

FULBRIGHT & JAWORSKI L.L.P.

A REGISTERED LIMITED LIABILITY PARTNERSHIP

666 FIFTH AVENUE, 31ST FLOOR

NEW YORK, NEW YORK 10103-3198

WWW.FULBRIGHT.COM

To: The Unsecured Creditors of The Consumers Trust, debtor

From: Fulbright & Jaworski L.L.P., Legal Advisors to the
Official Committee of Unsecured Creditors (the "Committee")

Date: April 17, 2007

Subject: *Committee's Second Report to Unsecured Creditors*

Ladies and Gentlemen,

We are the legal advisors to the Official Committee of Unsecured Creditors of The Consumers Trust (the "Committee"). As part of the bankruptcy process, the committee was formed act on behalf of all unsecured creditors as a group by monitoring the activities of the The Consumers Trust (the "Debtor") and joining in, supporting or opposing the Debtor's actions in the case as necessary. The eleven members of the Committee are voucher holders, selected by the Office of the United States Trustee from among the largest voucher holders, who agreed to serve on the Committee.

We have attached our second report to update you on the recent activities of the Debtor and the Committee, as well as certain emerging events. The focus of this report is to provide a brief status update on the primary area of current activity in the case, namely asset recovery. We intend to use periodic reports of this sort to tell you as plainly as we can about the Committee's activities, what goals the Committee has and is pursuing, and where we anticipate the case is headed.

The Committee continues to solicit input from all creditors on the Committee's website, <http://www.consumertrustcase.com> and through other channels. As we proceed through the chapter 11 process we will endeavor to answer every email, letter, or telephone call we receive from all of you in order to provide you with the best information flow the law and time will allow.

The Committee thanks you for your patience and support, and pledges to diligently evaluate, communicate, and pursue all reasonable options for maximizing the unsecured creditor recovery.

Fulbright & Jaworski L.L.P.

David L. Barrack

(212) 318-3302

dbarrack@fulbright.com

Scott T. Dillon

(212) 318-3334

sdillon@fulbright.com

The Consumers Trust

Committee's Second Report to the Unsecured Creditors

April 17, 2007

This is an informal communication to provide information relating to the administration of the bankruptcy estate of The Consumers Trust, Chapter 11 debtor, on a public basis, to unsecured creditors pursuant to Section 1102 of the United States Bankruptcy Code. Fulbright & Jaworski are not your lawyers and we can not give you legal advice. This report is not formal legal or financial advice, and is not a plan solicitation or proposal under the Bankruptcy Code, which can only be accomplished through a Court-approved disclosure statement and ballot for each creditor voting on a plan.

This report contains an update on the current status of the bankruptcy of The Consumers Trust (the “Debtor”) and the efforts of the Official Committee of Unsecured Creditors (the “Committee”) to recover assets in order to pay creditors who are owed money by The Consumers Trust. Recently, the Debtor and the Committee reached an agreement with two of the trustees of The Consumers Trust who have agreed to pay \$3,200,000 to settle claims against them.

You recently received a document entitled:

NOTICE OF COURT HEARING TO CONSIDER SETTLEMENT AGREEMENT AMONG THE CONSUMERS TRUST, THE RECEIVERS, THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS, CAPLANS SOLICITORS, RICHARD CAPLAN, AND WESLEY HARRISON

A copy of this Notice was sent on March 30, 2007, to the last known address of everyone who received a “cashable voucher,” “cashable rebate” or “cashable bond” as part of the sales promotion programs run by The Consumers Trust. The notice gives a summary of the terms of a proposed Settlement Agreement with certain British attorneys who were among the people involved in running The Consumers Trust. The Notice also informed you that a hearing would occur in the Bankruptcy Court in New York to consider whether the settlement should be approved and told you how to get copies of the Settlement Agreement.

We have received many questions about the Notice, the Settlement Agreement, the hearing scheduled in New York, and what they all mean. What follows is a list of answers to frequently asked questions which we hope will be helpful.

What do these documents mean? I don't understand them.

