



In recent days we have learned that it has been reported in publications that WNC Insurance Services, Inc. dba WNC First Insurance Services ("WNC First") has been named as a defendant in litigation filed in the United States District Court for the Eastern District of Pennsylvania by American Business Financial Services, Inc. and four of its subsidiaries ("ABFS") who offer first and second home equity mortgage and small business loans. Although that is true, the allegations against WNC First are entirely without merit and, therefore, we believe it appropriate to respond at this time. Also named as a defendant is Avant Garde Financial Corporation, Inc. ("Avant Garde"), an insurance brokerage firm that, as alleged by ABFS, sold certain types of homeowner's insurance policies to its borrowers without actually obtaining coverage for them. In particular, ABFS alleges that Avant Garde obtained "force placed" policies which identified ABFS as the insured yet represented to ABFS' borrowers that they had placed HO3 homeowner's coverage on their behalf. WNC First has asserted a cross-claim against Avant Garde and Hal Willard ("Willard"), Avant Garde's president, has also been added individually as a party to this litigation by WNC First.

WNC First is vigorously defending this litigation and denies that it was involved in any scheme to defraud ABFS and its borrowers. To the contrary, WNC First was unaware of any misrepresentations with regard to coverages being placed by Avant Garde or Willard on behalf of ABFS or its policyholders during the relevant time period. Although Willard was authorized to receive and submit to WNC First proposals for the sale of insurance products and services, Willard did not have authority to bind any insurance without WNC First's prior written approval. Contrary to the allegations in the complaint, WNC First denies that Avant Garde or Willard was its agent, had any authority to bind insurance coverage, make any representations or communicate with ABFS or its borrowers on WNC First's behalf. WNC First adamantly denies it was involved in or aware of any of the fraudulent activities alleged by ABFS. As soon as WNC First learned of the irregularities in the insurance coverage provided to the borrowers of ABFS, we acted quickly and decisively. WNC First immediately suspended its business activities with Willard and following its initial investigation, completely terminated any dealings with Avant Garde or Willard.

WNC First places the highest value on integrity. We want our clients and the public at large to know that we will do everything in our power to fulfill our commitment to completely honest and ethical business practices in providing insurance and financial services.