Lessee will not permit the Leased Premises to be used for any purpose or in any manner which would render the insurance thereon void, regardless of whether such insurance is held by Lessor or Lessee.

8. RESTRICTION AGAINST ADVERTISING. Except as otherwise provided in the Addendum to Lease, no sign, advertising or notice shall be inscribed, painted, affixed or displayed on any of the windows or doors or on any other part of the outside or inside of the Leased Premises, without the prior written consent of the Lessor. The Lessee's trade name signage must conform to the criteria outlined in the Addendum for all Lessee signage.

9. INSPECTION. Lessor and Lessor's agents and representatives shall have the right to enter and inspect the Leased Premises at any reasonable time during normal business hours for the purpose of ascertaining the condition of the Leased Premises, or Lessee's compliance with the terms of this Lease Agreement or in order to make such repairs as may be required to be made by the Lessor under the terms of this Lease Agreement. Lessor shall have the right to enter

the Leased Premises at any time in case of emergency, as determined by Lessor.

10. UTILITIES. Lessee will pay for all water, gas, electricity and other utilities used by Lessee on, or in connection with the Leased Premises.

11. ASSIGNMENT AND SUBLETTING. Lessee shall not assign its rights under this Lease Agreement, nor shall Lessee sublet the whole or any part of the Leased Premises, without Lessor's prior written consent.

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12. DAMAGE TO PREMISES. In case the Leased Premises shall be rendered untenable by fire, explosion or other casualty, and cannot be restored within ninety (90) days after such occurrence, Lessor or Lessee may, at their option, terminate this Lease. If the Leased Premises can be restored within ninety (90) days, this Lease shall not terminate and Lessor shall repair the Leased Premises within ninety (90) days. Rent shall abate during the period of untenability. If Lessor does not repair the Leased Premises within said ninety (90) day time, Lessee may at its option, terminate this Lease Agreement and the term hereby created shall cease and terminate.

13. LIABILITY INSURANCE. During the term of this Lease Agreement, Lessee agrees at its expense to provide and keep in force comprehensive general liability insurance with bodily injury liability limits of \$500,000.00 per person and \$1,000,000.00 per accident, protecting Lessor and Lessee against any liability to any person whomsoever for injury to person or damage to property arising out of or in connection with the Lessee's use of the Leased Premises or in the condition of the Leased Premises. Lessee further agrees to have the Lessor named as a named insured in said policy of insurance and to provide a copy of said policy of insurance to Lessor prior to occupying the Leased Premises. The policy of insurance shall require thirty (30) days advance written notice to Lessor of any cancellation of the policy of insurance. Lessor shall maintain comprehensive general liability insurance covering the parking and common areas protecting Lessor and Lessee against liability for injury to persons or damage to property resulting from Lessor's acts or omissions. Lessor agrees to provide and keep in force during the term hereof fire and extended coverage insuring the Leased Premises and the building in which it is situated at full replacement value and to deliver a certificate to Lessee evidencing such coverage (and renewals of such coverage). Lessor shall not be liable to Lessee or Lessee's employees, agents or invitees, or to any person whomsoever, for any injury to person or damage to property on or about the Leased Premises, caused by negligence or misconduct of Lessee, its agents, servants, employees or invitees, and Lessee agrees to indemnify Lessor and hold Lessor harmless from any loss, expense or claims arising out of any such damage or injury. Lessee

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shall not be liable to Lessor or Lessor's employees, agents or visitors, or: to

any person whomsoever, for any injury to person or damage to property on or about the Leased Premises, caused by negligence or misconduct of Lessor, its agents, servants, employees or invitees, and Lessor agrees to indemnify Lessee and hold Lessee harmless from any loss, expense or claims arising out of any such damage or injury.

14. CONDEMNATION. If the whole or any substantial part of the Leased Premises should be taken for any public or quasi-public use under any governmental law, ordinance or regulation, or by right of eminent domain or should be sold to the condemning authority under threat of condemnation, this Lease Agreement shall terminate and the rent shall be abated during the unexpired portion of this Lease Agreement. All condemnation awards, except any award to the Lessee for interruption of Lessee's business or to defray the cost of moving to a new location, shall be paid to and belong to the Lessor.

15. EVENTS OF DEFAULT. The following shall be deemed Events of Default by Lessee under this Lease Agreement.

a) Lessee shall fail to pay any installment of rent due under this Lease Agreement if such failure shall continue for a period of ten (10) days after the due date thereof, with no written notice of delinquency from Lessor being required.

b) Lessee shall fail to comply with any term, provision or condition of this Lease Agreement, other than the payment of rent, and shall not cure such failure within thirty (30) days after written notice thereof from Lessor.

