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00-1290-KI

NOTICE OF HEARING FOR COURT APPROVAL OF SETTLEMENT, CLAIMS BAR AND INJUNCTION IN THE "CAPITAL CONSULTANTS LITIGATION"

I. Summary

The Court-appointed Receiver for failed Investment Adviser Capital Consultants LLC ("CCL"), the Trustees of the Pension and Welfare Funds who invested through CCL, and other investors who invested through CCL have reached settlements with each of the following parties:

1. Lane Powell Spears Lubersky LLP - CCL's long-time law firm
2. O'Melveny & Myers LLP - CCL's law firm on selected matters
3. Wilshire Financial Services Group ("WFSG") and related parties, including Andrew Wiederhorn, Lawrence Mendelsohn, and members of their families ("the Wilshire Group"). For a complete listing of the parties included in this group, see the settlement agreement on the Receiver's website referred to below.
4. Stoel Rives LLP - the Wilshire Group's long-time law firm
5. Weiss, Jensen, Ellis & Howard, P.C. - CCL's law firm on selected matters
6. Barclay Grayson - a principal of CCL
7. Moss Adams LLP - a large regional accounting firm based in Seattle, which served as CCL's accountant and performed asset valuations of CCL's private investments.
8. McCarter & English LLP - a law firm allegedly representing Dan Dyer in the Sterling & Oxbow transactions.
9. Charles and Joseph Musemeci - purchased the capital stock of CJM Planning from the Receiver.
10. CF Credit LLC - a California-based company which loaned money to Jeffrey Grayson; its principal C. B. "Bud" Coleman and its counsel David Frey and Foley, McIntosh Frey & Claytor.

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11. Bear Stearns & Co. Inc. – the New York based investment bank, which served as CCL's cash collateral custodian

The formal settlement agreements have been filed in the United States District Court in Oregon. They can be reviewed at the Receiver's Website: at www.capitalconsultantsllc.com.

All settlements are the result of months of mediation sessions supervised by Ninth Circuit Court of Appeals Senior Judge Edward Leavy at the request of United States District Judge Garr King. Judge Leavy enjoys a well-deserved national reputation for helping parties facing costly and complex litigation settle their disputes.

These settlement agreements are subject to approval by the Court and will not be final unless and until approval is given by the United States District Court and other conditions of the Settlement Agreements are satisfied.

If approved by the United States District Court, these settlements will bring an additional \$109.95 Million return to the Receivership, on behalf of Capital Consultant clients. This is in addition to approximately \$140,000,000 the Receiver has collected from the operation, sale, or distribution of other CCL controlled investment assets. The Receiver will distribute all of these funds to CCL's clients after court-approval of a distribution plan, allowance of client claims and court approval of Receiver deductions for costs and fees.

Each of these settlements will be addressed at a public hearing at the Mark O. Hatfield United States Courthouse, 1000 SW Third Avenue in Portland, Oregon on June 19, 2002 at 9:00 a.m. Notice of this hearing is being provided to persons and entities who may be affected by them. If you wish to object see Section V. If you have no objection you do not need to respond to this notice.

II. Settlements and Parties

In September 2000, the Department of Labor and the Securities and Exchange Commission initiated litigation against CCL and its principals, Jeffrey Grayson and Barclay Grayson. At the request of both agencies, Thomas Lennon was appointed Receiver to take over CCL and wind up its affairs. Soon thereafter, numerous lawsuits were filed by pension and welfare benefit plan trustees and private investors seeking recovery of the investment losses attributed to CCL. These lawsuits named or identified numerous potentially responsible third parties and quickly developed into one of the largest and most complex group of lawsuits in Oregon history.

Although not officially named in the first series of lawsuits, plaintiffs and the Receiver made it clear from the start that they believed CCL's professional advisors bore part of the responsibility for the investment losses. Similarly, claims against the Wilshire Group also included claims against its professional advisers. Some persons and entities agreed to participate in the court ordered mediation without suit being filed against them.

The settlements reached to date are as follows:

1. Lane Powell Spears Lubersky LLP - \$25,000,000
2. O'Melveny & Myers LLP - \$8,000,000
3. The Wilshire Group and principals - \$40,000,000
Including value for WFSG stock
4. Stoel Rives LLP - \$12,500,000
5. Weiss, Jensen, Ellis & Howard, P.C. - \$2,000,000
6. Barclay Grayson - \$500,000
7. Moss Adams LLP - \$17,000,000
8. McCarter & English LLP - \$2,500,000
9. Charles and Joseph Musemici - \$1,000,000
10. CF Credit et al., - \$1,350,000
11. Bear Stearns & Co. Inc.- up to \$100,000 to defray costs of mailing this notice

III. Remaining Parties.

Claims that are not settled as of this notice include those that some parties have filed or may file against:

1. CCL and Jeffrey Grayson for certain claims.
2. Deloitte Touche, LLP – a national accounting firm that provided professional services to the Wilshire defendants until 1997.
3. Pricewaterhouse Coopers – a national accounting firm which

performed an AIMR certification of the performance of CCL's investments.

4. Plan service providers such as auditors and investment monitors.
5. Claims the Receiver has in the nature of preference, fraudulent conveyance, equitable subordination or defaulted loan collections, except as regards to settling parties.

IV. Factual Background

The Court-Appointed Receiver took over CCL in September, 2000 following a determination by the Department of Labor and the SEC that it was insolvent and operating in violation of federal law.

