

EXHIBIT “6”
(Summary of Pre-Petition Litigation)

All Ongoing Litigation During Period 8/21/06 and 8/21/07

Current Litigation

- 1) No. 04CC12486, Orange County Superior Court, Central District, California, *FMFC v. Advantage Mortgage Services, Lien Nguyen dba Advantage Mortgage, Felix, Adriana & Teresa Escalante, Choice Appraisal Services, Edward Sipper, Edward Sipper dba Choice Appraisal Services, Edwin Billones, Renato Gomez & Anthony Boosalis*

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Case brought against Mortgage Broker for losses sustained on loans originated by their offices. Complaint filed December 23, 2004 for \$157,632.98. Advantage filed a demurrer. FMFC filed an amended complaint. Advantage filed another demurrer. The court overruled the demurrer except as to the interference claims we had alleged. Advantage filed its Answer. No other defendants have appeared and will be defaulted once service by publication is completed. A case management conference is scheduled for August 22, 2005, at which time we expect the court to set the trial date.

FMFC has obtained the following results: 1. Settlement of \$25,000 from defendant Advantage Mortgage; 2. Settlement of \$75,000 from defendant Nguyen; 3. Judgment of \$199,556.20 against defendants Escalante and Gomez; 4. Default of \$199,556.20 against defendant Billones may have to be set aside due to his bankruptcy, then retried as a default judgment; 5. All other defendants settled for cost waiver and dismissal.

- 2) No. BC 330039, Los Angeles County Superior Court, Central District, California, *FMFC vs. Westcorp Funding, Inc.*

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Complaint filed on March 9, 2005, against Mortgage Broker for losses sustained on loans originated by their office. Complaint filed for \$307,804.54.

The court has set the following dates in the case: (1) Trial is set for February 21, 2006; (2) Final Pre-Trial Conference is set for February 10, 2006; (3) Deadline for hearing on any

motion for summary judgment is January 12, 2006; (4) Post-Mediation Status Conference set for November 23, 2005; (5) Joint Status Report to be filed by November 21, 2005; (6) Mediation ordered to be completed by November 18, 2005.

Herb Lewis has been designated as the representative of FMFC who will attend the mediation.

FMFC obtained judgment against Westcorp in the sum of \$480,702.84, and is currently in the process of enforcing that judgment.

- 3) No. 37200/2004 Supreme Court of the State of New York, County of Kings; *Alicia Russell vs. Demandville Mortgage Corp., On Line Home Improvement, Inc., FMFC, Stephen J. Caputo, P.C., Stephen J. Caputo, Salvatore Giarrizo, Option One Mortgage Corp. and the City Register of the County of Kings*; filed March 4, 2005

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In-house counsel: Brian Harlow

Plaintiff filed a Petition including several counts against multiple defendants claiming that a defendant failed to fully perform a construction contract with plaintiff while other defendant breached their fiduciary duties owed to plaintiff by diverting funds due to plaintiff at closing to defendant contractor on the refinance of plaintiff's multi-unit housing complex. Plaintiff claims that defendant-construction company did not perform the work as expected, and filed a lien prior to completing said work in a satisfactory manner. Plaintiff also alleges that defendant-closing attorney allowed funds due to plaintiff to be diverted to defendant-construction company contrary to the closing instructions, defrauding her of said funds. Plaintiff seeks to rescind the transaction to recuperate proceeds paid to defendant-construction company. Finally, plaintiff alleges that defendant-closing attorney was an agent of defendant-lender and that as a result of that agency relationship, defendant-lender is liable for defendant-closing attorney's diversion of proceeds to defendant-construction company.

The preliminary conference has been adjourned. The conference is currently scheduled for February 21.

The court and parties are in the process of scheduling a preliminary conference to set a timetable for this case. FMFC filed cross-claims against all defendants, which have not yet been answered.

We received a motion from Plaintiff's counsel directed at defendants, OnLine Home Improvement and Salvatore Giarrizo, requesting an inquest into damages. Basically, Plaintiff is

asking the court to enter default judgments against these two defendants and assess damages since they have failed to answer the Complaint or move to dismiss.

Defendant Stephen J. Caputo, P.C. and Stephen J. Caputo filed a Motion for Summary Judgment, which was denied by the court on February 23, 2006.

FMFC will depose plaintiffs and defendant, Caputo, and then prepare a motion for summary judgment if FMFC believes it can defeat the agent argument that Caputo was FMFC's agent.

Plaintiff's counsel recently expressed that he does believe FMFC is a culpable party in this matter. He intends to gather information from FMFC via discovery and possibly dismiss FMFC thereafter. FMFC intends to file a motion for summary judgment within the next few months after it conducts some discovery on the allegations.

- 4) No. GIS 20081 San Diego County Superior Court, California, *Jesus Montijo, Sr. and Irma Montijo vs. Downey Savings and Loan, Charter Funding (aka Community Funding). Michael Radi, World Financial Group, Jose Mill Martinez, and Harold Sweet*

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Plaintiffs filed a complaint for: (i) Breach of Oral Contract, (ii) Breach of Written Contract, (iii) General negligence, (iv) Intentional Misrepresentation—fraud, (v) Negligent Misrepresentation, (vi) Intentional Infliction of Emotional Distress, (vii) Negligent Infliction of Emotional Distress, (viii) Conspiracy or Collusion, (ix) Breach of the Covenant of Good Faith and Fair Dealing, (x) Violation of Statutes (1) Business and Professional Code 10245, Duty to Disclose Terms of Loan (2) Civil Code 2924, Mortgage Service and Foreclosure, Civil Code 1670 Unconscionable Contract, (4) Code of Civil Procedure 526, Injunction.

Jesus Montijo was approached by several of FMFC's loan officers to refinance his home in order to cash-out its equity. Mike Radi, an FMFC loan officer with Charter Funding, served as the loan officer, and the loan was brokered out to Downey Savings. Jesus Montijo has made a number of claims related to his loan, but the gist of his complaint is that he is Spanish-speaking, and he was not informed of the terms and nature of his loan. FMFC has hired Curt Craton to represent its interest in California. Settlement negotiations are currently ongoing with the other defendants in an effort to propose a global settlement to Mr. Montijo.

This case is ongoing. The borrower has retained new counsel, and we remain hopeful that a settlement can be reached. The court has dismissed all but 2 counts against FMFC. The case should settle by November, 2006. There is a settlement conference scheduled for late January, 2007. We anticipate this case will be settled at that time.

A settlement conference was held in February, 2007. The borrower was unwilling to settle this matter. A trial date has been set for October 29, 2007.

- 5) No. 2005-42899; Harris County District Court, Texas; *Pine Valley Home Buyers Association vs. Pine Valley Development Co., FMFC, American Mortgage Network, Fidelity National Title Insurance Co., First American Title Insurance Co., Genesis, Inc., Family Home Providers, AmWest Financial, Texas American Mortgage Corp., Allied Houston Bank, Willard Hodge Mortgage, Novastar Home Mortgage*; filed June 30, 2005

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In-House Counsel: Joel Herk

Plaintiffs allege that the real estate developer, brokers, appraisers, lenders conspired together in a scheme to sell overvalued manufactured homes to unsophisticated buyers. FMFC successfully defended an almost identical case within the past year. And, FMFC plans to incorporate the same defense strategy in this matter. FMFC's prior success indicates little exposure from this litigation.

Matter temporarily abated until 9/12/06 based on Plaintiffs' failure to make a DTPA demand. Written discovery served on Plaintiffs and is pending. Anticipate filing summary judgment motion after abatement ends and discovery responses received.

Motion for summary judgment completed and will be filed shortly. FMFC continues to anticipate a successful defense of all of defendants' claims.

Judgment granting FMFC's motion for summary judgment was signed on April 4, 2007.

- 6) No. 2005CV5719, District Court, City/County of Denver, Colorado; *FMFC v. Summit Financial Mortgage, LLC & Paisano Realty v. Arcadia Appraisal, Inc., Pinnacle Appraisals, Inc., Sean Solomon, Anthony Ridley, Timothy Ridley, Robert Lumong, Christopher Werner & Joel Hirsch*; filed July 21, 2005

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FMFC filed suit against broker and real estate company for losses incurred by FMFC due to misstatements, inaccuracies, omissions, false Social Security numbers submitted, and overvalued appraisals on loans originated by broker and real estate company. FMFC is waiting for defendants to file answers.

Summit filed its Answer, Counterclaim and Cross-Claims. It is dated March 30, 2006, but was received on May 30, 2006. Summit brings in third-party defendants, Arcadia Appraisal, Inc., Pinnacle Appraisals, Inc., Sean Solomon, Anthony Ridley, Timothy Ridley, Robert Lumong, Christopher Werner and Joel Hersch.

Defendants' motion practice resolved and discovery recently commenced. Trial set for 4/30/07.

FMFC is currently responding to defendants' discovery requests. December 2006 mediation was unsuccessful. FMFC anticipates at least a partial recovery of its losses.

- 7) No. 2005-44301, Harris County District Court, Texas; *Cottage Gardens HomeBuyers' Association vs. Michael Martz, Inline Development Corporation, Inline Utilities, LLC, Sugarberry Place Phase II, Ltd., MMRM, Ltd., One Martz, LLC, FMFC, Network Funding Corporation, Southtrust Mortgage Corporation, Community Home Loans, Artermis Mortgage Corporation, American Mortgage Network d/b/a Annet Mortgage, First Horizon Home Loan Corporation, Startex Title Company, Texas American Title Company, Fidelity National Title, First American Title Insurance Company, Genesis, Inc., Family Home Providers, Partners in Charity, Discounty (1st Choice Bank), Rodriguez & Dyer, Inc., Scott Stephens & Associates, Network Funding Corporation, AmWest Financial, Community Home Loans, Allied Home Mortgage Corporation, Home Down Payment Gift Foundation, Texas American Mortgage Corporation, Ben Knipe, Charlotte Broeshe, Alltex Realty Service, Allpoint Service, Willard Hodge Mortgage, LLC; filed July 12, 2005*

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Plaintiffs allege that the real estate developer, brokers, appraisers, lenders conspired together in a scheme to sell overvalued manufactured homes to unsophisticated buyers. FMFC successfully defended an almost identical case within the past year. And, FMFC plans to incorporate the same defense strategy in this matter. FMFC's prior success indicates little exposure from this litigation.

Motion for Summary Judgment completed and will be filed shortly. FMFC continues to anticipate a successful defense of all of defendants' claims.