16. LESSOR'S REMEDIES. Upon the occurrence of any Event of Default as set forth in Paragraph 15 of this Lease Agreement, Lessor shall have the option to pursue any one or more of the following remedies without any notice whatsoever:

a) Terminate this Lease Agreement and declare immediately due and payable the balance of rent for the remaining term of the Lease Agreement, in which event Lessee shall immediately surrender the

Leased Premises to Lessor, and if Lessee shall fail so to do, Lessor may without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Leased Premises and expel or remove Lessee and any other person who may be occupying the Leased Premises or any part thereof, without being liable for any claim or damages therefor and Lessee agrees to pay Lessor on demand the amount of all loss, damage, costs and expenses which Lessor may incur by reason of the Event of Default, including attorneys' fees, costs and expenses, and Lessee further agrees that Lessor shall not be liable for any damages to Lessee's property or business operations resulting to the Lessee

from such action, whether caused by the negligence of Lessor or otherwise.

b) Enter upon and take possession of the Leased Premises and expel or remove Lessee and any other person who may be occupying the Leased Premises or any part thereof, and do or cause to be done whatever Lessee is obligated to do under the terms of this Lease Agreement, except that Lessor shall not use Lessee's trade name, signs or business identity in connection therewith, without being liable for any claim or damages therefor and Lessee agrees to pay Lessor on demand the amount of all loss, damage, costs and expenses which Lessor may incur by reason of the Event of Default, including reasonable attorneys' fees, costs and expenses, and Lessee further agrees that Lessor shall not be liable for any damages to Lessee's property or business operations resulting to the Lessee from such action, whether caused by the negligence of Lessor or otherwise.

Pursuit of any of the foregoing remedies shall not preclude pursuit of any other remedies herein provided or any other remedy provided by law or in equity, nor shall the pursuit of any remedy herein provided constitute a forfeiture or waiver of any rent due to Lessor hereunder or of any damages accruing to Lessor by reason of the violation of any of the terms, provisions or conditions contained in this Lease Agreement. Failure by Lessor to enforce one or more of the remedies herein provided upon an Event of Default shall not be deemed or

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construed to constitute a waiver of such default, or of any other violation or breach of any of the terms, provisions or conditions herein contained. If any action shall be taken by Lessor to recover any rent or other charges or payments under this Lease Agreement, or for or on account of any breach of or to enforce any of the terms, provisions or conditions of this Lease Agreement or for the recovery of possession of the Leased Premises, the Lessor shall be entitled to recover from the Lessee as a part of such costs Lessor's attorneys' fees and court costs and all expenses related to such actions, regardless of whether suit is filed.

17. LESSOR'S COVENANTS. Lessor covenants, warrants and represents that it has full right and power to execute and perform this Lease Agreement and to grant the estate demised herein and that Lessee, on payment of the rent herein reserved and performing the covenants and agreements herein contained, shall peaceably and quietly have, hold and enjoy the Leased Premises during the full term of this Lease Agreement, or any extension or renewal hereof; t 6 0 provided however, that Lessee accepts this Lease Agreement subject and subordinate to any mortgage, deed of trust or other lien presently existing upon the Leased Premises. Lessor is hereby irrevocably vested with full power and authority to subordinate Lessee's interest hereunder to any recorded mortgage, deed of trust or other lien hereinafter placed on the Leased Premises, and Lessee agrees upon demand to execute such further instruments subordinating this Lease Agreement as

Lessor may request, provided such further subordination shall be upon the express condition that the rights of Lessee as set forth in the Lease Agreement shall remain in full force and effect during the term of this Lease Agreement so long as Lessee shall continue to observe and perform all of the terms, provisions and conditions of this Lease Agreement.

18. COMPLIANCE. Each provision of this Lease Agreement or of any applicable governmental law or other requirement with reference to the making of any payment by Lessee to Lessor shall be deemed to be complied with when and if the following steps are taken:

a) All rent and other payments required to be made by Lessee to Lessor hereunder shall be payable to the Lessor at the address hereinbelow set forth or at such other address as the Lessor may specify from time to time by written notice, delivered in accordance herewith.

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b) Any notice or document required or permitted to be delivered hereunder shall be deemed to be delivered

(i) when received or rejected by a person at the intended address set out below, if delivered by courier, (ii) upon electronic confirmation of receipt if sent by facsimile to the fax number set forth by the signatures of the parties hereto or (iii) whether actually received or not, when deposited in the United States mail, postage prepaid, registered mail, return receipt requested, addressed to the parties hereto at the respective addresses set out opposite their names below or at such other address as they have heretofore specified by written notice delivered in accordance herewith.

19. ENTIRE AGREEMENT. This Lease Agreement, signed by Lessor and Lessee, embodies the entire agreement between the parties with respect to Lessor's leasing the Leased Premises to Lessee. There are no representations, terms, covenants, conditions or agreements between the parties pertaining to leasing the Leased Premises which are not herein contained. The terms, provisions, covenants and conditions contained in this Lease Agreement shall apply to, and inure to the benefit of and be binding upon the parties hereto and their respective successors in interest and legal representatives, except as otherwise herein expressly provided, All rights, powers, privileges, immunities and duties of Lessor under this Lease Agreement including but not limited to any notices required to be delivered by Lessor to Lessee hereunder, may at Lessor's option, be exercised or performed by Lessor's agent or attorney.

IN WITNESS WHEREOF, the parties have set their hand and seal, this 13th day of December, 2001.

LESSOR: RICHARD T. GREGG AND JOSEPH SCOTT  
SCHAEFER

/s/ Richard T. Gregg  
-----  
RICHARD T. GREGG DATE

/s/ Joseph Scott Schaefer  
-----  
JOSEPH SCOTT SCHAEFER DATE

LESSEE: FREEDOM FINANCIAL GROUP, INC.