Lane, Powell, Spears, Lubersky served as CCL's primary outside counsel for many years. O'Melveny & Myers and Weiss, Jensen advised CCL on various legal matters. Moss Adams served as CCI's auditor and appraised the Wilshire notes. The settlements for which Court approval is sought cover both the investors' claims that these parties bore some responsibility for CCL's alleged improper conduct and the Receiver's claims [as the successor to CCL] and as a federal equity receiver that they were negligent or otherwise acted wrongfully in their representation of and dealings with CCL.

The claims against the Wilshire Group primarily arose out of the default on approximately \$155,000,000 in loans made by CCL to Wilshire Credit Corporation [WCC] between 1994 and 1998. WFSG and others used WCC to service loans and loan portfolios. WCC paid CCL over \$40,000,000 in interest between 1994 and 1998. However, the loans went into default in the Fall of 1998. Through a court-approved restructuring in 1999, WFSG emerged from bankruptcy and CCL received an equity interest in its new servicing subsidiary, the value of which has been disputed.

Plaintiffs have entered into an intra-plaintiff settlement agreement amongst themselves, acquiring the rights of a group of investors representing slightly less than 7% of the total capital invested with CCL when it went into receivership. The settlement will ease future negotiations and/or litigation but will not materially affect recoveries by other plaintiffs. A copy of this agreement, "The American Funeral Agreement" is also available at the website referred to above, and court approval of this agreement will also be sought at the court hearing described in this notice. The American Funeral Agreement purchases the rights of the American Funeral group of investors for \$9,975,000, and interest on that amount from June 1, 2002 at the 3-month Treasury Bill rate as of then, adjusted weekly, to be paid on or before August 14, 2002 from proceeds to be distributed by the Receiver. The agreement limits the ability of the American Funeral group of investors to recover certain other amounts for which other investors are eligible.

A more detailed recitation of the facts alleged against the settling parties is contained in the lawsuits:

Hazzard, et al. v. Capital Consultants, et al. CV 00-1338 HU
Hazzard et al v Moss Adams 0103-03372
Hazzard et al v Stoel Rives CV 01 1580-HU
Laborers International et al v Stoel Rives CV 01 1579-HU
Schultz v. Kirkland, et al. CV 00-1377 HA
Miller v Clinton et al. CV 00-1317 HA
Eidem and Malcolm v. Trustees et al. CV 00 1446 HA
McPherson v Trustees et al. CV 00-1445 HA
Madole v. Capital et.al. CV 00- 1660 HU
Madole v Deloitte Touche et al, 0202-01182
Chao v Capital et al.- CV 00-1291 KI
SEC v Capital et al. - CV 00-1290 KI
Chilia, et al. v CCL et al. CV-00-1633-HU
Chilia et al v O'Melveny & Myers LLP 00 1370 HU
Lennon vs. Moss Adams CV 01 449-HA
Arnston et al (formerly American Funeral) v CCL et al CV 01 609 KI
American Funeral v Barclay L. Grayson CV 01 1429 KI
Sheet Metal Workers v O'Melveny & Myers, CV 01 1369-KI
Dyer et al v Grayson et al CV 01 1496-KI
Olsen v Clinton et al, CV 01-480-HA
Brooks Financial et al v CCL CV01 1497JE
Chao v Hazzard et al. CV 02 443 HA
Chao v Fulman et al CV 02 442 HA
Chao v Kirkland et al CV 02 441 HA
Chao v Legino et al CV 02 440 HA
Chao v Abbott CV 02 439 HA

[Interested parties may view this document on the Receiver's website (capitalconsultantsllc.com)]

V. Court Approval of the Settlements

The Receiver and Plaintiffs believe these settlements are in the best interests of Plan Participants, plan beneficiaries and CCL's private clients for the following reasons:

- ∞ They avoid the risk, delay, and expense of what would be certain to be legally and factually complex litigation.
- ∞ They avoid the expenditure of limited insurance funds in defense of

the litigation and instead permit the funds to be distributed to the investors.

- ⊗ They avoid defenses that many of these defendants have raised or could have raised along with contentions by defendants' insurance companies that they have no obligation to pay any judgment against their insureds.
- ⊗ They convert CCL's minority equity interest in the Wilshire servicing subsidiary into cash available for distribution by the Receiver.
- ⊗ They streamline the case against the remaining non-settling parties.
- ⊗ These settlements avoid the risk, cost, and delay of appeals, if plaintiffs are successful at the trial level.

These settlements also include a Claims Bar and Injunction, which are meant to prohibit the non-settling parties and others from bringing claims for contribution, indemnity or other similar claims against the settling parties, and parties who have settled in the referenced lawsuits, and others relating to the losses in the value of investment suffered by CCL clients. The Claims Bar and Injunction will also prevent the plaintiffs, any plaintiff ERISA plan participant and the settling defendants from bringing claims against any settling party.

However, the settlements are not valid or binding unless and until approved by the Court following the public hearing. Persons who wish to express a view on whether the settlements and the Claims Bar and Injunction should be approved may appear at that hearing or submit their views in writing to the Court with a copy to the Receiver.

WRITTEN MATERIALS MUST BE FILED WITH THE COURT: CLERK OF COURT
U.S. DISTRICT COURT, 1000 SW 3RD AVE., PORTLAND OR 97204 REF: IN RE
CONSOLIDATED CAPITAL CONSULTANTS LITIGATION CV 00 1290 KI AND
SUBMITTED TO THE RECEIVER C/O JEFF PATTERSON, ALLEN MATKINS
LECK GAMBLE & MALLORY LLP, 501 WEST BROADWAY, 9TH FLOOR, SAN
DIEGO, CA 92101-3547 NO LATER THAN JUNE 10, 2002.

DATED this 13th day of May, 2002.

By 
U.S. DISTRICT COURT
JUDGE GARR M. KING