The Consumers Trust filed a Chapter 11 bankruptcy case in New York on December 5, 2005. Under United States bankruptcy law, when The Consumers Trust filed for bankruptcy, all of its assets, including rights to sue people who caused it harm, became the property of its “bankruptcy estate.” The Consumers Trust is obligated to try to collect the maximum amount of money it can and must use those funds for the benefit of its creditors. In evaluating whether to sue, The Consumers Trust considers the quality of its claims as well as the likelihood that the defendant has assets with which to satisfy any judgement. As part of this process, The Consumers Trust can sue the people who failed to run the company properly and any funds received become part of this “bankruptcy estate.” The Consumers Trust can also settle these cases without going through a full trial.

If The Consumers Trust wishes to settle its claims against someone it has sued (or could sue) it must get approval from the Bankruptcy Court. The Consumers Trust has negotiated such a settlement with two of the four trustees and the settling parties have (1) agreed to the terms of the Settlement Agreement; (2) filed the required Settlement Motion requesting approval; and (3) sent notice of the hearing on the Settlement Motion to the creditors. This process is designed let everyone know what The Consumers Trust proposes to do and gives everyone a chance to review the terms of the Settlement Agreement and, if they oppose it, to object to the proposed

settlement. At the hearing on the Settlement Motion, the Bankruptcy Court will review the proposed Settlement Agreement and any objections. If the Bankruptcy Court determines that it is in the best interests of the “bankruptcy estate” and its creditors, it will approve the Settlement Agreement.

Who is settling and what is being settled?

The settlement is between (1) the Debtor, the Receivers, the Committee and (2) the two Solicitor Trustees.

The Consumers Trust, which still exists but is not engaged in business, is now controlled by two British “Receivers,” David Rubin and Henry Lan, who were appointed by a court in Britain to take control of the company. One of their first acts was to file the bankruptcy case in New York. As part of the normal process in a chapter 11 bankruptcy case, the Committee was formed to act on behalf of all unsecured creditors as a group by monitoring the activities of the Debtor and joining in, supporting or opposing the Debtor’s action in the case as necessary.

The “Solicitor Trustees” are Richard Caplan, Wesley Harrison and their law firm in Britain, Caplans Solicitors (“solicitor” is a term used in Britain for “lawyer” or “attorney”). The Consumers Trust is a type of company known as a business trust. A business trust is controlled by its trustees. The Solicitor Trustees are two of the four trustees of The Consumers Trust.

After a through investigation, the Committee and the Debtor concluded that the Solicitor Trustees had failed in their duties as trustees of the Consumers Trust, including, among other things, authorizing the Debtor to use trust funds (which should only have been used to pay vouchers) to make a settlement payment to the Missouri Attorney General for the Debtor’s violation of Missouri consumer protection law, and failing to make sure that The Consumers Trust was keeping enough funds on hand to pay vouchers when they were sent in for payment. The Solicitor Trustees do not admit to any wrongdoing. The Settlement Agreement will resolve all claims against the Solicitor Trustees without the necessity filing lawsuits.

The Settlement Agreement does NOT include or release anyone other than the Solicitor Trustees,[their agents, attorneys, etc..] The Committee, together with the Debtor, still has the right to bring lawsuits against anyone not released by the Settlement Agreement and those lawsuits will be filed in the near future.

What are the terms of the settlement?

Under the Settlement Agreement, the Solicitor Trustees: (1) will pay \$3,200,000 to the bankruptcy estate, and (2) will release or give up any rights or claims against The Consumers Trust, the Receivers, and the Committee. The Consumers Trust’s bankruptcy estate, the Receivers, and the Committee will, in turn, release and agree not to sue the Solicitor Trustees in the future (except to enforce the Settlement Agreement, if necessary).

As part of the Settlement Agreement, the Solicitor Trustees have also requested that the Debtor and the Committee attempt to obtain releases from the approximately 65,000 individual

voucher holders. The only practical method to do this is to include that release language in the Chapter 11 plan. A Chapter 11 plan is a document that will be prepared by the Debtor, with input from the Committee, that is essentially an agreement between the Debtor and all the creditors on how and when to make payments with respect to the creditors' claims. A Chapter 11 plan must be filed with the bankruptcy court and must be approved by the bankruptcy court in a process called confirmation. All creditors of a debtor whose claims are not being paid in full upon confirmation are given an opportunity to vote to approve or reject a plan. If the plan is confirmed by the Court, all creditors of the Debtor are bound by the plan, whether or not those creditors voted to approve or reject the plan.