/s/ Vern Schweigert 12/06/01  
-----  
Vern Schweigert, Trustee DATE

-----  
LESSEE DATE

AMENDMENT TO LEASE

THIS AMENDMENT TO LEASE AGREEMENT is made and entered into as of the \_\_\_ day of April, 2003, by and between Richard T. Gregg and Joseph Scott Schaefer, (hereinafter referred to as "Lessor") and Freedom Financial Group, Inc. (hereinafter referred to as "Lessee").

WHEREAS, the parties hereto entered into that certain lease agreement dated 13th day of December, 2001, covering the lease space in the building situated at 3042 E. Elm, Springfield, Missouri and;

WHEREAS, Lessor and Lessee desire to expand the Leased Premises and extend the lease term and;

WHEREAS, by mutual agreement, the parties hereto desire to amend said Lease.

WITNESSETH

NOW THEREFORE, for and in consideration of the covenants, conditions, agreements and stipulations hereinafter expressed, it I. hereby expressed understood and agreed by and between the parties hereto that the lease between Lessor and Lessee is hereby changed and amended in the following particulars, to-wit:

1. Lessor and Lessee agree to expand the Leased Premises to include an additional 1,875 sq.

ft., known as 3050 E. Elm, for a total of 4,875 sq. ft.

2. Beginning on May 1, 2003, the rent shall be adjusted to Two Thousand Four Hundred Fifty and 00/100 Dollars (\$2,450.00) per month for the remainder of the term.

3. Lease term shall be extended twelve months to expire on August 31, 2004.

Except for provisions, which may be inconsistent with the express language intent of the amendment, all provisions of the Lease Agreement dated the 13th day of December, 2001, shall be in full force and effect

LESSOR

LESSEE

/s/ Richard Thomas Gregg

/s/ Jerald L. Fenstermaker

-----  
/s/ Scott Schaefer

-----  
President, Freedom Financial Grp.

-----  
April 25, 2003

AMENDMENT TO LEASE

THIS AMENDMENT TO LEASE AGREEMENT is made and entered into as of the \_\_\_\_ day of July, 2004, by and between Richard T, Gregg and Joseph Scott Schaefer, (hereinafter referred to as "Lessor") and Freedom Financial Group, Inc. (hereinafter referred to as "Lessee").

WHEREAS, the parties hereto entered into that certain lease agreement dated 13th day of December, 2001, and amended on April 25, 2003, covering the lease space in the building situated at 3042 E. Elm and 3050 E. Elm, Springfield, Missouri and

WHEREAS, Lessor and Lessee desire to reduce the Leased Premises and extend the lease term and;

WHEREAS, by mutual agreement, the parties hereto desire to amend said Lease.

WITNESSETH

NOW THEREFORE, for and in consideration of the covenants, conditions, agreements and stipulations hereinafter expressed, it is hereby expressed understood and

agreed by and between the parties hereto that the lease between Lessor and Lessee is hereby changed and amended in the following particulars, to-wit:

1. Lessor and Lessee agree to that Lessee shall vacate 3042 E. Elm on July 31, 2004.
2. Beginning on July 1, 2004, the rent shall be adjusted to Eight Hundred and 00/100 Dollars (\$800.00) per month for the remainder of the term.
3. Upon expiration of this Lease Lessee and Lessor agree that Lessee shall remain in the Leased Premises on a month to month tenancy, Lessee shall give Lessor thirty days advance written notice of its intent to vacate. During month to month tenancy all terms and conditions of this Lease shall remain in effect.

Except for provisions, which may be inconsistent with the express language intent of the amendment, all provisions of the Lease Agreement dated the 13th day of December, 2001, shall be in full force and effect.

LESSOR

LESSEE

/s/ Richard Thomas Gregg

/s/ Jerald L. Fenstermaker

-----  
President 6/24/04

SUBSIDIARIES OF THE REGISTRANT

T.C.G.-The Credit Group Inc., a Manitoba, Canada private corporation.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the inclusion in this Registration Statement on Form 10-SB of our report dated April 21, 2005, on our audits of the consolidated financial statements of Freedom Financial Group, Inc. as of and for the years ended December 31, 2004 and 2003.

/S/ BKD, LLP

Springfield, Missouri  
May 2, 2005

[LOGO]

STEVEN H. GOODMAN  
sgoodman@stklaw.com  
Direct Dial (816) 374-0572  
Fax (816) 374-0509

April 28, 2005

VIA EDGAR

Securities and Exchange Commission  
Judiciary Plaza  
450 Fifth Street, N.W.  
Washington, DC 20549

RE: Freedom Financial Group, Inc. - Form 10-SB  
Dated April 28, 2005

Submitted herewith for filing on behalf of Freedom Financial Group, Inc. (the "Company"), a Delaware corporation, is a Form 10-SB (the "Form") and accompanying Exhibits. Also enclosed are two letters, dated December 15, 2004, and February 1, 2005, with regard to the restatement of the Company's 2003 financial statements based upon the settlement of two previously unresolved bankruptcy-related claims.