- 8) No. 0516-24201, Jackson County Circuit Court, Missouri, *FMFC vs. David L. Krough d/b/a Mortgage Solutions, d/b/a Mortgage Solutions and Investment Company and Mortgage Solutions and Investment Company*; filed August 30, 2005

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In-House Counsel: Brian Harlow

FMFC filed suit against broker for indemnification under the broker agreement. Broker has answered the complaint and the parties are engaged in discovery regarding the issues – strict contractual liability.

FMFC filed a motion for summary judgment on August 7, 2006.

Defendant, Mortgage Solutions and Investment Company agreed to a consent judgment against the Company in favor of FMFC. FMFC received a judgment in the amount of \$37,000.00

which includes its full loss, including interest and attorneys fees. FMFC is now attempting to collect on this judgment.

- 9) USDC WDMO No. 06-0079, *FMFC vs. Summit Mortgage, L.L.C., Joe Richardson, Dwayne Maddy, Frank Strauss, Rob Adrian, David L. Peterson, Peterson Appraisal Service, LLC, Edwards Appraisal Services, L.L.C., Edwards Appraisal Service, Inc., Terence Edwards, David Edwards, Jason Morgan, Kevin Casburn, Nicolace Appraisals, Paul E. Nicolace, Hometown Appraisals, Inc., Hometown Appraisals, L.C., Hometown Property Management, L.C., Dominique P. Allen, Kory J. Oline, Dennis C. Kiethley & Associates, Dennis C. Kiethley, Mississippi Valley Title, First American Title Missouri Agency, Inc. dba First American Title Of Kansas City, Premier Title Company, Realty Title Company, Commonwealth Land Title, First American Title, Old Republic, Chicago Title Insurance Company, Wade Rustici, Global Assets, Brian And Judy Valet, Kathy Schilt-Richardson, Kory Oline, K.C. Rehab, Robert B. Jones, Mark Owen, Mark And Becky Meirath, Paul And Vicki Zarrillo and Rebecca Case*

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In-House Counsel: Brian Harlow

FMFC collecting Settlement Funds and has a Consent Judgment against Defendants for the total amount of the loss plus punitive damages.

- 10) No. 06CV1230 USDC NDIL, *FMFC vs. Commonwealth Land Title Insurance Company, Title Zone, LLC, et al.*, filed March 7, 2006

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In 2004 FMFC loaned 240.8k for the purchase of a SFR in Chicago. Fraud and Risk Management discovered that the transaction was fraudulent prior to the sale of the loan and turned the loan over to legal. Legal investigated and determined that both the seller's and borrower's identities had been stolen. The sellers turned out to be an elderly couple who owned their home free of any liens. Legal obtained affidavits from the sellers and the borrower stating

that they were not involved in the transaction. It turns out that the bad guys did the same thing to 3 or 4 other lenders within a week. They cashed the escrow checks at a "Quickie Check" and walked off with over 1 million in cash.

Legal made claim on the title policy and provided the underwriter with FMFC's findings. The underwriter stated that they would investigate and then make a decision on FMFC's claim. The claims agent dragged his feet and failed to do a proper investigation within a reasonable time. After several letters, we filed a lawsuit against the underwriter on the policy as well as a bad faith claim. After negotiations the underwriter has agreed to pay FMFC \$256,500.00, which is the policy limits, 5% interest, and all but 3k of FMFC's attorney's fees. FMFC will collect the remaining 3k from the other defendant (the escrow company).

FMFC entered into Settlement Agreement with LandAmerica Commonwealth and received payment of \$256,500.00.

Title Zone has agreed to pay \$2,500 to supplement settlement proceeds noted. Once documented and paid, case to be dismissed.

FMFC has received full recovery. FMFC is in the process of dismissing the final portion of this case against Title Zone. FMFC has recovered all of its losses, including attorney's fees, except for approximately \$5,000. Dismissal was filed on February 20, 2007.

- 11) No. 05-309, Coffee County, Tennessee Chancery Court; *Donald G. O'Keefe and Mid-State Realty, LLC d/b/a Century 21 Mid-State Realty vs. Washington Mutual Bank, Fidelity National Asset Management Solutions, Inc., Federal National Mortgage Association, Joe & Mercellia Colyer & FMFC*; filed July 21, 2005; Order to Join FMFC as party signed April 3, 2006; FMFC received August 16, 2006

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FMFC is in negotiations with plaintiff, for plaintiff to purchase the property which is the subject of the action. FMFC expects the action to be dismissed.

Plaintiff sued to quiet title on a manufactured home. Plaintiff has not continued to prosecute his claim and FMFC intends to file a motion to dismiss. FMFC has clear title to the manufactured home and has offered the home to Plaintiff in exchange for a release of the case. Plaintiff has failed to respond.

FMFC is preparing to file motion for summary judgment.

- 12) No. 4:06cv736, USDC WDMO (Kansas City); *FMFC vs. First United Mortgage, LLC, Calogero Gennusa, Matthew McFeeters, Sandy Kohl, Dusty Owens, Michael Zabor, DPI & Associates, Derric Goodwin, Chicago Title Insurance Co., Becky King*; filed September 1, 2006

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In-House Counsel: Brian Harlow

FMFC has filed a federal district court case against the named Defendant's based on their actions to defraud FMFC into funding loans on overvalued properties. FMFC is in the process of serving all defendants and has begun settlement negotiations with some the named defendants.

Gennusa has filed an answer. The court has not set any case management conference yet.

Settlement negotiations are ongoing.

- 13) No. CV 06 5000591 S, Superior Court Judicial District of Tolland at Rockville, Connecticut, *FMFC vs. Petmak Mortgage, LLC, Jarlath Paul Ramoya & Terry Leighton*; filed June 22, 2006

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FMFC filed suit against Petmak, a residential mortgage broker, alleging that Petmak brokered seven residential home loan applications that caused FMFC damage. FMFC also named the appraiser, as a defendant. The loans packages Petmak provided included appraisals that contained misrepresentations and that overvalued the subject properties. FMFC, after funding the loans, sold the loans on the secondary market. FMFC, due to the overvaluations, was forced to repurchase the loans and sell the loans at bid prices below the cost of repurchase. Discovery is ongoing and FMFC expects a full recovery.

- 1) No. 06012698, 17th Judicial Circuit Court, Broward County, Florida; *ACT Lending Corporation dba ACT Mortgage Capital vs. FMFC dba Charter Funding*; filed August 21, 2006; FMFC served August 29, 2006

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ACT Lending Corporation filed suit in a Florida court seeking to compel repurchase of a nonperforming loan for approximately \$400,000 or payment by FMFC of a \$97,000 indemnification fee offered to ACT by its investor to retain the loan. ACT subsequently stated that such loan had been repaid and reduced its demand to approximately \$15,000 for purported fees and costs relating to the loan. Thereafter, ACT advised that the loan had not been repaid and reinstated its original demand. FMFC is attempting to negotiate a repurchase of the loan at this time. Potential losses on the loan, if any, are not yet known.

ACT has also made a repurchase demand totalling approximately \$104,000 for a first and second mortgage originated by FMFC for a borrower in Arizona. No suit has been filed and FMFC is attempting to negotiate repurchase terms. Potential losses on the loans, if any, are not yet known.

The court granted FMFC's motion to dismiss on May 17, 2007 without prejudice. The court granted FMFC's motion for award of attorney's fees and costs on August 7, 2007. FMFC will now seek to collect its fees and costs totaling \$7,052.71.

- 14) No. 2:06-cv-02380-KHV-JPO, USDC DKS, *FMFC vs. Lighthouse Financial Corporation, Kelly Beaver, Kyle Roberson, Kevin Riche, Dave Marshall, Elizabeth Sykhasone, Tim Scott, Tyler Mackey, Term Investment Group, Terrell Ford, Maurice Ragland, Bill Lima, Shawn Allen, Mark Allen*; filed September 12, 2006

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FMFC has filed a federal district court case against the named Defendant's based on their actions to defraud FMFC into funding loans on overvalued properties. FMFC is in the process of serving all defendants and has begun settlement negotiations with some the named defendants. It appears that Kelly Beaver, the founder and principal of Lighthouse Financial Corporation has dissolved the corporation and filed for bankruptcy personally. These actions by Ms. Beaver will affect FMFC's decision regarding proceeding with the case, depending also upon whether we can reach the other defendants for service.

FMFC is in settlement negotiations with several defendants.

- 15) No. C20065095, Pima County Superior Court, Arizona, *Migdalia Valdez v. Lucelena & Jose Solorzano, Liberty Properties & Associates, Inc., Christopher Crane & FMFC*; filed September 19, 2006; FMFC served September 25, 2006

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In-House Counsel: Michael Walker

Borrower is claiming that FMFC induced her take out a refinance loan to secure a down payment for a commercial property and that FMFC represented that it could provide a commercial loan. FMFC expects a complete defense because this particular branch does not engage in commercial financing. The parties are involved in settlement negotiations.

The matter did not settle. Plaintiff rejected the combined \$13,000 settlement offer made (\$6,500 loan forgiveness, \$6,500 from Skip Whitley's clients in cash). The matter is proceeding forward, entering the discovery phase. Although FMFC may win this case on the merits, substantial attorneys' fees and costs will be incurred. Even if the Judge awards FMFC fees and costs (very unlikely because most the claims are based on tortious conduct and not contract claims), there is no guarantee that Plaintiff will be able to reimburse the fees and costs.

- 16) No. 06-2-18242-1 SEA, King County, Washington Superior Court, *Michael Clark vs. Shane Erskine, FMFC, SettlementOne Title Co., Accredited Home Lenders, Wilmington Finance, American International Group, Transcontinental Title*; Amended Complaint filed September 27, 2006; FMFC served October 2, 2006

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Suit for fraud, promissory estoppel, unconscionability, infliction of emotional distress, breach of fiduciary or quasi-fiduciary duty, violations of The Consumer Protection Act and violations of The Truth In Lending Act

Local counsel has filed an answer denying all allegations.

- 17) No. 06-CH-214, Boone County 17th Judicial Circuit Court, Illinois; *Raymond and Kitt Scurto vs. FMFC, MERS*; filed September 21, 2006; FMFC served October 3, 2006

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In-House Counsel: Michael Walker

Plaintiffs filed a quiet title suit, claiming that they did not sign loan documents, that their signatures were forged.

Borrowers have claimed identity theft. FMFC has placed the title company on notice of a claim against the lender's title policy and asked for them to tender defense.

