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9 Debtor and Debtor in Possession

10 **UNITED STATES BANKRUPTCY COURT**
11 **EASTERN DISTRICT OF CALIFORNIA**
12 **SACRAMENTO DIVISION**

13 In re:

14 **DUNMORE HOMES, INC.,**

15 Debtor.

16 Case No.: 08-20569-B-11

17 Chapter 11

18 Confirmation Hearing:

19 Date: August 12, 2008

20 Time: 1:30 p.m.

21 Place: United States Bankruptcy Court
22 501 I Street

23 Courtroom No. 33, 6th Floor
24 Sacramento, California

25 Judge: Honorable Thomas C. Holman

26 **FIRSTSECOND AMENDED PLAN OF LIQUIDATION OF DUNMORE HOMES, INC.**

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1 Dunmore Homes, Inc. (the “Debtor”) proposes the following First Amended Plan of
2 Liquidation dated June 5, 2008 (the “Plan”) pursuant to Bankruptcy Code section 1121. Creditors
3 should review the accompanying First Amended Disclosure Statement (the “Disclosure Statement”)
4 and its exhibits and other information before voting to accept or reject this Plan.

5 **ARTICLE 1**

6 **DEFINITIONS**

7 For purposes of this Plan, all capitalized terms used herein and not otherwise defined shall
8 have the meanings set forth below. A term used, but not defined, in the Plan but defined in the
9 Bankruptcy Code or the Bankruptcy Rules shall have the meaning ascribed to it therein unless the
10 context clearly requires otherwise.

11 1.1 “Accept” shall mean, with respect to any Class, that Holders of at least two-thirds in
12 dollar amount and more than one-half in number of the Allowed Claims or Allowed Interests in such
13 Class, as the case may be, who vote on the Plan have voted to accept the Plan.

14 1.2 “Administrative Claim” shall mean a Claim for an administrative expense of the
15 Debtor, arising during the period commencing on the Filing Date and ending on the Effective Date
16 under Bankruptcy Code sections 503(b) or 507(b), and entitled to priority under Bankruptcy Code
17 section 507(a)(1) or 503(b), including, but not limited to (i) any actual and necessary cost or expense
18 of preserving the Debtor’s Estate or conducting the business of the Debtor, (ii) any claims for goods
19 received by the Debtor within twenty days before the Filing Date, (iii) administrative expenses
20 previously allowed by the Bankruptcy Court, (iv) any Tax Claims incurred by the Debtor after the
21 Filing Date or relating to a tax year or period which occurs after the Filing Date, (v) Professional
22 Fees, (vi) any claim pursuant to Bankruptcy Code section 503(b)(5) by the Indenture Trustee for
23 reasonable compensation in making a substantial contribution in the Chapter 11 Case, and (vii) all
24 fees and charges assessed against the Debtor pursuant to 28 U.S.C. § 1930. For purposes of this
25 Plan, Administrative Claims shall also include Assumption Obligations, if any.

26 1.3 “Administrative Claims Bar Date” shall mean, as to Administrative Claims of
27 Claimants other than Professionals, the first Business Day that is at least thirty (30) days after the
28 Effective Date, and for Administrative Claims of Professionals, the first Business Day that is at least

1 sixty (60) days after the Effective Date, or such other day as may be fixed by the Bankruptcy Court
2 after notice and a hearing; provided, however, that Administrative Claims asserted pursuant to
3 Bankruptcy Code sections 503(b)(1)(A)(ii) or 503(b)(9) must be filed by March 20, 2008, pursuant
4 to the Bar Date Order. Any Administrative Claim that is not asserted prior to the applicable
5 Administrative Claims Bar Date shall be deemed to be untimely and shall be forever barred.

6 1.4 “Allowed” shall mean, with respect to any Claim, (i) a Claim that appears in the
7 Schedules, except a Claim that is listed as disputed, contingent, or unliquidated or for which a proof
8 of Claim has been filed; (ii) a Claim for which a proof of Claim or request for payment has been
9 timely filed as of the Bar Date or the Administrative Claims Bar Date, as applicable, and no
10 objection thereto has been made on or before the Claims Objection Deadline; or (iii) a Claim that has
11 been allowed, but only to the extent allowed (x) by a Final Order, (y) under this Plan, or (z) under
12 any agreements entered into in connection with this Plan establishing the amount and nature of any
13 Claim.

14 1.5 “Assets” shall mean all assets of the Debtor of any nature whatsoever, including,
15 without limitation, the property of the Estate pursuant to Bankruptcy Code section 541.

16 1.6 “Assigned Creditor Claims” shall have the meaning ascribed to it in Section 7.1
17 herein.

18 1.7 ~~1.6~~ “Assumption Obligations” shall mean any monetary amounts payable to the
19 nondebtor party to any executory contract or unexpired lease, pursuant to Bankruptcy Code section
20 365(b)(1), as a condition to the assumption of such contract or lease.

21 1.8 ~~1.7~~ “Available Cash” shall mean the aggregate amount of all Cash held by the Debtor
22 on the Effective Date, including the Deferred Compensation Funds, any Litigation Recovery or
23 Liquidation Proceeds collected by the Debtor prior to the Effective Date.

24 1.9 ~~1.8~~ “Avoidance Actions” shall mean all avoidance actions, including (i) all causes of
25 action under Bankruptcy Code sections 329, 510, 542, 543, 544, 545, 547, 548, 549, 500 and 553(b)
26 and (ii) applicable state law.

27 1.10 ~~1.9~~ “Ballot” shall mean the form accompanying the Plan and Disclosure Statement by
28 which certain Creditors may vote their acceptance or rejection of the Plan.

1 1.11 ~~1.10~~ “Bankruptcy Code” shall mean Title 11 of the United States Code, sections 101
2 *et seq.*, as amended.

3 1.12 ~~1.11~~ “Bankruptcy Court” shall mean the United States Bankruptcy Court for the
4 Eastern District of California or such other court as may hereafter exercise jurisdiction over the
5 Chapter 11 Case.

6 1.13 ~~1.12~~ “Bankruptcy Rules” shall mean the Federal Rules of Bankruptcy Procedure, as
7 amended.

8 1.14 ~~1.13~~ “Bar Date” shall mean March 20, 2008, or such other date fixed by a Final Order
9 of the Bankruptcy Court as the last date upon which proofs of claim may be filed timely.

10 1.15 ~~1.14~~ “Bar Date Order” shall mean the Order Granting Joint Motion of Debtor and
11 Official Committee of Unsecured Creditors for Order (i) Establishing Bar Dates for Filing Proofs of
12 Claim, (ii) Approving Procedures for Filing Proofs of Claim, and (iii) Approving Form and Manner
13 of Notice Thereof entered by the Bankruptcy Court on February 14, 2008.

14 1.16 ~~1.15~~ “Beneficiaries” shall mean holders of Allowed Administrative Claims, Allowed
15 Priority Tax Claims, Allowed Priority Claims, Allowed General Unsecured Claims, and Allowed
16 Warranty Claims.

17 1.17 ~~1.16~~ “Business Day” shall mean any day other than a Saturday, Sunday, or “legal
18 holiday” as such term is defined in Bankruptcy Rule 9006(a).

19 1.18 ~~1.17~~ “Cash” shall mean cash and cash equivalents including, but not limited to, cash
20 on deposit in the Debtor’s or the Liquidation Trust’s bank accounts, checks, wire transfers, money
21 orders, certificates of deposit, money market or similar investments, and other similar, readily
22 marketable securities or instruments, together with any interest earned or accrued thereon.