Should you have any questions regarding this filing, please contact Arnold R. Kaplan at (800) 995-5732 or Steven H. Goodman at (816) 374-0572 with regard to the Form, and Dan Graham, Chief Financial Officer of the Company at (417) 886-6600, Ext. 202, Jason Rader, Audit Engagement Partner for BKD, at (417) 865-8701, or Jim Brown, Accounting and Control Partner for BKD, at (417) 831-7283, with regard to accounting questions relating to the Form.

Very truly yours,

SHUGHART THOMSON & KILROY, P.C.

/s/ Steven H. Goodman  
-----

/s/ Arnold R. Kaplan  
-----

SHG:sg

Encs.

TWELVE WYANDOTTE PLAZA, 120 W. 12TH STREET, KANSAS CITY, MO 64105  
(816) 421-3355 O WWW.STKLAW.COM  
-----

KANSAS CITY, MO O OVERLAND PARK, KS O SPRINGFIELD, MO O DENVER, CO  
PHOENIX, AZ O ST. JOSEPH, MO

December 15, 2004

Donald T. Nicolaisen  
Chief Accountant  
Office of the Chief Accountant  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549-1103

cc: Carol Stacey  
Chief Accountant  
Division of Corporation Finance  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549-0410

RE: REQUEST FOR PRE-FILING GUIDANCE WITH RESPECT TO THE APPROPRIATE APPLICATION OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANT'S STATEMENT OF POSITION 90-7, FINANCIAL REPORTING BY ENTITIES IN REORGANIZATION UNDER THE BANKRUPTCY CODE

Dear Mr. Nicolaisen:

Freedom Financial Group, Inc. respectfully requests guidance from the Office of

the Chief Accountant with respect to the accounting and related financial reporting issue detailed herein.

#### COMPANY OVERVIEW

Freedom Financial Group, Inc. ("FFG"), a Delaware corporation, is a Springfield, Missouri-based consumer finance company. The Company's primary operations consist of purchasing and servicing automobile-secured consumer finance receivables originated by others. The Company operates in approximately 15 states.

The Company's wholly-owned subsidiary, T.C.G.-The Credit Group Co. ("TCG"), formerly known as Sinclair Credit Group Co., is a Winnipeg, Manitoba-based consumer finance company. TCG's primary operations consist of purchasing and servicing consumer finance receivables originated by others and secured by automobiles or consumer goods. TCG operates in five provinces in Canada.

The makers of the finance receivables purchased by FFG and TCG typically have limited or no access to traditional sources of consumer credit due to past negative credit history, limited or unstable employment history, the inability to make sufficient down payments or other negative factors typically evaluated in the credit granting process. These finance receivables are typically categorized as "sub-prime".

The Company publishes consolidated financial statements which include the accounts of FFG and its wholly-owned Canadian subsidiary, TCG. The fiscal year end of FFG and TCG is December 31. Condensed financial information is included herein as Exhibit A.

#### TIMING CONSIDERATIONS / PENDING REGISTRATION

The Company has heretofore not been required to register its securities with the Securities and Exchange Commission nor has it been required to file periodic financial statements with the Commission. As of the Company's upcoming fiscal year end, December 31, 2004, the Company will meet criteria requiring the Company to file Form 10-SB no later than April 30, 2005 and to meet the periodic financial statement reporting requirements thereafter. The Company presently intends to file Form 10-SB in March 2005 and Form 10-QSB for the quarter ended March 31, 2005 within the filing deadlines prescribed by the Commission.

#### FACTS AND CIRCUMSTANCES GIVING RISE TO ACCOUNTING AND FINANCIAL REPORTING QUESTIONS

Freedom Financial Group, Inc. is the successor by merger to Stevens Financial Group, Inc. ("SFG") and SFG's wholly owned subsidiaries, SFC Funding Corporation ("SFC"), SFC Automobile Receivables Trust 2000A ("SFC Trust").

On March 19, 2001, SFG filed a petition in the United States Bankruptcy Court for the District of Arizona (the "Bankruptcy Court") for relief under Chapter 11 of Title 11 of the United States Code. SFG's Amended Plan of Reorganization dated October 30, 2001, (the "Plan" or "Plan of Reorganization"), was confirmed by order of the Bankruptcy Court on March 14, 2002.

At the time the Plan was confirmed there existed significant contingent assets, which if not realized, would irreparably limit the Company's ability to consummate the Plan. Adhering to the provisions (specifically paragraph 55) of the American Institute of Certified Public Accountants' Statement of Position 90-7, Financial Reporting by Entities in Reorganization Under the Bankruptcy Code ("SOP 90-7"), the Company delayed the application of fresh-start accounting principles until the effective date of the Plan.

The Company applied fresh-start accounting principles and the provisions of SOP 90-7 on January 1, 2003, the effective date of the Plan of Reorganization.