- 18) No. 06-2426 JWL, USDC DKS; *FMFC v. Star Equity Funding, LLC, Gary Shartzter, Jamie Fankhauser, William Worley, Joe Savaglia, Brian Lee Eaton, Individually and dba Olympic Mortgage, Virgie Self, Dana Self, Doug Carrithers, Tommy Reid, John Blair, Reis Enterprises, Inc., Justin Cahow, Kelly Gerrety, Susan Shartzter, Vincent Rinehart, Vereranda Toledo, David Villarreal, Barbara Holzenthal, Angel X., Michael Evans, Jane Sanson, J.S. Appraisals, Term Investment Group, LLC, Terrell Ford, Maurice Ragland, Bill Lima, Matthew Woods, Robert Bundy, Chris Tyler, Advantage Appraisal Services, Debra J. McGowan, Aaron L. Jamison*; filed October 4, 2006

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An 86 page complaint was filed against multiple defendants. The majority of the defendants have been served. Preliminary settlement negotiations have occurred. Settlement agreements have been drafted and signed for Douglas Carrithers, Matthew Woods, Virgie Self, Barbara Holzenthal and Dana Self. FMFC anticipates recovering the majority of its losses.

- 19) No. 06CC11873, California Superior Court, Central Justice Center, Unlimited Civil; *Rodolfo Sanchez Cuevas, Manuel Sanchez & Alejandra Sanchez vs. Charter Funding, Hesham Maximous, FMFC, Goodyear Home Loan Corporation, Armen Nick Kevorkian, Hanan Basili, Woodbridge Homefinders, Inc., Century 21 Professionals, Raouf Michael Fam*; filed November 9, 2006, FMFC served November 20, 2006

Outside counsel:

In-House Counsel: Michael Walker

Plaintiffs filed Verified Complaint for 1) Quiet Title, 2) Reformation of Deed, 3) Rescission, 4) Breach of Fiduciary Duty, 5) Fraud, 6) Violation of Unfair Competition Law Business & Professions Code Sections 17200 & 17500, and 7) Negligence.

FMFC has received an extension to respond to complaint. Request has been made to plaintiff's counsel to dismiss FMFC inasmuch as allegations are against a loan officer who was not employed by FMFC during the purported misconduct.

- 20) No. 25985/06, Queens County, New York Supreme Court; *Nalini Singh v. FMFC*; filed November 22, 2006;

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In-House Counsel: Michael Walker

Plaintiff filed complaint after her loan did not close as scheduled. FMFC denied her loan after she could not meet all of the prior to funding conditions. FMFC has removed the case to federal court and have answered. Settlement negotiations with plaintiff are underway.

FMFC anticipates settling this matter for a nuisance fee.

- 21) No. 06-81122, USDC SDFL; *Jill Gante, Gregory Sillato, and David Schroder, on behalf of themselves & all others similarly situated*; filed December 5, 2006; FMFC served December 6, 2006

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Class action complaint filed alleging FMFC charged interest prior to funding of loans.

Answer was filed denying all allegations. FMFC anticipates a successful defense of this matter, and in addition anticipates that the class will not be certified. FMFC's motion for summary judgment is currently pending before the court.

- 22) No. 06-21724 CIV Highsmith, USDC SDFL Miami Division; *Isabel Hernandez vs. American Home Mortgage Servicing, Inc., Accredited Insurance Associates, Inc., Timothy M. Hartley, PA & FMFC*; filed July 10, 2006

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In-House Counsel: Michael Walker

Plaintiff filed a complaint alleging that the property: hazard insurance lapsed and property home was damaged by Hurricane Wilma.

FMFC has answered and discovery is just beginning in the case. FMFC anticipates filing crossclaims against other defendants, including the title company, insurer and insurance broker. FMFC anticipates on paying a nuisance fee to resolve this matter. Mediation is scheduled.

FMFC settled with Plaintiff and paid \$10,000. FMFC will pursue the broker for reimbursement.

- 23) No. 2007CV8, District Court, Adams County, Colorado, *FMFC v. Luis A. Fletes, et al.*, filed on January 3, 2007

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In-House Counsel: Michael Walker

FMFC filed this lawsuit to recover monetary damages from multiple defendants involved in a loan transaction, which contain documents with misrepresentations and an inflated appraisal. FMFC's claims include negligent misrepresentation, negligence and breach of contract. FMFC's damages request includes, but is not limited to, \$306,592.89, which represents its actual out of pocket damages, and all of its attorneys' fees and costs.

- 24) Patricia Tupper; Loan No. 4415005389; St. Louis WHL-Midwest Branch (#4415); 1215 Fern Ridge Parkway, Suite 101; St. Louis, Missouri 63141; 877-523-5700; Branch Manager: David Mattull; Rep. Amy Sommerkamp

Outside Counsel:

In-House Counsel: Brian Harlow

No. 0616-CV32993, Jackson County Circuit Court, Missouri, *Patricia A. Tupper vs. Darrell Kidd, Hometown Equity Mortgage of St. Louis Inc. dba Hometown Equity Mortgage, FMFC, Town & Country Title Associates, Inc. & Chevy Chase Bank, FSB*, filed November 21, 2006

Plaintiff's suit arises from the refinancing of her first mortgage, which was a thirty year fixed mortgage. Plaintiff opted for an Adjustable Rate Mortgage ("ARM"). ARM loans come with the promise of low payments but are complicated loans that require a level of sophistication that few borrowers possess. Often times, borrowers become fixated on the low payment option or the introductory low interest rate, not realizing that the low rate is only temporary and that the low minimal payment often results in negative amortization of the loan. Despite proper disclosures and thorough explanations, borrowers almost inevitably complain when their interest rates rise or they realize that the minimum payment does not cover interest on the loan. The plaintiff in this case did not fully understand the loan that she chose. Instead, she has filed suit claiming that the defendants failed to inform her about the loan and thus conspired to misrepresent the loan to her and that the defendants violated the Missouri Merchandising Practices Act. Plaintiff's claims are directed entirely at the broker and the title company. FMFC is named in the suit only because it was the lender for plaintiff's loan. Plaintiff's complaint fails to state a claim against FMFC and thus FMFC filed an immediate Motion to Dismiss based on the plaintiff's failure to state a claim. The motion is pending. FMFC does not believe that it has significant exposure in this case.

The case was set to settle, pending FMFC refinancing Plaintiff.

- 25) No. D-101-CV-200700546, Second Judicial District, County of Bernalillo, New Mexico, *FMFC v. Landmark Mortgage LLC*, filed on February 1, 2007

Outside Counsel:

In-House Counsel: Michael Walker

FMFC filed this lawsuit to recover monetary damages from multiple defendants involved in a loan transaction that was based on an inflated appraisal. FMFC's claims include negligent misrepresentation, negligence and breach of contract. FMFC's damages request includes, but is not limited to, \$100,417.54, which represents its actual out of pocket damages, and all of its attorneys' fees and costs.

- 26) No. 2:07-cv-00132, USDC DNV; *FMFC v. Tyson Rondeau and Jane Doe Rondeau, Husband and Wife; Accurate Accounting and Innovative Services, a dissolved Michigan Corporation; ACE Appraisals Corporation, a Nevada Corporation, Cordebella Los Gatos Trust, and Arizona Trust, Rafik, Inc., Trustee; Cara Maria Gudelis and John Doe Gudelis, a married couple; Paul Hill, Sr. and Jane Doe Hill, a married couple; 7540 Key Royale Trust, a Nevada Trust, Rafik, Inc., Trustee; Michael Mullins, a married couple; Options Are Us, a Nevada Corporation; Panther Investments, a Nevada entity*, filed

Outside Counsel: Ali Farhang
Fennemore Craig
1 South Church Avenue #1000
Tucson, Arizona 85701-1627
(520) 879-6402
afarhang@fclaw.com

In-House Counsel: Michael Walker

FMFC filed this lawsuit to recover monetary damages from multiple defendants involved in multiple loan transactions that contained misrepresentations in the loan documents and inflated appraisals. FMFC's claims include RICO, fraud, fraudulent concealment, negligent misrepresentation, negligence and breach of contract, breach of duty of loyalty, etc.. FMFC's damages request includes, but is not limited to, \$701,703, which represents its actual out of pocket damages, and all of its attorneys' fees and costs.

FMFC filed an Amended Complaint filed on July 3, 2007, which significantly expanded the list of defendants. Many defendants have expressed an interest in settling this matter.

- 27) No. CV2007-001909, Maricopa County Superior Court, *State of Arizona v. Real Property in Surprise, Arizona et al. (Ronald Reeves)*; filed January 31, 2007; Received by FMFC Legal: February 5, 2007.

Outside Counsel:

In-House Counsel: Brian Harlow

The cause of forfeiture arises from violation of A.R.S. § 13-4301 *et seq.*

- 28) Cause 05 CR 765, USDC NDIL, Eastern Division; *United States of America v. Antonio Fiasche*; filed January 7, 2007; received by FMFC Legal January 26, 2007.

Outside Counsel:

In-House Counsel: Brian Harlow

Cause of Forfeiture arises from a drug related arrest and seizure of property, personal and real.

- 29) No. CV2007-001595, Maricopa County Superior Court, Arizona; *Kiplyn Ronell LeBrun vs. FMFC dba GSW; Suzy Jackson & Brian Jackson*; filed January 25, 2007; FMFC served February 6, 2007

Outside Counsel: Ali Farhang
Fennemore Craig
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Tucson, Arizona 85701-1627
(520) 879-6402
afarhang@fclaw.com

In-House Counsel: Olivia Sethi

Plaintiff alleges that her termination of employment is in violation of FMLA.