23 1.19 ~~1.18~~ “Causes of Action” shall mean the interest of the Debtor or the Liquidation
24 Trust, as the case may be, in all Avoidance Actions, D&O Claims, Claims and any and all actions,
25 causes of action, liabilities, controversies, promises, agreements, obligations, rights, suits, debts,
26 sums of money, damages, judgments, claims, and demands whatsoever, whether known or unknown,
27 reduced to judgment or not reduced to judgment, liquidated or unliquidated, contingent or
28 noncontingent, matured or unmatured, disputed or undisputed, secured or unsecured, assertable

1 directly or derivatively, existing or hereafter arising, in law, equity or otherwise, that the Debtor or
2 its Estate may have or hold against any Person, based in whole or in part upon any act or omission or
3 other event occurring prior to the Petition Date or during the course of the Chapter 11 Case,
4 including the proceeds derived therefrom.

5 1.20 ~~1.19~~ “Chapter 11 Case” shall mean the Chapter 11 case commenced by the Debtor on
6 the Filing Date upon the filing with the New York Bankruptcy Court of a voluntary petition under
7 Chapter 11 of the Bankruptcy Code, and thereafter transferred to the Bankruptcy Court and assigned
8 case number 08-20569.

9 1.21 ~~1.20~~ “Claim” shall mean a claim against the Debtor within the meaning of
10 Bankruptcy Code section 101(5).

11 1.22 ~~1.21~~ “Claimant” shall mean the Holder of a Claim.

12 1.23 ~~1.22~~ “Claims Objection Deadline” shall mean the last day on which the Debtor or
13 Liquidation Trustee may file and serve objections to Claims. The Claims Objection Deadline shall
14 be the first Business Day that is not less than 180 days following the Effective Date and may be
15 extended by the Court upon the request of the Liquidation Trustee. The Claims Objection Deadline
16 may be extended only by order of the Bankruptcy Court.

17 1.24 ~~1.23~~ “Claims Resolution Process” shall mean all activities that relate to the review,
18 approval, and/or objection to a Claim, including any litigation related thereto, that results in an
19 Allowed Claim or a Claim that is not an Allowed Claim.

20 1.25 ~~1.24~~ “Class” shall mean a category or group of Creditors whose Claims are
21 substantially similar to the Claims of the other Creditors in such Class, as designated by the Plan
22 pursuant to Bankruptcy Code sections 1122 and 1123.

23 1.26 ~~1.25~~ “Confirmation” shall mean the entry by the Bankruptcy Court of the
24 Confirmation Order.

25 1.27 ~~1.26~~ “Confirmation Date” shall mean the date of Confirmation.

26 1.28 ~~1.27~~ “Confirmation Hearing” shall mean the duly noticed hearing held pursuant to
27 Bankruptcy Code section 1128 by the Bankruptcy Court to consider confirmation of the Plan. The
28

1 Confirmation Hearing may be adjourned by the Bankruptcy Court from time to time without further
2 notice other than the announcement of the adjourned date at the Confirmation Hearing.

3 1.29 ~~1.28~~ “Confirmation Order” shall mean the order of the Bankruptcy Court confirming
4 the Plan pursuant to Bankruptcy Code section 1129.

5 1.30 ~~1.29~~ “Contested Claim” shall mean (a) any Claim or portion of a Claim as to which
6 an objection to the allowance thereof has been interposed as of the Claims Objection Deadline,
7 which objection has not been withdrawn or overruled by Final Order, (b) any Claim for which a
8 proof of Claim is filed after the Bar Date, (c) any Unliquidated Claim, or (d) until the Claims
9 Objection Deadline, (i) a Claim for which a corresponding Claim has not been listed in the Debtor’s
10 Schedules or for which the corresponding Claim is listed in the Debtor’s Schedules with a differing
11 amount (to the extent of such difference), with a differing classification, or as disputed, contingent,
12 or unliquidated, (ii) a Claim that the Debtor or the Liquidation Trustee, as the case may be, in good
13 faith believes is held by a Holder either (A) from which property is recoverable by the Debtor under
14 any of Bankruptcy Code sections 542, 543, 550 or 553 or (B) that is a transferee of a transfer
15 avoidable under Bankruptcy Code sections 522(f), 522(h), 544, 545, 547, 548, 549 or 724(a) unless
16 the Holder has paid the amount, or turned over any such property for which such Holder is liable
17 under the terms of Bankruptcy Code sections 522(i), 542, 543, 550, or 553. To the extent an
18 objection relates to the allowance of part of a Claim, such Claim shall be treated as a Contested
19 Claim as to the entire Claim, unless otherwise determined by the Bankruptcy Court.

20 1.31 ~~1.30~~ “Contested Claims Amount” shall mean the aggregate amount of Contested
21 Claims that are fixed and absolute. For purposes of calculating Distributions of Cash under the Plan,
22 the amount of each Contested Claim shall be based upon either (a) the face amount of such
23 Creditor’s Contested Claim as set forth in the Creditor’s filed proof of Claim, (b) the amount at
24 which the Bankruptcy Court may estimate such Contested Claim or fix as an appropriate reserve, or
25 (c) if the Contested Claim is an Unliquidated Claim that has not been estimated, the amount that the
26 Liquidation Trustee determines in its reasonable judgment is the appropriate amount to be reserved
27 for such Contested Claim unless otherwise determined by the Bankruptcy Court.

28

1 1.32 ~~1.31~~ “Contested Claims Reserve Account” shall mean an interest-bearing bank
2 account or money-market account to be established and held in trust by the Liquidation Trustee on or
3 after the Effective Date for the purpose of holding Liquidation Trust Assets allocable to or retained
4 on account of Contested Claims.

5 1.33 ~~1.32~~ “Cordano Option” shall mean the Debtor’s option to purchase 19.8 acres of
6 property in Northern California with an estimated value of \$2,475,000, which exceeds the option
7 exercise price by \$815,000.

8 1.34 ~~1.33~~ “Creditor” shall mean any entity that holds a Claim.

9 1.35 ~~1.34~~ “Creditors’ Committee” shall mean the Official Committee of Creditors Holding
10 Unsecured Claims appointed in the Chapter 11 Case, as such committee is constituted on the
11 Effective Date.

12 1.36 ~~1.35~~ “D&O Claims” shall mean those Causes of Action against directors and officers
13 of the Debtor, its predecessor-in-interest Dunmore California, and any related entity, whether
14 covered by insurance or otherwise.

15 1.37 ~~1.36~~ “Debt” shall mean liability on a Claim.

16 1.38 ~~1.37~~ “Debtor” shall mean Dunmore Homes, Inc. and, depending on the context,
17 Dunmore Homes, Inc. as debtor in possession in the Chapter 11 Case.

18 1.39 ~~1.38~~ “Deferred Compensation Funds” shall mean the funds from the Executive Non
19 Qualified Excess Plan turned over to the Debtor pursuant to an order entered by the New York
20 Bankruptcy Court on December 20, 2007.

21 1.40 ~~1.39~~ “De Minimis Interim Distribution” shall have the meaning assigned to it in
22 section 9.3.2 of the Plan.

23 1.41 “DHI” shall mean DHI Development, Inc.

24 1.42 “DHI Case” shall mean the chapter 7 case commenced in the United States
25 Bankruptcy Court for the Eastern District of California (Sacramento Division) on April 8, 2008 by
26 DHI and assigned Case No. 08-24442.

27 1.43 “DHI Chapter 7 Trustee” shall mean Thomas Aceituno, the duly-appointed chapter 7
28 trustee in the DHI Case.

1 1.44 “DHI Claims Distribution Cap” shall have the meaning ascribed to it in Section 8.2.2.
2 herein.