As of January 1, 2003 the Company had two outstanding unresolved bankruptcy-related claims against other entities: 1) Wolf Haldenstein Adler Freeman & Herz LLP, a New York-based law firm ("Wolf") and 2) First Financial Trust Company ("FFTC") and its insurance carrier, BancInsure, Inc. ("BancInsure"). The Company, after consultation with legal counsel, determined that significant uncertainty existed with respect to the future timing and amount of proceeds, if any, the Company would receive from these claims. A Certified Valuation Analyst engaged by the Company to assist in determining the Reorganization Value of the Company (as defined in SOP 90-7) was unable to estimate the value of either claim due to similar uncertainties. The Reorganization Value of the Company was determined to be \$7,605,231, in part by assigning a value of zero to any assets receivable under these pending claims. Likewise, the Company assigned a value of zero to "Assets Receivable Under Pending Claims" in the Company's January 1, 2003 consolidated balance sheet (the Company's fresh-start opening balance sheet).

The Company's independent public accountants, BKD, LLP, audited the Company's consolidated balance sheet as of January 1, 2003. BKD's opinion with respect to the January 1, 2003 balance sheet included the following qualification:

As explained more fully in Note 8, the Company has two claims pending against other parties. Management has assigned a carrying value of zero to any assets receivable under the pending claims in the consolidated balance sheet. We were unable to examine sufficient evidence to satisfy ourselves as to the carrying value of these assets.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine sufficient evidence regarding assets receivable under the pending claims, the consolidated balance sheet referred to above presents fairly, in all material respects, the financial condition of Freedom Financial Group, Inc. as of January 1, 2003, in conformity with accounting principles generally accepted in the United States of America.

The Company continued to carry the "Assets Receivable Under Pending Claims" at a value of zero until the claims were settled.

On September 8, 2003 the Company settled its claim against Wolf. In accordance with the terms of the agreement, the Company received \$462,500 which was recorded as Claims Settlement Proceeds in the Company's Consolidated Statement of Operations for the three and nine months ended September 30, 2003 and the year ended December 31, 2003.

On June 9, 2004, the Company and BancInsure entered into a settlement agreement under which BancInsure agreed to pay FFG \$7,050,000 in settlement of all of FFG's claims against FFTC and BancInsure. In accordance with the terms of this agreement, the Company received \$6,955,973, net of contingent legal fees, which was recorded as Claims Settlement Proceeds in the Company's Consolidated Statement of Operations for the three months ended September 30, 2004.

#### SPECIFIC ACCOUNTING AND FINANCIAL REPORTING QUESTIONS

1. How should the Company account for the proceeds received from the Wolf and FFTC/BancInsure settlements in its initial filing with the Commission?
2. What, if any, disclosures over and above those typically required of entities applying SOP 90-7 are appropriate under the circumstances?

#### CONCLUSIONS REACHED BY COMPANY

The Company concluded that it is appropriate to determine reasonable values to assign to each of the two claims pending as of January 1, 2003 based on a reassessment of all available information. This approach requires the Company to restate the Company's Reorganization Value as of January 1, 2003. The Company further concluded that for each pending claim the difference between the carrying value assigned to the pending claim on the January 1, 2003 consolidated balance sheet and the value of the net proceeds received by the Company from the settlement of that claim will be appropriately accounted for as a change in estimate in the Company's consolidated statement of operations in the period during which the Company determines the amount and timing of the proceeds to be received.

To determine a reasonable value of the pending claim against Wolf, Haldenstein et al. as of January 1, 2003 the Company reviewed documentation, including written correspondence between Wolf and the Company's attorneys and certain electronic mail messages, created between October 1, 2002 and March 31, 2003. This documentation review indicated that during this time frame Wolf and the Company were exchanging offers to settle the Company's claim against Wolf and that as of January 1, 2003 Wolf had offered the Company \$425,000 to settle the claim and the Company had extended a counter-offer of \$500,000. Based on this offer and counter-offer and other relevant documentation, the Company determined a reasonable value of the pending claim as of January 1, 2003 to be \$450,000.

To determine a reasonable value of the pending claim against FFTC / BancInsure as of January 1, 2003 the Company reviewed, among other items, the following: 1) the confirmed Plan of Reorganization, 2) the related Disclosure Statement, exhibits, and financial projections, 3) the Global Settlement Agreement between the Company and certain parties to the bankruptcy, 4) correspondence from the court-appointed bankruptcy trustee to the Company and 5) correspondence from the Company's outside counsel. Neither the Plan of Reorganization nor the Disclosure Statement and related exhibits and financial projections specifically attribute a value to this pending claim. Correspondence from the court-appointed trustee and the Company's outside counsel, while not specifically valuing the pending claim, indicate that a settlement of the claim in the amount of \$8,000,000 would

be entirely reasonable, if not probable. The Global Settlement Agreement specifically values the pending claim at \$6,000,000. Based on these documents and other relevant facts and circumstances the Company determined a reasonable value of the pending claim as of January 1, 2003 to be \$6,000,000.

This conclusion will result in the Company restating the previously issued consolidated balance sheets dated:

- >> January 1, 2003 (audited)
- >> March 31, 2003 (reviewed)
- >> June 30, 2003 (reviewed)
- >> September 30, 2003 (reviewed)
- >> December 31, 2003 (audited)
- >> March 31, 2004 (reviewed)
- >> June 30, 2004 (reviewed)
- >> September 30, 2004 (reviewed)

This conclusion will also result in the Company restating the following previously issued consolidated statements of operations, stockholders' equity and cash flows:

- >> Three and nine months ended September 30, 2003 (reviewed)
- >> Year ended December 31, 2003 (audited)
- >> Three and nine months ended September 30, 2004 (reviewed)

A summary of these restatements is enclosed as Exhibit B.