- 30) No. 2006-48940 334th JDC Harris County, Texas; *Laura & Richard Bunn, Angela & Raymond Phillips, Thomas & Eloise Elam, Shannon Havard, Michael Barfield & Donna McGhie, Zakiyyah Caldwell, Charles & Christy Venable, Colleen Foley, Walter Butler, Lois Niezgoda, Tanisha Lewis, Gregory Taylor, Sheryl Jarvis, Edie Netusil & June Lockhart vs. Michael Martz, Inline Development Corporation, Inline Utilities, LLC, Sugarberry Place Phase II, Ltd., MMRM, Ltd., One Martz, LLC, Andora Financial Group, LLC d/b/a Andora Mortgage Group, National City Mortgage Co., FMFC, Home Downpayment Gift Foundation, Inc., Guaranty Residential Lending, Inc., Willard Hodge Mortgage, LLC, Scott Stephens & Associates, Southtrust Mortgage Co., Amwest Financial, Inc., Holly Heasley, Hollys Heasley, Genesis Housing Development Corp., Allied Houston Bank, Alltex Lending Services d/b/a Alltex Realty Services, Ben Knipe, Michael Bowden, Community Home Loans, Texas American Mortgage, Network Funding Corp., Partners in Charity & Family Home Providers, Inc.*; filed November 15, 2006; FMFC served February 5, 2007

Outside counsel: G. Todd Jackson
McNamara, Goldsmith, Jackson & Macdonald, P.C.
1670 East River Road, Suite 200
Tucson, Arizona 85718-5834
(520) 624-0126
tjackson@mgjlegal.com

Billy Shepherd
Cruse, Scott, Henderson & Allen, LLP
2777 Allen Parkway, 7th Floor
Houston, Texas 77019-2133
(713) 650-6600
bshpherd@crusescott.com

In-House Counsel: Joel Herk

Plaintiffs allege that defendant, Inline Development Corporation, schemed with the other defendants to defraud individual home buyers by pressuring plaintiffs to purchase manufactured homes with inflated appraisals. FMFC has successfully defended an almost identical case previously. And, FMFC plans to incorporate the same defense strategy in this matter. FMFC's prior success indicates little exposure from this litigation.

- 31) No. 06CC-004889, Division 5, St. Louis County Circuit Court, Missouri; *Erik Weinkauff & Becky Weinkauff vs. Cedar Bridge, LLC*; filed ???; FMFC served March 14, 2007

Outside counsel:

In-House Counsel: Brian Harlow

Suit to quiet title. FMFC brought into suit by defendant because FMFC may have interest in property.

Demand letter to Title Pro to protect FMFC's interest in property sent April 19, 2007.

The issue that clouded the title has been resolved by way of Court Order voiding, canceling and nulling its legal effect. FMFC's investor and the title company are aware of this, as well as the possibility of the filing an appeal of the Court's Judgment. Unless an appeal is filed, this issue has been put to rest

32) No. CIG880457, San Diego County Superior Court, California; *Currie Gavin v. Premier Mortgage Funding, Inc., Peter Martini*; filed ???; FMFC added as defendant in Amended Complaint filed March 29, 2007; served April 11, 2007

Outside counsel: Sean E. Brearcliffe
Rusing & Lopez, P.L.L.C.
6262 North Swan Road, Suite 200
Tucson, Arizona 85718
(520) 792-4800
SBrearcliffe@rusingandlopez.com

In-House Counsel: Joel Herk

Complaint alleges breach of contract, breach of fiduciary duty, negligence, intentional misrepresentation, negligent infliction of emotional distress, intentional infliction of emotional distress, violation of California Consumer Remedies Act, violation of California Business and Professions Code Section 17200, violation of Civil Code Section 1920-1921 and Unjust Enrichment.

FMFC has answered the complaint and will begin filing motions to dismiss unsupported claims.

A September 21, 2007 hearing date on a Case Management Conference is set, with a date of September 6, 2007 for submitting a case management statement.

- 33) No. 07-06543, 17th Judicial Circuit Court, Broward County, Florida; *Developers Funding Corporation v. Riverbend Townhomes Condominium I Association, Inc., Jeffrey Kahn & Lauren Kahn, MERS, as nominee for Fremont Investment & Loan, Wachovia Bank National Association, Stephen Scott, Trevor Malik Harris, Saxon Mortgage, Inc., Jacqueline McKinley, MERS as nominee for FMFC, Haime Zaldeti, Stuart Lipinsky, John Callan & Linda Callan, MERS as nominee for Prime Mortgage Financial, Inc., Dipesh Parekh, MERS as nominee for Countrywide Home Loans, Inc., Madelyn Facarazzo*; filed March 23, 2007; FMFC served April 24, 2007

Outside counsel: Deborah P. FitzGerald
Walton, Lantaff, Schroeder & Carson, LLP
110 East Broward Blvd., Suite 2000
Fort Lauderdale, Florida 33301
954-463-8456
dfitzgerald@waltonlantaff.com

In-House Counsel: Michael Walker

Complaint for foreclosure due to non-payment for building of pool. Case has been tendered to Riverbend Townhomes Condominium I Association, Inc. who is represented by Krinzman, Huss & Lubetsky.

- 34) No. 2007-4369, Fairfax County Circuit Court, Virginia; *Fairfax County Redevelopment & Housing Authority v. Nectar Projects, Inc., Ticor Title Insurance Company of Florida, MERS, FMFC*; filed April 13, 2007; FMFC served April 24, 2007

Outside counsel:

In-House Counsel: Brian Harlow

Complaint for Declaratory Judgment and Injunctive Relief. Plaintiff operates a program permitting low income, first time buyers, to purchase housing at below market prices with a repurchase stipulation. A home was originally purchased via this program in 1981 and subsequently gifted the home to a family member. This occurred several times, until one owner

sold the house at market value. Plaintiff alleges that this was an unlawful sale, and the purchaser did not have valid or legal title to the property. That owner then gifted the home to another family member. The current owner of the home refinanced with FMFC in 2006. Plaintiff alleges that the loans funded by FMFC are not valid encumbrances on the property. FMFC's borrower, Cliff Thomas, Sr., purportedly gifted the home back to the original owner. Plaintiff has learned that FMFC's borrower has defaulted on the loans and the current servicer of the loans is foreclosing. Plaintiff requests the court to void the allegedly unlawful transactions and enjoin Defendants from any sale or foreclosure of the property.

Demand has been made on the title policy.

Ticor has retained counsel to represent FMFC. Answer to be filed May 25, 2007.

35) No. CV2007-007179, Maricopa County Superior Court; *The Biltmore Bank of Arizona v. FMFC*; filed April 23, 2007; FMFC served May 4, 2007

Outside counsel: Sarah Wright
Law Office of Sarah Wright
5151 East Broadway Boulevard, Suite 1600
Tucson, Arizona 85711
(520) 512-5444
swright@wrightazlaw.com

In-House Counsel: Joel Herk

FMFC brokered the subject loans to Plaintiff, Biltmore Bank dba Axis Mortgage Investments. Plaintiff demanded FMFC repurchase subject loans because the loans defaulted and Plaintiff was required to repurchase them from its investor.

36) No. 51-07-CA-1530-WS, 6th Judicial Circuit, Pasco County, Florida, *Julie Soukup v. Kathleen Schmidt, Bret Milliron, Sharon Baker Milliron, Geneva Mortgage Corp. & FMFC*; filed April 4, 2007; FMFC served May 2, 2007

Outside counsel:

In-House Counsel: Brian Harlow

Complaint filed seeking to establish a Resulting Trust, impress a Constructive Trust, reform a Warranty Deed, specific performance on agreement, and partition of real property.

Open extension of time granted to permit FMFC time to make demand on title policy.

37) No. 07-C-349, Cabell County Circuit Court, West Virginia; *Dwayne Gue v. Wells Fargo Bank, NA, FMFC dba Charter Funding*; filed April 26, 2007; FMFC served May 2, 2007

Outside counsel: Debra Lee Hovatter
150 Clay Street, Second Floor
Post Office Box 615
Morgantown, West Virginia 26507-0615
(304) 291-7935
dhovatter@spilmanlaw.com

In-House Counsel: Michael Walker

Complaint filed alleging predatory lending. Complaint filed against FMFC and Wells Fargo (bought the loan from FMFC) alleging predatory lending. On or about July 27, 2007, Plaintiff made a settlement offer requesting a modification of the note, reducing the principal balance to \$50,000, at 6.25% for either 20 or 30 years, and \$15,000 in attorneys' fees and costs.

38) No. 057D-DD00059, Stoddard County Circuit Court, Division 1, Missouri, *James Gilooly, Peggy Gilooly & Carla Gilooly v. Russell McBride, Michael Newman, Vicki Newman, Robert Wrolstad, MERS, Novastar Mortgage, Inc., Thoams Jerry Noonana, FMFC & Kyle Brown*; filed April 24, 2007; FMFC served May 4, 2007

Outside counsel:

In-House Counsel: Michael Walker

Plaintiffs allege that they did not complete conveyance of property to the McBride, who then later sold the property to the Newmans; Newmans purchased with FMFC loans; Newmans

then Quitclaimed property back to plaintiffs, but there is still FMFC's loans encumbering property.

Demand made on title policy. Title company is investigating. Extension to respond granted through July 27, 2007.

Fidelity National Title Insurance Company will defend FMFC in this litigation.

39) No. CV 2007001002, 2nd Judicial District, Bernalillo County, New Mexico, *FMFC v. Landmark Mortgage, LLC, Severo Larrangaga, Jane Doe Larranaga, Joe P. Montoya & Jane Doe Montoya*, filed February 1, 2007

Outside counsel: Ali Farhang
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In-House Counsel: Michael Walker

FMFC filed this lawsuit to recover monetary damages from multiple defendants involved in a loan transaction that was based on an inflated appraisal. FMFC's claims include negligent misrepresentation, negligence and breach of contract. FMFC's damages request includes, but is not limited to, \$100,417.54, which represents its actual out-of-pocket damages, and all of its attorneys' fees and costs.

Both the appraiser and broker have E&O insurance, thus this matter definitely has some settlement value.

- 40) No. ??, Pierce County Superior Court, Washington; *Dream Builders NW, Inc. v. Scott Fisher, Jeanine Fisher, Joseph Pascua, Joell Pascua, FMFC, Keybank National Association*; filed ??; FMFC received April 26, 2007

Outside counsel: W. Gregory Guedel
Foster Pepper PLLC
1111 Third Avenue, Suite 3400
Seattle, Washington 98101-3299
Phone: 206-447-8931
GuedW@foster.com

In-House Counsel: Brian Harlow

Complaint for Foreclosure of Lien filed by Dream Builders NW, Inc. for work done for Scott and Jeanine Fisher, who sold the property to Joseph and Joell Pascua. The complaint alleges that this work was never paid for.

Local counsel is monitoring the case, as counsel for Defendants Fisher and Pascua are negotiating a settlement. It is unlikely that the lien will be foreclosed, thereby jeopardizing FMFC's interest in the property.

- 41) No. ???; 2nd JDC, Ramsey County, Minnesota; *AmeriCom, Inc. v. FMFC*; filed & served May 9, 2007

Outside counsel: N/A

In-House Counsel: Michael Walker

Contract dispute. Open extension to respond granted while settlement negotiations are underway.