3 1.45 “DHI Only Claims” shall have the meaning ascribed to it in Section 8.2.2. herein.

4 1.46 “DHI Settlement Agreement” shall mean that certain settlement agreement entered
5 into by and between the Debtor and the DHI Chapter 7 Trustee on July 22, 2008.

6 1.47 ~~1.40~~ “DIP Order” shall mean the Final Order Pursuant to 11 U.S.C. §§ 105 and 361,
7 362, 363 and 364 and Bankruptcy Rule 4001: (I) Authorizing Debtor to Obtain Secured Postpetition
8 Financing; (II) Authorizing Debtor to Use Cash Collateral; (III) Modifying the Automatic Stay; (IV)
9 Granting Adequate Protection; and (V) Granting Related Relief entered by the New York
10 Bankruptcy Court on December 26, 2007.

11 1.48 ~~1.41~~ “Disclosure Statement” shall mean the Disclosure Statement in respect of the
12 Plan disseminated to the holders of Claims against the Debtor in order to provide to such persons
13 adequate information in accordance with Bankruptcy Code section 1125, as such Disclosure
14 Statement may be modified, amended, or supplemented from time to time.

15 1.49 ~~1.42~~ “Distributable Cash” shall mean Cash available for distribution to a Class or
16 Classes of Allowed Claims in accordance with the Liquidation Trust Agreement and this Plan,
17 provided that amounts required to be held in the Contested Claim Reserve Account and Liquidation
18 Trust Administrative Reserve Account shall not constitute Distributable Cash and shall only be used
19 and disbursed as specifically provided herein or in the Liquidation Trust Agreement.

20 1.50 ~~1.43~~ “Distribution” shall mean any transfer under this Plan of Cash or other property.

21 1.51 ~~1.44~~ “Dunmore California” shall mean Dunmore Homes, Inc., a California S
22 corporation, the successor by merger to Dunmore Homes, LLC. Dunmore California sold all of its
23 assets to the Debtor pursuant to the Sale and, contemporaneously therewith, changed its name to
24 DHI Development, Inc., a California corporation.

25 1.52 ~~1.45~~ “Dunmore Land Receivable” shall mean the amount owed by Dunmore Land
26 Company LLC to the Debtor.

27 1.53 ~~1.46~~ “Effective Date” shall have the meaning ascribed to it in section 13.3 of this
28 Plan.

1 1.54 ~~1.47~~ “Entity” shall mean an entity as defined in Bankruptcy Code section 101(15).

2 1.55 ~~1.48~~ “Estate” shall mean the Debtor’s bankruptcy estate created pursuant to
3 Bankruptcy Code section 541.

4 1.56 ~~1.49~~ “Filing Date” shall mean November 8, 2007, the date upon which the Debtor
5 filed its voluntary petition pursuant to Chapter 11 of the Bankruptcy Code.

6 1.57 ~~1.50~~ “Final Decree” shall mean an order or final decree closing the Chapter 11 Case
7 when administration of the case has been completed.

8 1.58 ~~1.51~~ “Final Distribution Date” shall mean the last date on which Distributable Cash is
9 distributed to Holders of Allowed Claims pursuant to the Liquidation Trust Agreement and the Plan.

10 1.59 ~~1.52~~ “Final Order” shall mean an order or judgment of the Bankruptcy Court or other
11 court of competent jurisdiction: (i) which has not been reversed, stayed, modified, or amended; (ii)
12 as to which the time to or the right to appeal or seek reconsideration, review, rehearing, or certiorari
13 has expired or been waived (without regard to whether the time to seek relief from a judgment under
14 Bankruptcy Rule 9024 has expired); and (iii) as to which no appeal or petition for reconsideration,
15 review, rehearing, or certiorari is pending.

16 1.60 ~~1.53~~ “General Unsecured Claim” shall mean any unsecured Claim against the Debtor,
17 however arising, including from the rejection of an executory contract or an unexpired lease, which
18 is not an Administrative Claim, Priority Claim, Priority Tax Claim, or Secured Claim, but excluding
19 Warranty Claims and Intercompany Claims.

20 1.61 ~~1.54~~ “Holder” shall mean the beneficial owner of any Claim, Interest, or
21 Administrative Claim, which, in the case of an investment company, shall be the investment
22 company and not its stockholders, and which, in the case of an insurance company, shall be the
23 insurance company and not its insured.

24 1.62 ~~1.55~~ “Impaired” shall mean, with respect to a Claim or Class of Claims, a Claim or
25 Class of Claims that is impaired within the meaning of Bankruptcy Code section 1124.

26 1.63 ~~1.56~~ “Indemnified Person” shall have the meaning assigned to it in section 6.6.1 of
27 the Plan.

28

1 1.64 ~~1.57~~ “Indenture Agreement” shall mean that certain “Junior Subordinated Indenture,”
2 dated as of June 28, 2005, by and between JPMorgan Chase Bank, N.A., as predecessor to Bank of
3 New York Trust Company, N.A., and Dunmore Homes, LLC, pursuant to which certain junior
4 subordinated notes were issued.

5 1.65 ~~1.58~~ “Indenture Trustee” shall mean Bank of New York Trust Company, N.A. as
6 successor to JPMorgan Chase Bank, N.A., as trustee, pursuant to the Indenture dated as of June 28,
7 2005, between itself and Dunmore Homes, LLC, as issuer of certain junior subordinated notes.

8 1.66 ~~1.59~~ “Insider” shall have the meaning ascribed to it in section 101(31) of the
9 Bankruptcy Code.

10 1.67 ~~1.60~~ “Intercompany Claim” shall mean any Claim held by a Subsidiary against the
11 Debtor.

12 1.68 ~~1.61~~ “Interest” shall mean an equity security interest in the Debtor within the meaning
13 of section 101(16) of the Bankruptcy Code.

14 1.69 ~~1.62~~ “Lender Receivable” shall mean the sum owing by Sidney Dunmore to the
15 Debtor pursuant to the Loan Agreement and Revolving Credit Note dated June 7, 2005, as modified
16 by the Modification of Note and Loan Agreement dated September 10, 2007, and the DIP Order.

17 1.70 ~~1.63~~ “Lien” shall mean a charge against or interest in property to secure payment of a
18 debt or performance of an obligation.

19 1.71 ~~1.64~~ “Liquidation Proceeds” shall mean any Cash or other consideration paid to or
20 realized by the Debtor or the Liquidation Trustee, as the case may be, upon the sale, transfer,
21 assignment, or other disposition of any tangible or intangible assets, rights, or property interests of
22 the Debtor, the Liquidation Trust, or the Estate.

23 1.72 ~~1.65~~ “Liquidation Trust” shall mean the Dunmore Homes, Inc. Liquidation Trust
24 described in section 7.1 of this Plan that is to be established for the purposes of holding and
25 distributing the Liquidation Trust Assets.

26 1.73 ~~1.66~~ “Liquidation Trust Administrative Reserve Account” shall mean an interest-
27 bearing bank account or money-market account to be established and held in trust by the Liquidation
28 Trustee on or after the Effective Date for the purpose of holding Liquidation Trust Assets allocable

1 to or retained on account of payment of Administrative Claims, and payment to the Liquidation
2 Trustee and the Liquidation Trustee Professionals, including attorneys, financial advisors and other
3 advisors, expenses, expert witness fees, storage, rental and office administrative costs, costs of
4 temporary employees, or others utilized by the Liquidation Trustee to fulfill his duties.

5 1.74 ~~1.67~~ “Liquidation Trust Agreement” shall mean the agreement annexed hereto as
6 Exhibit 1 establishing and delineating the terms and conditions of the Liquidation Trust.