Beginning January 1, 2003 the Company has reported its operating results and financial condition on a quarterly basis, and those financial statements have been subject to SSARS reviews performed by BKD, LLP, the Company's independent public accountants.

#### ALTERNATIVES CONSIDERED AND REJECTED

The Company considered two alternative answers to the conclusion reached above.

First, the Company considered whether or not the accounting originally employed by the Company (i.e. assigning a value of zero to each pending claim as of January 1, 2003 and recognizing income equal to the amount of net proceeds received, when received) was appropriate.

Second, the Company considered assigning a value of zero to each pending claim as of January 1, 2003 and recognizing comprehensive income equal to the amount of net proceeds received, when received.

The Company concluded both of the above alternatives were inconsistent with SOP 90-7 and specifically the concept of Reorganization Value as defined in SOP 90-7.

#### DISCLOSURE

The Company intends full and transparent disclosure, including the chronology of the transactions, methods used to estimate the original Reorganization Value, subsequent changes in the estimate and relevant SOP 94-6 significant estimates.

#### AUDIT COMMITTEE'S VIEWS

The Company's Audit Committee agrees with conclusions reached by the Company as described herein.

#### PRIOR SEC STAFF POSITION

Neither the Company nor its auditors are aware of any previously published SEC staff positions specifically addressing the questions raised herein.

#### CONCLUSION OF THE COMPANY'S AUDITORS

The contents of this letter and the conclusions herein have been discussed with and, except for the amounts proposed to be assigned to each claim by the Company



|                            |           |           |         |           |
|----------------------------|-----------|-----------|---------|-----------|
| CLAIMS SETTLEMENT PROCEEDS | -         | -         | 462,500 | -         |
| NET INCOME / (LOSS)        | (361,058) | (363,131) | 237,056 | (271,949) |

| 2004 ----->                | Q1        | Q2        | Q3        | ESTIMATED<br>Q4 |
|----------------------------|-----------|-----------|-----------|-----------------|
|                            | -----     | -----     | -----     | -----           |
| REVENUES                   | 264,706   | 310,744   | 365,304   | 425,000         |
| CLAIMS SETTLEMENT PROCEEDS | -         | -         | 6,955,973 | -               |
| NET INCOME / (LOSS)        | (234,174) | (226,837) | 6,744,538 | (175,000)       |

<TABLE>  
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|  | JANUARY 1, 2003 |            | MARCH 31, 2003 |            | JUNE 30, 2003 |            |
|--|-----------------|------------|----------------|------------|---------------|------------|
|  | ORIGINAL        | RESTATED   | ORIGINAL       | RESTATED   | ORIGINAL      | RESTATED   |
| <S>                                    | <C>             | <C>        | <C>            | <C>        | <C>           | <C>        |
| Assets Receivable Under Pending Claims | --              | 6,450,000  | --             | 6,450,000  | --            | 6,450,000  |
| All Other Assets                       | 7,605,231       | 7,605,231  | 7,384,821      | 7,384,821  | 6,842,604     | 6,842,604  |
| Total Assets                           | 7,605,231       | 14,055,231 | 7,384,821      | 13,834,821 | 6,842,604     | 13,292,604 |
| Liabilities                            | 793,807         | 793,807    | 753,418        | 753,418    | 348,742       | 348,742    |
| Preferred Stock                        | 6,810,427       | 13,260,427 | 6,810,427      | 13,260,427 | 6,810,241     | 13,260,241 |
| Common Stock                           | 997             | 997        | 997            | 997        | 997           | 997        |
| Retained Earnings / (Deficit)          | --              | --         | (361,058)      | (361,058)  | (724,189)     | (724,189)  |
| Accumulated Other Comprehensive Income | --              | --         | 181,037        | 181,037    | 406,813       | 406,813    |
| Total Stockholders' Equity             | 6,811,424       | 13,261,424 | 6,631,403      | 13,081,403 | 6,493,862     | 12,943,862 |
| Total Liabs and Equity                 | 7,605,231       | 14,055,231 | 7,384,821      | 13,834,821 | 6,842,604     | 13,292,604 |