Contract dispute for A/V services AmeriCom provided to FMFC. Plaintiff's counsel granted an open extension to respond to Complaint as long as parties are actively engaging in settlement negotiations. FMFC made offer of settlement of \$25K. Plaintiff's countered at \$27,500. No final settlement was reached before FMFC filed for Chapter 11 protection.

- 42) No. CV2007-142, Van Buren County Circuit Court, Arkansas; *Lawrence & Brenda Loggins v. T.B.S. Investments, Inc. dba American Residential Mortgage, FMFC & Chevy Chase Bank, FSB*; filed May 11, 2007; FMFC served May 22, 2007

Outside counsel: Sarah Wright
Law Office of Sarah Wright
5151 East Broadway Boulevard, Suite 1600
Tucson, Arizona 85711
(520) 512-5444
swright@wrightazlaw.com

In-House Counsel: Joel Herk

Complaint demands loan to be reformed and fraud committed by all defendants.

- 43) No. 07-1301-2, Walton County Superior Court, Georgia; *State of Georgia v. All that tract or parcel of land ...*; filed May 7, 2007; FMFC served May 22, 2007

Outside counsel:

In-House Counsel: Lisa Wagenheim

Forfeiture proceeding. Pleading sent to Aurora to respond.

- 44) No. 07-204ML, USDC DRI; *Luis Santos v. Noreast Mortgage, Inc., FMFC, Homecomings Financial, Washington Mutual, Option One Mortgage, Peoples Choice Home Loan Inc., Felix Batista and Petro Evangelista*; filed June 5, 2007; FMFC served June 6, 2007

Outside counsel: Matthew Previn
Buckley Kolar LLP
1250 24th Street, NW, Suite 700
Washington, DC 20037
(202) 349-8090
MPrevin@buckleykolar.com

In-House Counsel: Joel Herk

Complaint alleges violations of TILA, HOEPA, RESPA, FTC Act and Equal Credit Opportunity Act, fraud of by all defendants and breach of contract.

Plaintiff granted extension to respond to July 26, 2007.

FMFC's counsel has suggested filing a cross-claim at a later date against the broker, Noreast Mortgage Company, Inc. Two additional loans have been identified as having similar problems as the Santos loan and will be included in FMFC's cross-claim.

- 45) No. 07-1-5374-48 Cobb County Superior Court, Georgia; *Sheron & Richard Cavanaugh v. E&G Investment Properties, LLC, Euzarlous Pattillo, MERS, as nominee for Aurora Loan Services & FMFC*; filed June 28, 2007; FMFC received July 9, 2007

Outside counsel: Thomas Barton
Smith, Gambrell & Russell, LLP
Suite 3100, Promenade II
1230 Peachtree Street, N.E.
Atlanta, Georgia 30309-3592
(representing interest of FMFC)
(404) 815-3500
tbarton@sgrlaw.com

In-House Counsel: Brian Harlow

Petition to Quiet Title.

- 46) No. 07-C-1374 Kanawha County Circuit Court, West Virginia; *Margaret Hacker v. Aegis Funding Corp., FMFC dba Charter Funding, Homecomings Financial Network, Precision Appraisals & Jeremy Kimble*; filed July 6, 2007; FMFC served July 11, 2007

Outside counsel: Ali Farhang
Fennemore Craig
1 South Church Avenue #1000
Tucson, Arizona 85701-1627
(520) 879-6402
afarhang@fclaw.com

In-House Counsel: Michael Walker

The Complaint alleges predatory lending activities by FMFC. Plaintiff's counsel granted an extension for FMFC to file a responsive pleading until August 24, 2007. Outside counsel filed a notice that FMFC filed for Chapter 11 protection.

- 47) USDC DNJ No. 07-3373, *Jackie Katz v. FMFC, Starwin Financial, Inc. and Charter Funding*; filed July 20, 2007; FMFC served July 27, 2007

Outside counsel: Ray Harris
Fennemore Craig
3003 North Central Avenue, Suite 2600
Phoenix, Arizona 85012-2913
(602) 916-5000
rharris@fclaw.com

In-House Counsel: Brian Harlow

Copyright case.

FMFC filed an extension to answer complaint and sent settlement offer. Received preservation of document demand letter.

- 48) No. INC 068856, Riverside County Superior Court, California, *Priority Collections, Inc. vs. FMFC*; filed July 16, 2007; FMFC served July 27, 2007

Outside counsel:

In-House Counsel: Michael Walker

Collection case.

- 49) No. 07-9605 Circuit Court, Pulaski County, Arkansas, *Debbie Medford, on behalf of herself and all others similarly situated*; filed August 1, 2007; FMFC served August 6, 2007

Outside counsel: G. Todd Jackson
McNamara, Goldsmith, Jackson & Macdonald, P.C.
1670 East River Road, Suite 200
Tucson, Arizona 85718-5834
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tjackson@mgjlegal.com

In-House Counsel: Joel Herk

Class action of proposed class being all Arkansas residents who paid document preparation fees to FMFC during the period immediately preceding August 1, 2007.

August 24, 2007, Todd sent letter to plaintiff's counsel re: bankruptcy filing.

- 50) No. 07-CA-007552, 20th Judicial Circuit, Lee County, Florida, *Thomas Schrandt v. D'Alessandro & Woodyard Commercial Realtors, Inc., K. Hovnanian First Homes, LLC, First Florida Bank, Raymond DeMarco, Primary Mortgage Funding, Inc., FMFC, Samir Cabrera, Frank D'Alessandro, Gary Ouellette & First Home Title, Inc.*; filed August 6, 2007; FMFC served August 9, 2007

Outside counsel:

In-House Counsel:

Complaint filed alleges all defendants participated in fraud scheme and to enjoin FMFC from foreclosing on properties.

September 4, 2007, bankruptcy notice letter sent.

- 51) No. 07-CA-007554, 20th Judicial Circuit, Lee County, Florida, *Gregory & Gina Schnee v. D'Alessandro & Woodyard Commercial Realtors, Inc., K. Hovnanian First Homes, LLC, First Florida Bank, Raymond DeMarco, Primary Mortgage Funding, Inc., FMFC, Samir Cabrera, Frank D'Alessandro, Gary Ouellette & First Home Title, Inc.*; filed August 6, 2007; FMFC served August 9, 2007

Outside counsel:

In-House Counsel:

Complaint filed alleges all defendants participated in fraud scheme and to enjoin FMFC from foreclosing on properties. Defendants, D'Alessandro & Woodyard Commercial Realtors and Frank D'Alessandro filed motion to dismiss on August 10, 2007.

September 4, 2007, bankruptcy notice letter sent.

- 52) No. 07-00391 USDC DAZ, *Patricia & Jaime Puerto v. FMFC*; filed August 13, 2007; FMFC served August 17, 2007

Outside counsel:

In-House Counsel:

Complaint alleges FMFC permits brokers to add on yield spread premiums and other fees that raises their interest rate, particularly for minorities.

September 4, 2007, bankruptcy notice letter sent.

- 53) No. 0716-CV17349, *Darin Otte vs. Kory Oline, KFO Properties, Kory Oline dba Arrowhead Capital Group, Nicolace Appraisal Service, David Peterson, Countrywide Home Loans, National City Mortgage, National City Mortgage dba Commonwealth United Mortgage, Washington Mutual Bank, FMFC, MERS*; filed July 27, 2007; FMFC served August 17, 2007

Outside counsel:

In-House Counsel:

Petition to Quiet Title and for Damages.

- 54) No. 62-CV-07-1714, *Antonio Tettamanzi v. Superior Construction Services vs. FMFC, MERS*; filed ??; FMFC served August 24, 2007

Outside counsel:

In-House Counsel:

Mechanic's Lien Foreclosure

- 55) No. 0711-CV-06107, *J.F.D. Contracting, LLC vs. Gemini Homes, LLC, Sun Security Bank, John T. Keegan, Elmer Austermann, James Showalter & Sharon Showalter, U.S. Bank, NA, South & Associates – Allen South, U.S. Bank National Association, Kevin Pelkey & Mary Pelkey, FMFC, Assured Title, Steven Earle & Kimberley Earle, Wachovia Mortgage Corporation, Steven Diueckmann, CitiBank, NA, Ralph Collins, Jessica Vaccaro, JP Morgan Chase Bank, Tim Brockhaus, Tien Nguyen & Julie Tran & RJ Commercial Funding, Inc.*; filed August 7, 2007; FMFC served August 27, 2007

Outside counsel:

In-House Counsel:

Petition to enforce mechanic's lien

56) No. 07-1056, *Tamela Brouillette v. FMFC & Countrywide Home Loans, Inc.*; filed August 15, 2007; FMFC served August 23, 2007

Outside counsel:

In-House Counsel:

Complaint alleges fraud, breach of fiduciary duty, a Michigan act & TILA

September 4, 2007, bankruptcy notice letter sent.

Completed Litigation

- 2) No. CV06-3091-PHX-MHM, USDC DAZ; *AT&T Corporation vs. FMFC dba Charter Funding & Great Southwest*; filed December 26, 2006; FMFC served January 3, 2007

Outside counsel: Ali Farhang
Fennemore Craig
1 South Church Avenue #1000
Tucson, Arizona 85701-1627
(520) 879-6402
afarhang@fclaw.com

In-House Counsel: Darien Evans

Plaintiff filed complaint re: long distance charges incurred by GSW by fax lines being hacked into.

Outside counsel has been retained. This matter has been settled.

- 3) No. 0600386, 17th Judicial Circuit, Broward County, Florida; *Allison T. Jones v. Countrywide Home Loans, Inc. & FMFC*; filed January 11, 2007; FMFC served January 17, 2007

Outside counsel: Ali Farhang
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Deborah P. FitzGerald
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In-House Counsel: Michael Walker

Plaintiff filed complaint re: hazard insurance lapsed and property was damaged by a hurricane. FMFC has answered and discovery is just beginning in the case. FMFC anticipates filing crossclaims against other defendants, including the title company,

insurer and insurance broker. FMFC anticipates on paying a nuisance fee to resolve this matter. Mediation is scheduled.

On August 22, 2007, plaintiffs dismissed FMFC from the lawsuit.