7 1.75 ~~1.68~~ “Liquidation Trust Assets” shall mean all of the property, tangible and
8 intangible, of the Debtor, including the Causes of Action and Claims Resolution Process, transferred
9 to the Liquidation Trust under this Plan and the Confirmation Order.

10 1.76 ~~1.69~~ “Liquidation Trustee” shall mean the Person or Entity that administers the
11 Debtor and the Liquidation Trust and liquidates the Liquidation Trust Assets in accordance with this
12 Plan and the Liquidation Trust Agreement, with the rights and responsibilities set forth herein and in
13 the Liquidation Trust Agreement. Leon Szezinger is proposed to serve as the Liquidation Trustee.

14 1.77 ~~1.70~~ “Liquidation Trust Estate” shall mean (i) the Liquidation Trust Assets and (ii)
15 any and all dividends, rents, royalties, income, proceeds, and other receipts of, from or attributable to
16 the foregoing for the benefit of the Beneficiaries.

17 1.78 ~~1.71~~ “Liquidation Trust Fund Accounts” shall mean those interest-bearing accounts to
18 be established by the Liquidation Trustee pursuant to section 5.01 of the Liquidation Trust
19 Agreement, including without limitation the Plan Proceeds Account, the Liquidation Trust
20 Administrative Reserve Account, and the Contested Claims Reserve Account.

21 1.79 ~~1.72~~ “Liquidation Trust Professionals” shall mean any financial consultant(s), legal
22 counsel, or any professional persons as the Liquidation Trustee may hire from time to time pursuant
23 to section 4.05 of the Liquidation Trust Agreement.

24 1.80 ~~1.73~~ “Liquidation Trust Professional Fees” shall mean the fees and reimbursement for
25 expenses owed to attorneys, accountants, or other professional persons retained by the Liquidation
26 Trustee or the Oversight Committee for all services to be rendered under the Liquidation Trust
27 Agreement.

28 1.81 “Litigation Fund” shall have the meaning ascribed to it in Section 8.2.1 herein.

1 1.82 ~~1.74~~ “Litigation Recovery” shall mean any Cash or other property received by the
2 Debtor or the Liquidation Trustee, as the case may be, from all or any portion of a Cause of Action
3 net of expenses, including, but not limited to, awards of damages, attorneys’ fees and expenses,
4 interest and punitive damages, whether recovered by way of settlement, execution on judgment, or
5 otherwise. The proceeds of accounts receivable collected through litigation shall be considered to be
6 a Litigation Recovery.

7 1.83 ~~1.75~~ “Local Rules” shall mean the Local Bankruptcy Rules for the Eastern District of
8 California.

9 1.84 ~~1.76~~ “Net Plan Proceeds” shall mean all Plan Proceeds after the deduction of amounts
10 to be paid for, deposited to, or withheld from the Contested Claims Reserve Account or the
11 Liquidation Trust Administrative Reserve Accounts on account of, or in anticipation of, payment of
12 Plan Expenses.

13 1.85 ~~1.77~~ “New York Bankruptcy Court” shall mean the Bankruptcy Court for the
14 Southern District of New York.

15 1.86 ~~1.78~~ “Noteholders” shall mean the Holders of the Trust Preferred Securities issued in
16 connection with the Indenture Agreement and entitled to the beneficial interests in the junior
17 subordinated notes issued under the Indenture Agreement.

18 1.87 ~~1.79~~ “Oversight Committee” shall mean the post-Effective Date committee initially
19 consisting of at least three Holders of General Unsecured Claims to be selected by the Debtor, and
20 agreed upon by the Creditors’ Committee. The Oversight Committee shall oversee the operation of
21 the Liquidation Trust and have the duties and responsibilities specified in this Plan and section 2.10
22 of the Liquidation Trust Agreement, to the extent such committee is selected and appointed pursuant
23 to section 7.2 of this Plan.

24 1.88 ~~1.80~~ “Person” shall mean an individual, partnership, corporation, limited liability
25 company, business trust, joint stock company, trust, unincorporated association, joint venture,
26 governmental authority, governmental unit, or other entity of whatever nature.

27 1.89 ~~1.81~~ “Plan” shall mean this plan of liquidation and any exhibits and schedules hereto
28 and any documents incorporated herein by reference, as the same may from time to time be amended

1 or modified as and to the extent permitted herein by the Bankruptcy Court or by the Bankruptcy
2 Code.

3 1.90 ~~1.82~~ “Plan Expenses” shall mean the expenses incurred by the Liquidation Trustee
4 and the Oversight Committee following the Effective Date (including the fees and costs of attorneys
5 and other professionals), for the purpose of (i) prosecuting or otherwise attempting to collect or
6 realize upon the Causes of Action, (ii) selling or collecting upon any of the Debtor’s remaining
7 Assets or otherwise incurred in connection with generating the Liquidation Proceeds, (iii) resolving
8 Contested Claims and effectuating distributions to Creditors under the Plan, and (iv) otherwise
9 implementing the Plan and closing the Chapter 11 Case.

10 1.91 ~~1.83~~ “Plan Interest Rate” shall mean the rate of interest determined by the Bankruptcy
11 Court upon Confirmation, if necessary for purposes of the application of Bankruptcy Code section
12 1124 (impairment) or section 1129(b) (present value), as the case may be, to the distributions to
13 certain Creditors under the Plan. The Plan Interest Rate may be different for different Classes of
14 Claims. The Plan Interest Rate for the holders of Allowed Unsecured Claims shall be the federal
15 judgment rate set forth in 28 U.S.C. § 1961, as of the Confirmation Date.

16 1.92 ~~1.84~~ “Plan Proceeds” shall mean the Cash transferred to the Liquidation Trust on the
17 Effective Date, together with the proceeds of any Liquidation Trust Assets.

18 1.93 ~~1.85~~ “Plan Proceeds Account” shall mean the account to be established by the
19 Liquidation Trustee to receive and hold the Plan Proceeds.

20 1.94 ~~1.86~~ “Plan Supplement” shall mean the material documents (including, without
21 limitation, the Liquidation Trust Agreement) necessary to effectuate the transactions contemplated
22 by the Plan, which documents shall be filed with the Bankruptcy Court in substantially final form no
23 later than ten (10) days prior to the deadline for filing objections to Confirmation of the Plan.
24 Holders of Claims or Interests may obtain a copy of the Plan Supplement upon written request to the
25 Debtor’s counsel.

26 1.95 ~~1.87~~ “Priority Claim” shall mean any Claim, other than an Administrative Claim or a
27 Priority Tax Claim, entitled to priority pursuant to Bankruptcy Code section 507(a).
28

1 1.96 ~~1.88~~ “Priority Tax Claim” shall mean that portion of a Tax Claim, if any, entitled to
2 priority under Bankruptcy Code section 507(a)(8).

3 1.97 ~~1.89~~ “Professional Fees” shall mean all amounts allowed and awarded by the
4 Bankruptcy Court for compensation for services rendered and reimbursement of expenses incurred
5 by Professionals prior to Confirmation pursuant to Bankruptcy Code sections 328, 330(a) and
6 503(b), including amounts paid pursuant to the Order Pursuant to Sections 327 and 328 of the
7 Bankruptcy Code Authorizing Employment of Professionals Utilized in the Ordinary Course of
8 Business entered on December 20, 2007.

9 1.98 ~~1.90~~ “Professionals” shall mean those attorneys, accountants, and other financial
10 advisors employed by the Debtor or the Creditors’ Committee in this Chapter 11 Case.