The Debtor and the Receivers have agreed to use their "reasonable best efforts" to file by June 1, 2007, a Chapter 11 plan which will provide that the \$3,200,000 will be distributed *pro rata* to creditors with allowed claims and that, by accepting payment of a portion of the settlement proceeds, creditors will have agreed to release the Solicitor Trustees. If the plan, including the release provisions, is approved, then each voucher holder will have the right to decide whether to accept a portion of the settlement proceeds and release the Solicitor Trustees, or not.

Why are the Debtor and the Committee settling with the Solicitor Trustees?

The Committee and the Debtor conducted an extensive investigation of the Solicitor Trustee's activities relating to The Consumers Trust. Through court orders and subpoenas we obtained tens of thousands of documents from numerous parties, all which have all been carefully examined. We took depositions of nearly every party involved in the business operations of The Consumers Trust as well as all of the attorneys in the United States who previously advised The Consumers Trust.

The Settlement Agreement will resolve all claims against the Solicitor Trustees and bring \$3,200,000 into the bankruptcy estate. The settlement amount represents approximately 82% of the total available to the Solicitor Trustees under their professional liability insurance policy; our investigation has revealed that the Solicitor Trustees do not have any other significant assets to satisfy claims against them other than the insurance policy.

The Committee and the Debtor both obtained independent advice regarding the advisability of the proposed Settlement Agreement from attorneys in Britain who agreed that the Settlement Agreement will provide more funds than could be obtained if a lawsuit were to be filed against the Solicitor Trustees. The Settlement Agreement avoids the uncertainty associated with any lawsuit and eliminates the costs and delay of going to trial and then seeking to collect a judgment in a foreign country. It is not clear that the bankruptcy estate would ever be able to actually recover a sum which significantly exceeds the amount to be paid under the Settlement Agreement. Litigation would delay any recovery by the estate and its cost would diminish its value, regardless of the outcome. We believe that the Bankruptcy Court will agree with our position and should approve the settlement.

Do I have to come to Court?

If you do not oppose the settlement you do not have to come to the hearing.

Should I object to the settlement?

The Committee has unanimously approved the Settlement Agreement because they believe that it provides the best opportunity to recover the largest amount of funds from the Solicitor Trustees, provides certainty of recovery, and greatly reduces the attorneys fees that would be incurred in filing lawsuits against the Solicitor Trustees.

Any interested party who wishes to object to the approval of the Settlement Agreement may file an objection with the Bankruptcy Court and will be given an opportunity to be heard by the Bankruptcy Court. While it is possible that individual voucher holders may object to the settlement, we believe that based upon the amount of the recovery, the Court will approve the Settlement Agreement.

Does this mean I am getting all my money back?

Unfortunately, it is highly unlikely that voucher holders will receive all or even a large percentage of the value of their vouchers. The Trust's sole source of funds when it operated was the payment by Merchants for each of the vouchers issued. Generally, merchants paid 15% of the face amount of the vouchers issued to the Trust. Therefore, because the vast majority of voucher claims will be allowed in connection with the bankruptcy case, if every dollar every paid to the Trust was successfully recovered, that would generate payments of, at most, 15 cents on the dollar.

How much or what percentage will I be getting back? When am I getting paid?

Two things determine how much The Consumers Trust bankruptcy estate will eventually be able to pay to creditors: (1) the total amount of the "allowed claims," and (2) the amount of money available. The process of sorting through the thousands of claims filed by voucher holders to determine whether the claims are valid and should be "allowed" will take a substantial amount of time and effort. In addition to the money already on hand and the \$3,200,000 from the settlement, the Debtor and the Committee intend to file lawsuits seeking to recover more money for eventual payment to creditors. Until the Committee has a better idea when those lawsuits might be concluded we cannot say when payments will be made and how much those payments might be.

Am I included in this case? Is my claim filed?

If you have been receiving notices from The Consumers Trust bankruptcy case and have filed a claim you are included in the case. If you wish to check whether your claim has been filed or whether the Debtor included you on the schedule of creditors it filed with the Bankruptcy Court you can search the Case Information about The Consumers Trust case kept by Bankruptcy Services LLC at www.bsillc.com. If you have other questions about your claim against the Consumers Trust you should seek the advice of an attorney.