- 4) No. 5:06CV00117, USDC WDVA Harrisonburg Division; *Paul Craine v. Global Mortgage, Inc., FMFC, Countrywide Home Loans & Liberty Title & Escrow Co.*; filed December 8, 2006; FMFC served December 22, 2006

Outside counsel: Matthew Previn
Buckley Kolar
1250 24th Street NW, Suite 700
Washington, DC 20037
(202) 349-8090
MPrevin@buckleykolar.com

In-House Counsel: Joel Herk

Plaintiff filed complaint against several defendants, including FMFC, alleging violations of TILA (Truth in Lending Act) and HOEPA (Home Equity Protection Act). FMFC will file answer denying all allegations shortly. Based on the factual analysis to date, FMFC anticipates successful defense of this matter.

A hearing on FMFC's motion to dismiss was scheduled for April 24, 2007 has been postponed until May 22, 2007.

June 26, 2007, FMFC settled with the borrower for \$2000. Notice of Settlement and Stipulation of Dismissal filed in August, 2007.

- 5) No. 4:06cv00519-SOW USDC WDMO, *United Fire & Casualty Company vs. FMFC*; filed June 26, 2006 – FMFC served July 3, 2006

Outside counsel: Ali Farhang
Fennemore Craig
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Tucson, Arizona 85701-1627
(520) 879-6402
afarhang@fclaw.com

In-House Counsel: Brian Harlow

Case arises out of FMFC's suit against Summit Mortgage – by insurer for Realty Title.

This matter has concluded. The court ruled for the insurer and FMFC settled with the insured.

- 6) No. 0716-CV00129, Jackson County Circuit Court, Missouri; *Greg & Judy Koehler & Special K Rentals, LLC vs. Jeffrey Wine, Nathan Anderson, Sunrise Assets, LLC, Brooklyn Properties, LLC, AMIC, LLC,*

Countrywide Home Loans, Inc., Wells Fargo Bank, N.A., Chase Manhattan Mortgage Corporation, First Horizon Home Loan Corporation, National City Mortgage Co., CitiMortgage, Inc., M&I Bank f/k/a Gold Bank, Washington Mutual Bank, F.A., Homecomings Financial Network, Inc., Argent Mortgage Company, LLC, Ameriquest Mortgage Company, AMC Mortgage Services, Inc., GMAC Mortgage Corporation, Hartley Mortgage LLC a/k/a Hartley Mortgage Company, Joel White, Principal Residential Mortgage, Inc., Federal National Mortgage Association d/b/a Fannie Mae, RBC Mortgage Company, HLB Mortgage Corporation, American Mortgage Network, Inc., Liberty Savings Bank, FSB, GN Mortgage, LLC, FMFC; filed January 3, 2007; FMFC served February 16, 2007

Outside counsel: Ali Farhang
 Fennemore Craig
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 afarhang@fclaw.com

In-House Counsel: Brian Harlow

Petition to quiet title.

Case has been dismissed.

7) No. 0616-CV03638, Division 10 Jackson County Circuit Court, Missouri at Kansas City, *Superior Midwest Properties, Michael Nash and Stephanie Nash vs. Jeffrey Wine, Nathan Anderson, Sunrise Assets, LLC, Bellaire Properties, LLC, Valueadvise Appraisal Services, Inc. f/k/a Trustmark Realty Professionals, Inc., Chris Powell, Kent Krause, Justin Williams, Buddy Kuhl, Universal Appraisals, James Hand, Elite Appraisals, David Terrell, Affinity Mortgage, LLC d/b/a Affinity Mortgage Loans, LLC, Hartley Mortgage, LLC, Joel White, RBC Mortgage Company, American Home Mortgage Company, Inc. d/b/a American Brokers Conduit, MERS, Homecomings Financial Network, Inc., Liberty Savings Bank, FMFC, National City Mortgage, Deutsche Bank Trust Company Americas as Trustee, Greenpoint Mortgage Funding, Inc.*, filed January 17, 2006, served on FMFC May 30, 2006

Outside counsel: Ali Farhang
 Fennemore Craig
 1 South Church Avenue #1000
 Tucson, Arizona 85701-1627

(520) 879-6402
afarhang@fclaw.com

In-House Counsel: Brian Harlow

Borrower sued broker, appraiser, seller for fraud and added in lenders for quiet title.

Settlement negotiations are ongoing. The response deadline has been suspended.

FMFC has been dismissed.

- 8) No. 0516-CV31731, Circuit Court of Jackson County, Missouri; *James and Vincenza Turner vs. Jeffrey Wine, Nathan Anderson, Sunrise Assets, LLC, Brooklyn Properties, LLC, AMIC, LLC, Valueadvise Appraisal Services, Inc. f/k/a Trustmark Realty Professionals, Inc., Kent Krause, Justin Williams, Mark Williams, Chris Powell, Allen Gish, Countrywide Home Loans, Inc., Wells Fargo Bank, NA, Chase Manhattan Mortgage Corp., First Horizon Home Loan Corp., National City Mortgage Co., Citimortgage, Inc., Gold Bank, Karen Johnson, Washington Mutual Bank, FA, Homecomings Financial Network, Inc., GMAC Mortgage Corp., Hartley Mortgage, LLC a/k/a Hartley Mortgage Co., Joel White, Principal Residential Mortgage, Inc., Federal National Mortgage Association d/b/a Fannie Mae, RBC Mortgage Company, HLB Mortgage Company, American Mortgage Network, Inc., GN Mortgage, LLC, FMFC*; filed September 20, 2005

Outside counsel: Ali Farhang
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In-House Counsel: Brian Harlow

Borrower sued broker, appraiser, seller for fraud and added in lenders for quiet title.

Settlement negotiations are ongoing. The response deadline has been suspended indefinitely.

FMFC has been dismissed.

- 9) No. 0516CV32712, Jackson County Circuit Court, Kansas; *Cowtown Properties, LLC, Gregory and Martha Backhus vs. Jeffrey Wine, Nathan Anderson, Sunrise Equities, Inc., Paul Zarrillo, Vicki Zarrillo, ACE Appraisals, Inc., Todd Burnidge, Mike Carney, Joel White, Chris Chiles, Joe Richardson, Summit Mortgage, LLC, McAfee Mortgage and Investment Co., MERS, Allied Mortgage Capital Corporation, CitiMortgage, Inc., Countrywide Home Loans, Inc., MortgageIT, Inc.*

d/b/a MIT Lending, National City Mortgage Co., Liberty Mortgage Corporation, BB&T Corporation, Guaranty Residential Lending, Inc., Washington Mutual Bank, F.A., Waterfield Mortgage Company, The American National Bank of Dekalb County, FMFC, Wells Fargo Bank, N.A. and Deutsche Bank Trust Company Americas; filed October 18, 2005 (FMFC served January 30, 2006)

Outside counsel: Ali Farhang
 Fennemore Craig
 1 South Church Avenue #1000
 Tucson, Arizona 85701-1627
 (520) 879-6402
 afarhang@fclaw.com

In-House Counsel: Brian Harlow

As to FMFC it is only a quiet title action as the plaintiff's allege that they were defrauded by the Seller's, Appraisers and Brokers. FMFC has not yet responded to plaintiff's complaint because is negotiating a settlement with plaintiffs regarding a dismissal of the quiet title action against FMFC in exchange for an agreement from FMFC not to counterclaim against plaintiffs and for their agreement to cooperate in any litigation filed by FMFC against the defendants.

FMFC has taken an aggressive approach to these quiet title actions filed by borrowers who claim to have been defrauded. FMFC has taken significant losses on these loans, thus, it has been decided to aggressively counter sue all Plaintiffs for the loan misrepresentations. The Harmon case, mentioned above, was the first of several similar law suits filed by plaintiffs in Kansas City, Missouri. FMFC aggressively counterclaimed and ultimately settled with Plaintiffs paying FMFC. FMFC then entered into settlement discussions with Plaintiffs' counsel on Cowtown, Turner and Nash. Plaintiffs have all agreed to pay FMFC for part of its losses and to assign Plaintiffs' claims to FMFC while agreeing to cooperate with FMFC in its prosecution of claims against the other remaining defendants.

FMFC has been dismissed.

- 10) No. 05-1-1302-07 First Circuit Court of Hawaii; *Robert Bertsche v. Robert Fulford, FMFC d/b/a Charter Funding and Raelene Tenno*; filed July 21, 2005, amended to add FMFC September 12, 2005.

Outside Counsel: James Hochberg
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 james.hochberg@hawaiiantel.net

In-House Counsel: Brian Harlow

Borrower signed residential purchase contract and applied for financing through FMFC d/b/a Charter Funding. Borrower was ultimately denied financing based on outstanding judgments in excess of \$75,000, however, borrower claims that our FMFC's agent breached a contract with borrower as well as fiduciary duties to borrower by failing to secure financing. Borrower further alleges that Charter tortiously interfered with borrower's contract to purchase by lending money to selling ??? encumbering the subject property, that such actions were fraud on the borrower.

FMFC filed a Motion to Dismiss Plaintiff's complaint based on an allegation in the complaint, which states that FMFC did procure loan approval for Plaintiff and that it was because of the outstanding judgments that the lender did not fund the loan for Plaintiff. The Motion was denied on an alleged fact presented by Plaintiff that FMFC cancelled the loan prior to lender's denial. FMFC sees exposure of no more than \$50,000.

FMFC made an offer of judgment to plaintiff of \$4,000. FMFC has filed a motion for summary judgment and is awaiting a scheduled hearing. The hearing is scheduled for 2/1/07.

FMFC's Motion for Summary Judgment was granted. The only remaining claim is FMFC's counterclaim against Bertsche. FMFC will likely dismiss the claim and conclude the matter.

FMFC has been dismissed.

- 11) No. 04CV231930, Jackson County Circuit Court, *Jeffrey R and Alicia J. Harmon v. Wade Rustici, Drake Rustici, Wade and Drake Rustici dba Worldwide Investments, Inc., Brian and Judy Valet, Countrywide Home Loans, Inc., National City Mortgage Company, Inc. dba Commonwealth United Mortgage Company, FMFC, Washington Mutual Home Loans, Inc. and John Doe No. 1-10*

Outside counsel: Ali Farhang
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In-house counsel: Brian Harlow

Plaintiffs filed a Petition to Quiet Title and for Damages on October 26, 2004 claiming that the defendant-sellers organized numerous loan transactions based on fraudulent and inaccurate loan applications, inflated appraisals and false title reports in order to fraudulently induce loans from the defendant-lenders. Plaintiffs claim to have been induced by defendant-sellers to purchase certain properties, which allegedly had inflated values, leading plaintiffs to believe that rents received from said properties would be sufficient to cover the mortgage payments thereon and would ultimately net plaintiffs a 10% return on their investments. Plaintiffs also claim that the properties are allegedly not in a rentable condition and that they are unable to resell the properties without incurring a loss. Upon discovering the allegedly fraudulent nature of the transactions, plaintiffs sought to rescind said transactions and in order to quiet title to the subject properties in anticipation of rescission, named all parties who appeared in the chain of title following their sellers.