11 1.99 ~~1.91~~ “Pro Rata” or “Pro Rata Share” shall mean, with respect to distributions on
12 account of an Allowed Claim, in the same ratio as such Allowed Claim bears to the aggregate
13 Allowed Claims sharing in such distribution.

14 1.100 ~~1.92~~ “Record Date” shall mean (a) for the purposes of transmission, notice, and
15 voting on the Plan under Bankruptcy Rules 3017 and 3018, **June 12, 2008**, and (b) for the purposes
16 under Bankruptcy Rules 3001(e), 3001(f) and 3021 of any distribution under the Plan to the holders
17 of Claims and for the determination of which Claims may be disallowed, the Effective Date.

18 1.101 ~~1.93~~ “Rejection Claim” shall mean any Allowed Claim under Bankruptcy Code
19 section 502(g) that arises under Bankruptcy Code section 365(g)(1) in favor of the nondebtor party
20 to any executory contract or unexpired lease that is rejected by the Debtor pursuant to Bankruptcy
21 Code sections 365(a) or 1123(b)(2).

22 1.102 ~~1.94~~ “Rejection Claim Bar Date” shall mean the last date established by the
23 Bankruptcy Court by which entities asserting a Rejection Claim against the Debtor must have filed a
24 proof of Claim with respect to such Rejection Claim or be forever barred from asserting such Claim
25 and/or sharing in any distribution hereunder in respect of such Claim. For contracts or leases
26 rejected at least thirty (30) days prior to the Bar Date, the Rejection Claim Bar Date shall be the Bar
27 Date.
28

1 1.103 ~~1.95~~ “Sale” shall mean the transfer of all assets and liabilities of Dunmore California
2 to the Debtor pursuant to that certain Asset Purchase Agreement dated September 10, 2007, as
3 amended.

4 1.104 ~~1.96~~ “Schedules” shall mean the schedules of assets and liabilities and the statement
5 of financial affairs filed by the Debtor pursuant to Bankruptcy Code section 521 and Bankruptcy
6 Rule 1007, as amended from time to time.

7 1.105 ~~1.97~~ “Secured Claim” shall mean that portion of a Claim secured by a valid,
8 perfected, and enforceable Lien that is not subject to avoidance under bankruptcy or nonbankruptcy
9 law, equal to the value, as determined by the Bankruptcy Court pursuant to Bankruptcy Code
10 sections 506(a) or 1129(b) and Bankruptcy Rule 3012, of (i) the interest of the Holder of such Claim
11 in the property of the Debtor securing such Claim, or (ii) the amount subject to setoff under
12 Bankruptcy Code section 553.

13 1.106 ~~1.98~~ “Senior Debt” shall have the meaning ascribed thereto in the Indenture
14 Agreement, subject to the provisions of section 10.6 of the Plan.

15 1.107 ~~1.99~~ “Tax Claim” shall mean all or that portion of an Allowed Claim held by a
16 governmental unit for a tax assessed or assessable against the Debtor, including income and
17 employment taxes and any related penalties or interest, entitled to priority pursuant to Bankruptcy
18 Code sections 502(i) and 507(a).

19 1.108 ~~1.100~~ “Trust Preferred Securities” shall mean those certain interests entitling the
20 holders thereof to the beneficial interests in the junior subordinated notes, due 2035, issued under the
21 Indenture Agreement.

22 1.109 ~~1.101~~ “Unclaimed Property” shall have the meaning ascribed to it in section 9.3.3 of
23 this Plan.

24 1.110 ~~1.102~~ “Undeliverable Distribution” shall mean a distribution that is returned to the
25 Liquidation Trustee by the U.S. Postal Service and marked as “Undeliverable,” or such similar
26 notation indicating that the distribution could not be delivered to the claimant at such address.

27 1.111 ~~1.103~~ “Unliquidated Claim” shall mean any Claim for which a proof of Claim has
28 been filed with the Bankruptcy Court but was not filed in a sum certain, and which Claim has not

1 been estimated, fixed, or liquidated by the Bankruptcy Court at a sum certain as of the Effective
2 Date.

3 1.112 ~~1.104~~ “Warranty Claims” shall mean Claims asserted by homeowners only to the
4 extent such claims are covered by insurance provided by the Debtor through Premier Indemnity Co.,
5 Inc.

6 1.113 ~~1.105~~ “Warranty Insurance Proceeds” shall mean the proceeds received or to be
7 received by Holders of Warranty Claims from warranty coverage provided by the Debtor through
8 Premier Indemnity Co., Inc.

9 **ARTICLE 2**

10 **RULES OF INTERPRETATION, COMPUTATION OF TIME AND GOVERNING LAW**

11 **2.1 Rules of Interpretation.**

12 For purposes of this Plan: (a) whenever from the context it is appropriate, each term,
13 whether stated in the singular or the plural, will include both the singular and the plural; (b) any
14 reference in this Plan to a contract, instrument, release, or other agreement or document being in a
15 particular form or on particular terms and conditions means that such agreement or document will be
16 substantially in such form or substantially on such terms and conditions; (c) any reference in this
17 Plan to an existing document or exhibit filed or to be filed means such document or exhibit, as it may
18 have been or may be amended, modified, or supplemented; (d) unless otherwise specified, all
19 references in this Plan to sections, articles, and exhibits are references to sections, articles, and
20 exhibits of or to this Plan; (e) unless otherwise indicated, the words “herein” and “hereto” refer to
21 this Plan in its entirety rather than to a particular portion of this Plan; (f) captions and headings to
22 articles and sections are inserted for convenience of reference only and are not intended to be a part
23 of, or to affect, the interpretation of this Plan; (g) “after notice and a hearing,” or a similar phrase has
24 the meaning ascribed to it in Bankruptcy Code section 102; (h) “includes” and “including” are not
25 limiting; (i) “may not” is prohibitive, and not permissive; (j) “or” is not exclusive; and (k) “U.S.
26 Trustee” includes a designee of the U.S. Trustee. The rules of construction used in Bankruptcy Code
27 section 102 shall apply to construction of this Plan.

28 **2.2 Computation of Time.**

1 In computing any period of time prescribed or allowed by this Plan, the provisions of
2 Bankruptcy Rule 9006(a) will apply.

3 2.3 Governing Law.

4 Except to the extent that the Bankruptcy Code, Bankruptcy Rules, or Local Rules are
5 applicable, and subject to the provisions of any contract, note, security agreement, instrument,
6 release, or other agreement or document entered into in connection with this Plan, the rights and
7 obligations arising under this Plan will be governed by, and construed and enforced in accordance
8 with, the laws of the State of California without giving effect to the principles of conflict of laws.

9 **ARTICLE 3**

10 **CLASSIFICATION OF CLAIMS AND INTERESTS**

11 3.1 Introduction. The following is a designation of Classes of Claims under the Plan.
12 Administrative Claims and Priority Tax Claims have not been classified and are excluded from the
13 following Classes in accordance with Bankruptcy Code section 1123(a)(1). A Claim is classified in
14 a particular Class only to the extent that (a) the Claim qualifies within the description of that Class,
15 and is classified in a different Class to the extent that the remainder of the Claim qualifies within the
16 description of that different Class, and (b) the Claim, or any portion or allowed amount of such
17 Claim, is an Allowed Claim in that Class and has not been paid, released, or otherwise satisfied prior
18 to the Effective Date. In the event of a controversy as to whether (x) any Class of Claims is
19 impaired or (y) any Class of Claims is properly designated, the Bankruptcy Court shall, after notice
20 and a hearing, determine such controversy pursuant to applicable provisions of the Bankruptcy Code
21 and Bankruptcy Rule 3013.