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|  | SEPTEMBER 30, 2003 |            | DECEMBER 31, 2003 |             | MARCH 31, 2004 |             |
|--|--------------------|------------|-------------------|-------------|----------------|-------------|
|  | ORIGINAL           | RESTATED   | ORIGINAL          | RESTATED    | ORIGINAL       | RESTATED    |
| <S>                                    | <C>                | <C>        | <C>               | <C>         | <C>            | <C>         |
| Assets Receivable Under Pending Claims | --                 | 6,000,000  | --                | 6,000,000   | --             | 6,000,000   |
| All Other Assets                       | 7,003,168          | 7,003,168  | 6,822,005         | 6,822,005   | 6,573,722      | 6,573,722   |
| Total Assets                           | 7,003,168          | 13,003,168 | 6,822,005         | 12,822,005  | 6,573,722      | 12,573,722  |
| Liabilities                            | 259,382            | 259,382    | 219,413           | 219,413     | 243,744        | 243,744     |
| Preferred Stock                        | 6,810,241          | 13,260,241 | 6,810,241         | 13,260,241  | 6,810,241      | 13,260,241  |
| Common Stock                           | 997                | 997        | 997               | 997         | 997            | 997         |
| Retained Earnings / (Deficit)          | (487,133)          | (937,133)  | (759,082)         | (1,209,082) | (993,256)      | (1,443,256) |
| Accumulated Other Comprehensive Income | 419,681            | 419,681    | 550,436           | 550,436     | 511,996        | 511,996     |
| Total Stockholders' Equity             | 6,743,786          | 12,743,786 | 6,602,592         | 12,602,592  | 6,329,978      | 12,329,978  |
| Total Liabs and Equity                 | 7,003,168          | 13,003,168 | 6,822,005         | 12,822,005  | 6,573,722      | 12,573,722  |

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|  | JUNE 30, 2004 |             | SEPTEMBER 30, 2004 |            |
|--|---------------|-------------|--------------------|------------|
|  | ORIGINAL      | RESTATED    | ORIGINAL           | RESTATED   |
|  | <C>           | <C>         | <C>                | <C>        |
| <S><br>Assets Receivable Under<br>Pending Claims | --            | 6,000,000   | --                 | --         |
| All Other Assets                                 | 6,301,182     | 6,301,182   | 13,126,235         | 13,126,235 |
| Total Assets                                     | 6,301,182     | 12,301,182  | 13,126,235         | 13,126,235 |
| Liabilities                                      | 267,214       | 267,214     | 161,327            | 161,327    |
| Preferred Stock                                  | 6,810,241     | 13,260,241  | 6,810,241          | 13,260,241 |
| Common Stock                                     | 997           | 997         | 997                | 997        |
| Retained Earnings / (Deficit)                    | (1,220,093)   | (1,670,093) | 5,524,445          | (925,555)  |
| Accumulated Other Comp-<br>rehensive Income      | 442,823       | 442,823     | 629,225            | 629,225    |
| Total Stockholders' Equity                       | 6,033,968     | 12,033,968  | 12,964,908         | 12,964,908 |
| Total Liabs and Equity                           | 6,301,182     | 12,301,182  | 13,126,235         | 13,126,235 |

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|  | Q1 2003   |           | Q2 2003   |           | Q3 2003   |           |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
|  | ORIGINAL  | RESTATED  | ORIGINAL  | RESTATED  | ORIGINAL  | RESTATED  |
|  | <C>       | <C>       | <C>       | <C>       | <C>       | <C>       |
| <S><br>Revenues  | 268,445   | 268,445   | 260,486   | 260,486   | 277,626   | 277,626   |
| Provision for Credit Losses                            | 1,167     | 1,167     | 84,354    | 84,354    | 38,892    | 38,892    |
| Net Revenues   | 267,278   | 267,278   | 176,132   | 176,132   | 238,734   | 238,734   |
| Operating Expenses                                     | 628,336   | 628,336   | 539,263   | 539,263   | 464,178   | 464,178   |
| Operating Loss before<br>Other Income and Income Taxes | (361,058) | (361,058) | (363,131) | (363,131) | (225,444) | (225,444) |
| Other Income, Claims Settlement Proceeds               | --        | --        | --        | --        | 462,500   | 12,500    |
| Income / (Loss) before Income Taxes                    | (361,058) | (361,058) | (363,131) | (363,131) | 237,056   | (212,944) |
| Provision for Income Taxes                             | --        | --        | --        | --        | --        | --        |
| Net Income / (Loss)                                    | (361,058) | (361,058) | (363,131) | (363,131) | 237,056   | (212,944) |

</TABLE>

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|                             | Q4 2003  |          | Q1 2004  |          | Q2 2004  |          |
|-----------------------------|----------|----------|----------|----------|----------|----------|
|                             | ORIGINAL | RESTATED | ORIGINAL | RESTATED | ORIGINAL | RESTATED |
|                             | <C>      | <C>      | <C>      | <C>      | <C>      | <C>      |
| <S><br>Revenues             | 200,638  | 200,638  | 264,706  | 264,706  | 310,744  | 310,744  |
| Provision for Credit Losses | 104,648  | 104,648  | 39,307   | 39,307   | 49,234   | 49,234   |
| Net Revenues                | 95,990   | 95,990   | 225,399  | 225,399  | 261,510  | 261,510  |
| Operating Expenses          | 367,939  | 367,939  | 459,573  | 459,573  | 488,347  | 488,347  |

Operating Loss before

|  |           |           |           |           |           |           |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| Other Income and Income Taxes            | (271,949) | (271,949) | (234,174) | (234,174) | (226,837) | (226,837) |
| Other Income, Claims Settlement Proceeds | --        | --        | --        | --        | --        | --        |
| Income / (Loss) before Income Taxes      | (271,949) | (271,949) | (234,174) | (234,174) | (226,837) | (226,837) |
| Provision for Income Taxes               | --        | --        | --        | --        | --        | --        |
| Net Income / (Loss)                      | (271,949) | (271,949) | (234,174) | (234,174) | (226,837) | (226,837) |