A counter claim has been filed. FMFC is waiting for the plaintiffs and defendants to respond.

FMFC filed counterclaims against plaintiff's cross-claims against defendant, Sellers, and third-party complaints against the broker, appraisers and title companies involved in the transactions. FMFC is attempting to obtain service of its third-party claims on the third-party defendants.

FMFC has filed a Motion to Dismiss plaintiff's Quiet Title Claim as to the four properties upon which FMFC funded loans. The Motion to Dismiss is pending. Discovery in the case has begun. FMFC met with plaintiffs to discuss plaintiff's payment of funds to FMFC in exchange for FMFC agreeing to dismiss its counterclaims against plaintiffs and for plaintiff's cooperation in FMFC's claims against cross-claim defendants and third-party defendants. It appears that either the Motion to Dismiss will be successful or plaintiffs will agree to dismiss the quiet title action against FMFC. At that point, FMFC will no longer be a defendant as none of the cross-claim or third-party defendants have filed cross-claims or third-party claims against FMFC.

FMFC settled with the Harmons and received \$17,500. FMFC has been assigned the claims of the plaintiffs and the case is still pending with FMFC as the only plaintiff. FMFC will likely dismiss this matter as all sources of recovery seem to be exhausted.

Case closed.

- 12) Circuit Court of Jackson County, Missouri No. 03CV200271(7), *Patrick Grace and Marta Grace v. Brent Barber, et al.*, Circuit Court of Jackson County, Missouri No. 02CV222816(4) *Thomas Osborne v. Brent Barber, et al.*, filed October 11, 2002:

Outside counsel: Robert M. Pitkin
Levy & Craig
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rpitkin@levycraig.com

In-house counsel: Brian Harlow

The common plaintiffs in each matter referenced above filed a complaint against FMFC and other various defendants, alleging that FMFC did not perform due diligence in accepting appraisals for investment properties that accurately reflected the value of the subject properties. FMFC cross-claimed against the borrowers for fraud and misrepresentation. The plaintiffs admit in their complaints that they conspired with the seller of the properties to circumvent the underwriting qualifying process and that a "secret deal" was in effect at the time of closing. Plaintiffs defaulted on each of the subject loans.

In these cases, plaintiffs do not appear to be seeking any monetary relief from FMFC. The plaintiffs' claims do, however, seek to acquire title and have effectively prevented FMFC from selling the subject properties and recouping the funds originally loaned to the plaintiffs for the purchase of the subject properties. FMFC sees little exposure in either of these two cases and expects to recoup the

majority of its losses once title is cleared to the properties and FMFC is able to market and sell the properties.

FMFC has negotiated a settlement of this case, whereby plaintiffs have agreed to dismiss all claims against FMFC in exchange for FMFC dismissing its counterclaims against plaintiffs. It is anticipated that this settlement will be executed by March 31, 2006. At that point, FMFC intends to dismiss all of its cross claims and thereby be out of the case altogether.

Case is to be settled at no cost to FMFC and dismissed upon receipt of Deeds properly conveying the properties back to FMFC.

All of the properties repurchased by FMFC have been released from the suit, thus, FMFC is moving for the dismissal of the quiet title action against FMFC.

Case closed.

- 13) No. 72360 Nevada County Superior Court, California; *Christopher Wier & Elaine Lieske vs. Gary Larkey, Todd Brouillette, Foothill Properties, Inc., MERS, FMFC, Aurora Loan Services & Re-Con Trust Company*; filed April 6, 2007; FMFC received June 12, 2007

Outside counsel:

In-House Counsel:

Complaint for Reformation, Quiet Title and Trespass regarding an easement over driveway.

Plaintiff has filed to dismiss FMFC.

- 14) No. A05CA983LY, USDC WDTX, *FMFC vs. Parshall Mortgage, Inc., Fiveash & Associates, Inc. and David and Terri Hodgkins*; filed November 28, 2005

Outside counsel: G. Todd Jackson
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In-House Counsel: Brian Harlow

FMFC filed suit against the broker, appraiser and borrowers due to loss incurred on a refinance loan in the amount of \$461,144.37. Broker, Parshall Mortgage, submitted falsified borrower documentation to FMFC, along with an overvalued appraisal. Borrowers failed to make payments on

the loan. FMFC dismissed the borrowers, David and Terri Hodgkins as they filed bankruptcy and have no assets. The other defendants have filed their answers to the complaint. Discovery has not yet commenced.

FMFC dismissed all claims against all Defendants, without prejudice. Parshall Mortgage and its owner have filed for bankruptcy and FMFC did not perceive that there was a Defendant to collect upon.

- 15) No. 2005L010515, Cook County Circuit Court, Illinois; *Suzana Stojkovic, Djuro Djuric and Mileva Djuric vs. FMFC d/b/a Charter Funding and Elizabeth Fernandez*; filed September 26, 2005

Outside Counsel: Gary Caplan
Sachnoff & Weaver, Ltd.
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Chicago, Illinois 60606-7484
(312) 207-1000
gcaplan@reedsmith.com

In-House Counsel: Joel Herk

Plaintiffs (two separate borrowers) brought this action under the Illinois Consumer Fraud Act claiming that they were misled regarding the terms of their adjustable rate mortgages. In each case, plaintiffs alleged that their broker, Elizabeth Fernandez, misrepresented that their mortgage rate was fixed rather than adjustable, and that FMFC d/b/a Charter Funding was responsible for her actions.

FMFC counterclaimed against Fernandez. Fernandez failed to appear in the litigation, and has refused to accept service of a subpoena for deposition, despite repeated attempts by a special process server. Currently, FMFC has filed a Rule to Show Cause seeking contempt against Fernandez for failing to appear at a deposition. Plaintiff has not yet sought a default judgment against Fernandez.

All other discovery has been completed.

FMFC expects to file for summary judgment in the next few months.

At this point of the litigation, plaintiff has still not made a concrete settlement demand. The actual amount in controversy, factoring in mitigation and plaintiffs' ability to get new mortgages, suggests that a settlement or even potential judgment at trial will not be material to FMFC.

Order of dismissal entered by the court on June 11, 2007.

- 16) No. 64D05-0601-CT-735, Porter County, Indiana; *Patsy Ginn vs. FMFC d/b/a Charter Funding and Robby Rud*; filed January 25, 2006

Outside counsel: Sean E. Brearcliffe
Rusing & Lopez, P.L.L.C.
6262 North Swan Road, Suite 200
Tucson, Arizona 85718
(520) 792-4800
SBrearcliffe@rusingandlopez.com

In-House Counsel: Joel Herk

Plaintiff alleges FMFC breached a fiduciary duty owed to Plaintiff by "recklessly" referring Plaintiff to the private investment firm of Hudson & Hudson. Plaintiff eventually hired Hudson & Hudson to assist Plaintiff in obtaining a commercial loan. Hudson & Hudson charged Plaintiff a \$15,000.00 nonrefundable retainer. Plaintiff was unsatisfied with Hudson & Hudson's services and demanded the return of its retainer received, not by FMFC, but by Hudson & Hudson. FMFC has numerous defenses to Plaintiff's claim. FMFC sees no more than \$15,000.00 of exposure.

Party depositions are scheduled for mid-October, with a court-mandated settlement conference thereafter in November. FMFC expects to file dispositive motions immediately following the depositions of the Plaintiffs, prior to settlement conference.

Control of Ginn's case against FMFC has been transferred to her bankruptcy trustee. It is unclear at this time whether the bankruptcy trustee will pursue this matter. FMFC will file a motion for summary judgment.

Plaintiff did not answer the motion for summary judgment, nor did she sign the stipulation of dismissal. A hearing has been set on the motion for summary judgment for the end of May, 2007.

Plaintiff signed a dismissal stipulation and the dismissal order was signed on May 15, 2007.

- 17) No. DC4364-07, Superior Court of New Jersey, Law Division, Passaic County; *Hugh Blair v. Mid-Atlantic Capital, FMFC*; filed March 15, 2007; FMFC received March 27, 2007

Outside counsel:

In-House Counsel: Lisa Wagenheim

Complaint filed by closing attorney alleging broker was overcompensated and funds should have been paid to closing attorney.

Case voluntarily dismissed by plaintiff on March 23, 2007.

- 18) No. CV2 00601114 Pinal County Arizona Superior Court, *David R. Haney v. Richmond American Homes of Arizona, Inc., HomeAmerican Mortgage Corporation & GSW*; filed 7/11/06 – FMFC served 7/26/06

Outside counsel: Ali Farhang
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In-House Counsel: Michael Walker

Borrower sued GSW claiming that GSW misrepresented its ability or willingness to provide a loan to borrower. The purchase contract was rescinded. Borrower placed blame on GSW for its inability to fund loan before the closing date specified in the purchase contract.

FMFC had complete and successful defense. Case has been dismissed with all parties bearing their own costs.

- 19) No. 64D01-0601-CT-680, Porter County, Indiana; *Nakiel Blackwell vs. FMFC d/b/a Charter Funding and Robby Rud*; filed 1/24/06

Outside counsel: Sean E. Brearcliffe
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(520) 792-4800
SBrearcliffe@rusingandlopez.com

In-House Counsel: Joel Herk

Plaintiff alleges FMFC breached a fiduciary duty owed to Plaintiff by “recklessly” referring Plaintiff to the private investment firm of Hudson & Hudson. Plaintiff eventually hired Hudson & Hudson to assist Plaintiff in obtaining a commercial loan. Hudson & Hudson charged Plaintiff a \$15,000.00 nonrefundable retainer. Plaintiff was unsatisfied with Hudson & Hudson’s services and demanded the return of its retainer received, not by FMFC, but by Hudson & Hudson. FMFC has numerous defenses to Plaintiff’s claim. FMFC sees no more than \$15,000.00 of exposure.

Party depositions are scheduled for mid-October, with a court-mandated settlement conference thereafter in November. FMFC expects to file dispositive motions immediately following the depositions of the Plaintiffs, prior to settlement conference.