22 3.2 Classes of Claims. All classified Claims and Interests are divided into the following
23 Classes:

24 3.2.1 Class 1 Claims. Class 1 shall consist of all Allowed Priority Claims, if any.

25 3.2.2 Class 2 Claims. Class 2 shall consist of all Allowed Secured Claims, if any.

26 A Class 2 Claim shall be allowed only (i) to the extent of the value of that property encumbered by a
27 Lien securing such Claim as of the commencement of the Chapter 11 Case, and shall be subject to
28 any right to surcharge pursuant to Bankruptcy Code section 506(c) or (ii) to the extent such Claim is

1 entitled to offset under Bankruptcy Code section 553. The property subject to any Lien shall be
2 limited to that property existing as of the Filing Date. To the extent secured by a separate Lien
3 encumbering any property of the Debtor, each Holder of an Allowed Secured Claim in Class 2 shall
4 be considered to be in its own separate subclass within Class 2, and each such subclass will be
5 deemed to be a separate Class for purposes of this Plan. Each Holder of a Claim entitled to offset
6 pursuant to Bankruptcy Code section 553 shall be considered to be in its own separate subclass
7 within Class 2, and will be deemed to be a separate Class for purposes of this Plan.

8 3.2.3 Class 3 Claims. Class 3 shall consist of all Allowed General Unsecured
9 Claims that are not Class 4 Claims or Class 5 Claims..

10 3.2.4 Class 4 Claims. Class 4 shall consist of all Allowed Warranty Claims. A
11 Claim is a Class 4 Claim only to the extent it is covered by warranty insurance. Any portion of a
12 Claim that is not covered by warranty insurance shall be treated as a Class 3 Claim.

13 3.2.5 Class 5 Claims. Class 5 shall consist of all Allowed Claims held by
14 Noteholders.

15 3.2.6 Class 6 Claims. Class 6 shall consist of Intercompany Claims.

16 3.2.7 Class 7 Interests. Class 7 shall consist of the Interests in the Debtor.

17 **ARTICLE 4**

18 **TREATMENT OF UNCLASSIFIED CLAIMS**

19 4.1 Administrative Claims. Unless a Holder agrees to different treatment of such Claim,
20 each Holder of an Administrative Claim shall receive Cash equal to the Allowed amount of such
21 Claim payable in the Debtor's or the Liquidation Trustee's election: (a) on or as soon as practicable
22 after (i) the Effective Date, or (ii) if a Contested Claim, the date upon which the Bankruptcy Court
23 enters a Final Order determining or approving such Claim; (b) in accordance with the terms and
24 conditions of agreements that either have been or may be approved by the Bankruptcy Court; or (c)
25 with respect to Administrative Claims representing obligations incurred in the ordinary course of the
26 Debtor's business, upon such regular and customary payment or performance terms as may exist in
27 the ordinary course of the Debtor's business or as otherwise provided in the Plan.
28

1 4.2 Administrative Claims Bar Date. All requests for payment of administrative expenses
 2 under Bankruptcy Code sections 503(a) and 503(b) and final applications for Professional Fees for
 3 services rendered or expenses incurred before the Confirmation Date must be filed and served on or
 4 before the applicable Administrative Claims Bar Date. Any Holder of such a Claim that is required
 5 to file and serve a request for payment or other motion or application and that fails to comply in a
 6 timely manner with the applicable Administrative Claims Bar Date shall be forever barred from
 7 asserting such Claim against the Debtor or any property of the Debtor and from sharing in any
 8 distribution under the Plan.

9 For Administrative Claims asserted by Claimants other than Professionals, all objections, if
 10 any, to the allowance and approval of such Administrative Claims must be filed and served not later
 11 than thirty (30) days after the applicable Administrative Claims Bar Date. For Administrative
 12 Claims asserted by Professionals, all objections to the allowance and approval of such administrative
 13 fees and expenses must be filed and served in accordance with the Bankruptcy Rules and the Local
 14 Rules.

15 4.3 Priority Tax Claims. Unless the Holder of a Priority Tax Claim has agreed to
 16 different treatment for such Claim, each Holder of a Priority Tax Claim shall receive a Cash
 17 payment equal to the Allowed amount of such Claim payable: (a) on or as soon as practicable after
 18 (i) the Effective Date or (ii) if a Contested Claim, the date upon which the Bankruptcy Court enters a
 19 Final Order determining or approving such Claim; or (b) in accordance with the terms and
 20 conditions of agreements that either have been or may be approved by the Bankruptcy Court.

ARTICLE 5

TREATMENT OF CLASSIFIED CLAIMS AND INTERESTS

23 5.1 Class 1 (Allowed Priority Claims). Class 1 Claims are impaired. Each Allowed
 24 Class 1 Claim shall be paid in the full Allowed amount of such Claim, in Cash, on or as soon as
 25 practicable (but in no event later than ten (10) days) after the later of (a) the Effective Date, and (b)
 26 the date such claim is Allowed by Final Order.

27 5.2 Class 2 (Allowed Secured Claims). Class 2 Claims are impaired.

1 5.2.1 Subclass 2-A. Unless the Holder of an Allowed Subclass 2-A Claim and the
2 Debtor agree to a different treatment, on or as soon as practicable after the Effective Date (but in no
3 event more than ten (10) days), the Debtor or the Liquidation Trustee shall surrender all collateral
4 securing such Subclass 2-A Claim to the Holder thereof, without representation or warranty by or
5 recourse against the Debtor. For purposes of voting on the Plan, Subclass 2-A shall be a separate
6 voting subclass.

7 5.2.2 Subclass 2-B. On or as soon as practicable (but in no event later than ten
8 (10) days) after the later of (i) the Effective Date, and (ii) the date such claim is Allowed by Final
9 Order, the Holder of an Allowed Subclass 2-B Claim: (a) shall be entitled to offset such Claim under
10 Bankruptcy Code section 553 against the claim held by the Debtor against the Holder of such Claim;
11 and (b) shall have a Claim entitled to treatment in Class 3 in the remaining amount of the Subclass 2-
12 B Claim not entitled to setoff under Bankruptcy Code section 553. For purposes of voting on the
13 Plan, Subclass 2-B shall be a separate voting subclass.

14 5.3 Class 3 (Allowed General Unsecured Claims). Class 3 Claims are impaired. On the
15 Effective Date, each Holder of an Allowed Claim in Class 3 shall receive, Pro Rata with all holders
16 of Allowed Claims in Class 3 and Class 5, an uncertificated beneficial interest in and to the
17 Liquidation Trust and the Liquidation Trust Assets.

18 5.4 Class 4 (Allowed Warranty Claims). Class 4 Claims are impaired. Holders of Class
19 4 Claims shall receive payment equal to the amount of Warranty Insurance Proceeds received by the
20 Debtor or the Liquidation Trustee on account of such Class 4 Claims within ten (10) days of receipt
21 of any such proceeds.

22 5.5 Class 5 (Noteholder Claims). Class 5 Claims are impaired. On the Effective Date,
23 each Holder of an Allowed Class 5 Claim shall receive, Pro Rata with all holders of Allowed Claims
24 in Class 3 and Class 5, an uncertificated beneficial interest in and to the Liquidation Trust and the
25 Liquidation Trust Assets. However, any distributions from the Liquidation Trust of Distributable
26 Cash or property made in respect of an Allowed Class 5 Claim shall be consistent with, and take
27 account of, the provisions of the Indenture Agreement, including the subordination provisions
28 thereof, to the extent and as more fully set forth in section 10.6 below. Such distributions from the

1 Liquidation Trust shall be made through the Indenture Trustee, unless the Indenture Trustee
2 authorizes the Liquidation Trustee to make such distributions and the Liquidation Trustee agrees.