</TABLE>

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|  | Q3 2004   |           |
|--|-----------|-----------|
|  | ORIGINAL  | RESTATED  |
| <S>                                      | <C>       | <C>       |
| Revenues                                 | 365,304   | 365,304   |
| Provision for Credit Losses              | 74,032    | 74,032    |
| Net Revenues                             | 291,272   | 291,272   |
| Operating Expenses                       | 502,707   | 502,707   |
| Operating Loss before                    |           |           |
| Other Income and Income Taxes            | (211,435) | (211,435) |
| Other Income, Claims Settlement Proceeds | 6,955,973 | 955,973   |
| Income / (Loss) before Income Taxes      | 6,744,538 | 744,538   |
| Provision for Income Taxes               | --        | --        |
| Net Income / (Loss)                      | 6,744,538 | 744,538   |

</TABLE>

February 1, 2005

Donald T. Nicolaisen  
Chief Accountant  
Office of the Chief Accountant  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549-1103

cc: Carol Stacey  
Chief Accountant  
Division of Corporation Finance  
Securities and Exchange Commission  
450 Fifth Street, N.W.  
Washington, D.C. 20549-0410

RE: FOLLOW-UP TO REQUEST FOR PRE-FILING GUIDANCE WITH RESPECT TO THE APPROPRIATE APPLICATION OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANT'S STATEMENT OF POSITION 90-7, FINANCIAL REPORTING BY ENTITIES IN REORGANIZATION UNDER THE BANKRUPTCY CODE

Dear Mr. Nicolaisen:

In a letter to you dated December 15, 2004 Freedom Financial Group, Inc. requested guidance from the Office of the Chief Accountant with respect to certain accounting and related financial reporting issues detailed therein. That letter served to set out the Company's preliminary views with respect to those issues and to provide a starting point for discussions between the Company and the Office of the Chief Accountant.

Having had several conversations with Pam Schlosser of the Office of the Chief Accountant and others in the OCA and the Division of Corporate Finance and having performed internal reviews of all of the relevant evidence available to the Company we have reached the final conclusions stated herein.

DETERMINATION OF REORGANIZATION VALUE UNDER SOP 90-7

The Reorganization Value of the Company, as that term is defined in SOP 90-7 is \$13,800,000.00. Exhibit 5 to the Disclosure Statement for Trustee's Amended Plan of Reorganization includes a pro forma balance sheet immediately after reorganization which attributes \$13,800,000 of equity to creditors in the bankruptcy.

ALLOCATION OF REORGANIZATION VALUE

The Company believes the following allocation is appropriate based on fair values and supported by sufficient evidence that existed at the Effective Date of the Plan of Reorganization, January 1, 2003:

|  |                  |
|--|------------------|
| Cash and cash equivalents  | \$ 2,572,298     |
| Cash settlements receivable  | \$ 2,273,295     |
| Finance receivables, net of allowance<br>for credit losses             | \$ 1,432,282     |
| Notes receivable   | \$ 100,000       |
| Settlement assets receivable   | \$ 1,106,723     |
| Furniture, fixtures and equipment                                      | \$ 73,721        |
| Other assets   | \$ 46,912        |
| Assets receivable under pending claim<br>against FFTC / Bancinsure     | \$ 6,000,000 *A* |
| Assets receivable under pending claim<br>against Wolf Haldenstein etal | \$ 450,000 *B*   |
| Excess reorganization value (Goodwill)                                 | \$ 538,576 *C*   |
|  | -----            |
| Total Assets   | \$ 14,593,807    |
|  | -----            |
| Accounts payable and accrued expenses                                  | \$ 138,728       |
| Accrued reorganization expenses  | \$ 655,079       |
|  | -----            |
| Total Liabilities  | \$ 793,807       |
|  | -----            |
| TOTAL NET ASSETS   | \$ 13,800,000    |
|  | -----            |

\*A\* - \$6,000,000 is the value assigned to this claim in the Global Settlement Agreement. The Global Settlement Agreement was entered into shortly before the Reorganization Plan's January 1, 2003 Effective Date and signed by the parties to the agreement during January and February 2003.

\*B\* - At the time the Company prepared its January 1, 2003 consolidated balance sheet the Company was actively negotiating the settlement of its claim against Wolf. A review of the correspondence between the Company and Wolf indicates the fair value of this claim as of January 1, 2003 was \$450,000. The Company can provide the Commission with the relevant documents if desired.

\*C\* - To be accounted for (including testing for impairment) under the provisions of FAS 142. It appears likely that impairment testing will indicate that this asset was fully impaired during 2003.

CONCLUSIONS REACHED BY AUDITORS

The Company's auditors, BKD, LLP, have reviewed the contents of this letter and are in agreement with the conclusions herein.

CONCLUSIONS REACHED BY THE OFFICE OF THE CHIEF ACCOUNTANT

It is my understanding after talking with Pam Schlosser of the Office of the Chief Accountant on January 31, 2005, that the OCA concurs with the conclusions herein. Please advise me if that is not the case.

Regards,

/s/ Dan Graham  
Dan Graham, CPA  
Chief Financial Officer