Settled. FMFC paid \$5,000 to settle this dispute.

- 20) No. 05-4012629-S, Superior Court Judicial District of Hartford, Connecticut, *FMFC vs. Absolute Mortgage Solutions, LLC, Alexandro C.*

DePase, Marc Shulman, D. Slopak Appraisals, LLC, Dennis Slopak and Kevin Carroll; filed March 7, 2005

Outside counsel: Kimball H. Hunt
Geoffrey K. Milne
Hunt Leibert Chester & Jacobson, P.C.
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Hartford, Connecticut 06120
(860) 241-1650
khh@hlcj.com

In-house counsel: Joel Herk

FMFC filed suit against a broker, appraisers, closing attorneys, and sham buyers participating in fraudulent property transactions. Settlement negotiations are currently taking place.

The appraiser, Denis Slopak, has filed an answer with a single special defense of comparative negligence. The case has been claimed to the jury docket and outside counsel is scheduled to depose Denis Slopak on August 31, 2005. The mortgage broker in this case has been defaulted for failure to plead, but they have filed a motion to reopen the default. Outside counsel is awaiting a breakdown of the damages by property in this case, along with any mortgage insurance proceeds which may have been applied on any of these losses. FMFC has provided that information to counsel.

FMFC has settled this matter and recovered all of its losses, including attorney's fees.

21) No. 04-0835315-S, Superior Court Judicial District of Hartford, Connecticut, *FMFC vs. Absolute Mortgage Solutions, LLC, Alexandro C. DePase, Marc Shulman, Alan Budkofsky and Budkofsky Appraisal Company*; filed May 26, 2005

Outside counsel: Kimball H. Hunt
Geoffrey K. Milne
Hunt Leibert Chester & Jacobson, P.C.
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(860) 241-1650
khh@hlcj.com

In-house counsel: Joel Herk

FMFC filed suit against a broker, appraisers, closing attorneys, and sham buyers participating in fraudulent property transactions. Settlement negotiations are currently taking place.

FMFC has settled this matter and recovered all of its losses, including attorney's fees.

- 22) No. 05-00169- CV-W-DW, USDC, WDMO, *FMFC vs. Robert Ellis Foster, et al.*; filed February 24, 2005

Outside counsel: Gary S. Caplan
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gcaplan@reedsmith.com

In-house counsel: Joel Herk

Litigation is in the discovery phase. Recently, the borrowers, who have a very small amount of assets, have settled the case and paid \$35,000 to FMFC. Settlement with the appraiser should be consummated soon. The remaining defendant will be the broker, who, based on facts established in the case, appears to be responsible for the fraudulent loan. Trial is scheduled for April 7, 2007.

Edwards has offered approximately \$20,000 to settle the matter. The offer has been rejected. Negotiations continue. However, FMFC does not anticipate full recovery in this case.

Settlement reached with Edwards for \$100,000 to be paid to FMFC in 72 monthly installments of \$1388.88. An Agreed Order of Dismissal was filed on March 23, 2007.

- 23) No. BC357345, Los Angeles County Superior Court, California, *Ilana B.R. Rosenzweig & David Rosenzweig, individually & as co-trustees of David & Ilana Rosenzweig Living Trust vs. FMFC dba Charter Funding, Alanna Ellis*; filed 8/31/06

Outside counsel: Sarah Wright
Law Office of Sarah Wright
5151 East Broadway Boulevard, Suite 1600
Tucson, Arizona 85711
(520) 512-5444
swright@wrightazlaw.com

In-House Counsel: Joel Herk

Complaint for breach of contract, promissory estoppel, fraud, invasion of privacy & unfair business practices in violation of California Business & Professions Code §17200, *et seq.*

Settlement negotiations are underway.

FMFC paid \$7820 to settle this matter.

- 24) No. 06CC-002009 St. Louis County Circuit Court, Missouri, *Ada Taylor vs. Countrywide Home Loans, FMFC & Old Republic Title Company of St. Louis, Inc.*, filed 5/15/06

Outside counsel: Barney Holtzman
Ali Farhang
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afarhang@fclaw.com

In-House Counsel: Michael Walker

Plaintiff claims that she was not advised that her loans were sold and that the defendants have ruined her credit.

- 25) No. 2005-016568 Maricopa County Superior Court, Arizona; *Jose and Sonia Orellano vs. FMFC and Grand Canyon Title Agency, Inc.*; filed October 27, 2005

Outside Counsel: John Craiger
Quarles & Brady Streich Lang LLP
2 North Central Avenue
Phoenix, Arizona 85004-2391
(602) 229-5618
jcraiger@quarles.com

In-House Counsel: Darien Evans

Great Southwest Mortgage brokered a loan for Borrower's primary residence, and in connection with that loan, the title company was sent a payoff statement for the wrong property. The title company never caught the problem and didn't notice that the payoff statement they requested was for the wrong property. At closing, instead of using the refinance proceeds to pay off the loan on the primary residence, title use the proceeds to pay off the loan on the second residence. FMFC is listed with Grand Canyon Title as the defendants, and FMFC's position is that Grand Canyon Title is the ultimate party responsible for this mistake.

FMFC filed an answer, and settlement negotiations are ongoing. FMFC sees minimal exposure. FMFC expects the case to settle by November, 2006. As part of the settlement, FMFC expects to originate two new loans for Mr. & Mrs. Orellana.

Case settled. A release was signed in exchange for \$5,000.

- 26) No. CV2005-013094, Maricopa County Superior Court, *Pacific Office Automation, Inc., an Oregon Corporation vs. FMFC, an Arizona Corporation, d/b/a Great Southwest Mortgage Corporation*

Outside Counsel: John Craiger
Quarles & Brady Streich Lang LLP
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Phoenix, Arizona 85004-2391
(602) 229-5618
jcraiger@quarles.com

In-House Counsel: Darien Evans

This involves a copier we leased through Pacific Office Automation ("POA"). When the copier broke down, POA brought in a "loaner" copier for our use. We liked the loaner, so we entered into negotiations with POA to potentially enter into a replacement lease. Those negotiations broke down, but POA claimed we had a contract. We fully disagree, and we have been fighting about this since March. They sued us, but we filed a counterclaim.

Settlement negotiations are ongoing. Counsel for POA has not been responsive to these requests. As such, the litigation is proceeding. Status quo. FMFC continues to try to settle this matter. FMFC has countered the settlement offer, and is waiting for a response. A settlement conference with the court has been scheduled.

Case settled. A release was signed in exchange for \$15,000.

27) USBC EDWI No. 05-35632, Adversary Proceeding No. 06-2244, *Michael Dubis, Trustee for Wendy McCarville vs. FMFC & Aurora Loan Services*, filed 4/10/06

Outside counsel:

In-House Counsel: Brian Harlow

Trustee filed complaint regarding preferential transfer within 90 days of voluntary petition.

Order for Dismissing Adversary Complaint signed December 4, 2006, filed December 5, 2006. The debtor property was removed from debtor estate. FMFC is in the process of foreclosing on the property. Debtor is attempting to reaffirm the note obligations.

28) No. DC-000354-06, Mercer County Law Division Superior Court, New Jersey; *Robert Ladd and Mary Ladd vs. Pacific Point Escrow, FMFC, Transcontinental Title*; filed January 13, 2006

In-House Counsel: Brian Harlow

Outside Counsel: Richard I. Scharlat
Greenberg Traurig, LLP
200 Campus Drive
Post Office Box 677
Florham Park, New Jersey 07932

(212) 801-9220
scharlatr@gtlaw.com

Plaintiffs allege consumer fraud on all defendants. Plaintiff's claim that defendants failed to notify plaintiffs of all the fees associated with their loan, did not allow plaintiffs to use the settlement agent of their choosing and failed to provide a settlement statement to plaintiffs at the closing of the loan. FMFC entered into early discussions with Plaintiffs regarding the matter and settled the case by paying Plaintiffs \$1500. This case has been dismissed.

Lloyd Marshall; Loan No. 9205012751; Hawaii Whl-Pacific Branch (#9205); 201 Merchant Street, 19th Floor; Honolulu, Hawaii 96813; 808-521-1301; Branch Manager: Andrew Kim; Rep. Andrew Kim

- 29) No. 05-1-1636-09, First Circuit Court of Hawaii; *Felice Nobu Oyadomari and Rita Nobuko Domingo, vs. Nitta Mitsuko Marshall, individually, and as Trustee of the Restatement of the Revocable Living Trust of Antoniette Corti Oyadomari, dated October 30, 2002; Lloyd Robert Marshall; Mortgage Electronic Registration Systems, Inc., FMFC; Countrywide Home Loans, Inc.; Christopher R. Dang*; filed September 13, 2005

Outside counsel: James Hochberg
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In-House Counsel: Brian Harlow

Motion for summary judgment was filed on July 6, 2006; the hearing is scheduled for August 31, 2006.

Case dismissed by stipulation November 6, 2006.

- 30) No. 05-7495, Montgomery County Common Pleas Court, Ohio; *The Monie Store, Inc. d/b/a Money Store of Ohio and Thomas R. Yearms vs. Kristi Sweeten, Chris Wise, FMFC d/b/a Charter Funding and Douglas Grothjan*; filed September 29, 2005

Outside Counsel: Scott A. King
Thompson Hine LLP
2000 Courthouse Plaza N.E.
Post Office Box 8801
Dayton, Ohio 45401
(937) 443-6560
scott.king@thompsonhine.com

In-House Counsel: Brian Harlow

Plaintiffs filed suit against FMFC alleging that FMFC engaged in a conspiracy with plaintiff's former employee to misappropriate business from plaintiff. After initial discovery, Plaintiff dismissed FMFC and Douglas Grothjan from the case.

- 31) No. CV2 00601427 Pinal County Arizona Superior Court, *Dennis Hayes v. Richmond American Homes of Arizona, Inc., HomeAmerican Mortgage Corporation & GSW*; filed 8/30/06 – FMFC served September 14, 2006

Outside counsel: Barney Holtzman
Ali Farhang
Fennemore Craig
1 South Church Avenue #1000
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(520) 879-6402
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In-House Counsel: Michael Walker

Borrower sued GSW claiming that GSW misrepresented its ability or willingness to provide a loan to borrower. The purchase contract was rescinded. Borrower placed blame on GSW for its inability to fund loan before the closing date specified in the purchase contract.

FMFC had complete and successful defense. Case has been dismissed with all parties bearing their own costs.

GSW dismissed October 23, 2006.