3 5.6 Class 6 (Intercompany Claims). Class 6 Claims are impaired. Class 6 Claims shall
4 be subordinated to Allowed Claims in Class 3, Class 4 and Class 5 and shall not receive or retain any
5 property or interest in property under the Plan unless all claims in Classes 3, 4 and 5 are paid in full
6 with interest.

7 5.7 Class 7 (Allowed Interests). Class 7 Interests are impaired. On the Effective Date,
8 each Holder of a Class 7 Interest shall not be entitled to, and shall not receive or retain any property
9 or interest in property, on account of such Class 7 Interest. Such Class 7 Interests shall be
10 extinguished.

11 **ARTICLE 6**

12 **ACCEPTANCE OR REJECTION OF PLAN**

13 6.1 Classes Entitled to Vote. Class 1, Class 2, Class 3, Class 4, Class 5, and Class 6 shall
14 be entitled to vote to accept or reject the Plan. Class 7 is conclusively presumed to have rejected the
15 Plan pursuant to Bankruptcy Code section 1126(g). Therefore, Class 7 shall not be entitled to vote
16 to accept or reject the Plan, and the votes of Holders of Interests in Class 7 will not be solicited.

17 6.2 Nonconsensual Confirmation. Because Class 7 is deemed to have rejected the Plan,
18 the Debtor will request the Bankruptcy Court to confirm the Plan in accordance with Bankruptcy
19 Code section 1129(b). Without limitation to any of the foregoing, the Debtor reserves the right to
20 amend the Plan in accordance with section 16.6 hereof.

21 **ARTICLE 7**

22 **POST-CONFIRMATION GOVERNANCE/LIQUIDATION TRUSTEE**

23 7.1 Liquidation Trust. The provisions of this Article 7 address the postconfirmation
24 governance and control of the Liquidation Trust.¹ The Liquidation Trust is intended to qualify as a
25 liquidation trust pursuant to United States Treasury Regulation section 301.7701-4(d). On the
26

27 ¹ The provisions of Article 7 contain a synopsis of the Liquidation Trust Agreement, and are in no way deemed to
28 substitute the provisions contained therein. To the extent the provisions of Article 7 may conflict with those contained in
the Liquidation Trust Agreement, the provisions of the Liquidation Trust Agreement shall govern unless otherwise set
forth in the Confirmation Order.

1 Effective Date, the Liquidation Trust Agreement, attached to this Plan as **Exhibit 1**, shall be
2 established for the purposes of (i) holding the Liquidation Trust Assets and disposing of the same in
3 accordance with the Liquidation Trust Agreement, the Plan, and Treasury Regulation section
4 301.7701-4(d) and (ii) overseeing and directing the liquidation of the Liquidation Trust Assets. In
5 addition to the Liquidation Trust Assets, and consistent with the Liquidation Trustee's prudent
6 judgment and due diligence, the Liquidation Trustee shall have the authority to acquire, on behalf of
7 the Liquidation Trust, any additional rights or claims of Beneficiaries or other parties that are not
8 presently property of the Estate arising out of or relating to the affairs of any affiliate or subsidiary,
9 or Dunmore California, including, but not limited to: (i) any claims against (x) Dunmore California,
10 (y) any Insider of Dunmore California, or (z) any party that Dunmore California transacted business
11 with; or (ii) the pursuit of any Avoidance Actions against (x) Dunmore California, (y) any Insider of
12 Dunmore California, or (z) any party Dunmore California transacted with, in order to maximize the
13 return to the Beneficiaries (collectively, the "Assigned Creditor Claims"). The Trustee shall make
14 continuing efforts to make timely distributions and not unduly prolong the duration of the
15 Liquidation Trust. The liquidation of the Liquidation Trust Assets may be accomplished through the
16 sale of assets, collection of receivables (including the Lender Receivable), prosecution, compromise
17 and settlement, abandonment, or dismissal of any or all claims against third parties or Causes of
18 Action, or otherwise subject to the terms of the Plan and Distributions to holders of Allowed Claims
19 under the Plan.

20 7.2 The Oversight Committee. The Oversight Committee initially shall consist of at least
21 three Holders of General Unsecured Claims to be selected by the Debtor, and agreed upon by the
22 Creditors' Committee. The members of the Oversight Committee shall be identified in the Plan
23 Supplement. In the absence of an agreement between the Debtor and the Creditors' Committee with
24 respect to the identification of members of the Oversight Committee, each of the Debtor and the
25 Creditors' Committee shall identify in the Plan Supplement three Holders of General Unsecured
26 Claims, and the Bankruptcy Court shall determine the composition of the Oversight Committee at
27 the Confirmation Hearing from the pool of candidates thus created. The nominating party shall
28 make reasonable disclosure regarding each nominee's Claims against the Debtor, and any of each

1 nominee's past or present relationships or affiliations with the Debtor or its predecessors (such as
2 DHI Development, Inc.), including any past or present relationships or affiliations with present or
3 former officers or directors of any of them. The Bankruptcy Court, insofar as is possible, shall select
4 as members Holders of General Unsecured Claims whose collective interests are representative of
5 the Beneficiaries in light of the nature and amount of the Claims held by the Beneficiaries and whose
6 selection shall be in the best interests of the Liquidation Trustee and the Beneficiaries. If the Debtor
7 cannot find the requisite number of Holders of General Unsecured Claims willing to serve on the
8 Oversight Committee, the Plan Supplement will provide notice that there will be no Oversight
9 Committee. In the event that there is no Oversight Committee, the provisions contained in this Plan
10 and the Liquidation Trust Agreement concerning the Oversight Committee shall be null and void;
11 provided, however, that in the event that there is no Oversight Committee, the Liquidation Trustee
12 (1) shall seek approval of the Bankruptcy Court for the (a) the settlement of any objections
13 involving: (i) any Administrative Claim or any Priority Claim if the allowed amount of such Claim is
14 greater than \$25,000.00 and (ii) any General Unsecured Claim if the allowed amount of such Claim
15 is greater than \$250,000.00; and (b) compromise or abandonment of any Cause of Action for less
16 than 75% of the amount involved where the amount at issue exceeds \$25,000; (2) may resign at any
17 time by providing a written notice of resignation to the Bankruptcy Court and the Beneficiaries; (3)
18 may be removed upon application of any Beneficiary, for cause, by order of the Bankruptcy Court;
19 (4) shall be succeeded, in the event of a vacancy in the position of the Liquidation Trustee, by a
20 successor Liquidation Trustee appointed by the Bankruptcy Court; and (5) may seek multiple fixed-
21 term extensions of the termination date of the Liquidation Trust from the Bankruptcy Court.

22 Each member may act on the Oversight Committee through such officers, employees, or
23 designated representatives as may have actual authority to attend meetings and to vote on that
24 member's behalf. An entity shall be entitled to designate an alternate (who may be an attorney) and
25 shall be required to provide notice of such designation to the Liquidation Trustee.

26 Except as otherwise specifically provided in the Liquidation Trust Agreement and this Plan,
27 members of the Oversight Committee shall not be held personally liable for any claim asserted
28 against the Liquidation Trust, the Liquidation Trustee, the Liquidation Trustee's employees, the

1 Oversight Committee's employees, any of the Liquidation Trustee Professionals or representatives
2 or any of the Oversight Committee's professionals or representatives, except for actions or omissions
3 to act that are due to gross negligence, willful misconduct, or fraud. Without limiting the generality
4 of the foregoing, the members of the Oversight Committee shall not be liable for any error of
5 judgment with respect to their oversight of the Liquidation Trust and/or the activities of the
6 Liquidation Trustee made in good faith, or with respect to any action taken or omitted to be taken in
7 good faith, except for actions or omissions to act that are due to gross negligence, willful
8 misconduct, or fraud.

9 The Liquidation Trust shall indemnify, defend, and hold harmless the members of the
10 Oversight Committee and their professionals or representatives from and against any and all claims,
11 causes of action, liabilities, obligations, losses, damages, or reasonable expenses (including
12 reasonable attorneys' fees and expenses) (other than and only to the extent due to such Oversight
13 Committee member's or such professionals' or representatives' gross negligence, willful
14 misconduct, or fraud) to the fullest extent permitted by applicable law.

15 The duties, responsibilities, and powers of the members of the Oversight Committee to
16 oversee the Liquidation Trust and/or the activities of the Liquidation Trustee will terminate upon
17 their resignation as members of the Oversight Committee or on the date the Liquidation Trust is
18 dissolved pursuant to section 6.01 of the Liquidation Trust Agreement and section 7.4.1 of the Plan,
19 provided that paragraphs (d) and (e) of section 2.10 of the Liquidation Trust Agreement shall survive
20 such termination and dissolution.

21 The Oversight Committee may, in its discretion, decide to retain legal counsel to provide
22 advice regarding, among other things, actions by the Liquidation Trustee. In the event the Oversight
23 Committee chooses to retain legal counsel, counsel shall be compensated for its services at its usual
24 and customary hourly rate, such fees to be an expense of the Liquidation Trust. All actual and
25 reasonable out-of-pocket expenses incurred by such counsel shall also be reimbursable as an expense
26 of the Liquidation Trust.

27 7.3 Retention and Replacement of the Liquidation Trustee. Leon Slezinger shall
28 initially be the Liquidation Trustee and shall serve as the Liquidation Trustee until his resignation,

1 death, or removal, or the termination of the Liquidation Trust. The Liquidation Trustee shall be the
2 sole authorized representative and signatory of the Liquidation Trust. No other officer, director, or
3 employee of the Debtor shall have any authority, duty, obligation, or responsibility with respect to
4 the Liquidation Trust.

5 The Liquidation Trustee may resign at any time by providing a written notice of resignation
6 to the Oversight Committee. Such resignation shall be effective when a successor is appointed as
7 provided herein or within thirty (30) days after the date of the written notice of resignation,
8 whichever is earlier.

9 The Liquidation Trustee may be removed upon application of the Oversight Committee or
10 any Beneficiary, and by order of the Bankruptcy Court.

11 In the event of a vacancy in the position of the Liquidation Trustee, the vacancy shall be
12 filled by the Oversight Committee designating a successor Liquidation Trustee. If the Oversight
13 Committee is unable to reach agreement regarding a successor Liquidation Trustee, the Bankruptcy
14 Court shall appoint a successor Liquidation Trustee. The appointment of the successor Liquidation
15 Trustee, and the acceptance of the Trust by the successor Liquidation Trustee, shall be evidenced by
16 the filing with the Bankruptcy Court of a notice of appointment, which notice shall include the name,
17 address, and telephone number of the successor Liquidation Trustee. Immediately upon appointment
18 of any successor Liquidation Trustee, all rights, powers, duties, authority, and privileges of the
19 predecessor Liquidation Trustee shall be vested in and undertaken by the successor Liquidation
20 Trustee without any further act and the predecessor Liquidation Trustee shall no longer have any
21 rights, powers, duties, authority, privileges, or responsibilities; and the successor Liquidation Trustee
22 shall not be liable personally for any act or omission of the predecessor Liquidation Trustee; and the
23 predecessor Liquidation Trustee shall not be liable personally for any act or omission of the
24 successor Liquidation Trustee.

25 7.4 Rights and Duties of the Liquidation Trustee.

26 The Liquidation Trustee shall operate at all times for the benefit of and in the best interest of
27 the Liquidation Trust and the Beneficiaries. The Liquidation Trustee shall make all distributions
28 required by the Plan that have not otherwise been made by the Debtor, in accordance with the terms

1 of the Plan. Subject to any limitations contained in, or as otherwise provided by this Liquidation
2 Trust Agreement or in the Plan or the Confirmation Order, the Liquidation Trustee shall have the
3 following powers and authorities, by way of illustration and not of limitation: (a) to collect, receive,
4 hold, manage, invest, or distribute any and all money and other property that are Liquidation Trust
5 Assets; (b) subject to the terms of the Plan, the Confirmation Order and the Liquidation Trust
6 Agreement, to retain and set aside funds out of the Liquidation Trust Assets and deposit such funds
7 in the Liquidation Trust Administrative Reserve and Contested Claim Reserve; (c) to implement the
8 terms of and perform under the DHI Settlement Agreement; (d) to do or perform any acts or things
9 necessary or appropriate for the conservation and protection of the Liquidation Trust Assets, and in
10 connection therewith to employ agents and professionals and to confer upon them such authority as
11 the Liquidation Trustee may deem necessary or appropriate, and to pay reasonable compensation
12 therefor; ~~(e)~~ to file any and all documents and take any and all such other action as the Liquidation
13 Trustee, in his sole judgment, may deem necessary in order that the Liquidation Trustee may
14 lawfully carry out the purposes of the Liquidation Trust in any jurisdiction; ~~(e)~~ to review any
15 Claims in the Chapter 11 Case and file or litigate objections to the allowance of any such Claims and
16 seek to estimate them in accordance with the Plan, the Confirmation Order and the Liquidation Trust
17 Agreement; ~~(g)~~ to review any Causes of Action and file or litigate Causes of Action in accordance
18 with the Plan, the Confirmation Order, ~~and~~ the Liquidation Trust Agreement; ~~(g)~~ and the DHI
19 Settlement Agreement; (h) to pay and discharge any costs, expenses, professional fees, or obligations
20 deemed necessary to preserve or enhance the liquidation value of the Liquidation Trust Assets,
21 discharge duties under the Plan and the Confirmation Order, or the Liquidation Trust Agreement, or
22 perform the purpose of the Liquidation Trust Agreement; payment of such fees and expenses shall
23 not require Bankruptcy Court approval but shall be made in accordance with section 4.06 of the
24 Liquidation Trust Agreement; (i) to open and maintain bank accounts and deposit funds, draw
25 checks, and make disbursements in accordance with the Plan, the Confirmation Order and the
26 Liquidation Trust Agreement; (j) to enforce, waive, assign or release rights, privileges or
27 immunities of any kind subject to and consistent with the terms and conditions of the Plan, the
28 Confirmation Order and the Liquidation Trust Agreement; (k) in general, without in any manner

1 limiting any of the foregoing, to deal with the Liquidation Trust Assets or any part or parts thereof in
2 all other ways as would be lawful for any person owning the same to deal therewith, whether similar
3 to or different from the ways herein specified, but in all events subject to and consistent with the
4 terms of the Plan, the Confirmation Order and the Liquidation Trust Agreement; (~~k~~l) to obtain and
5 pay for insurance coverage relative to the proper performance of the Liquidation Trustee's duties
6 under the Plan, the Confirmation Order and the Liquidation Trust Agreement, and to provide
7 indemnification for himself and others provided for in the Liquidation Trust Agreement; (~~j~~m) to
8 establish and maintain necessary accounts, and establish such additional reserves, funds, and
9 accounts out of the Trust Assets as may be necessary for carrying out the provisions of the
10 Liquidation Trust Agreement, the Plan, and the Confirmation Order; (~~n~~o) to abandon in any
11 commercially reasonable manner, including abandonment or donation to a charitable organization
12 (as such term is described in Internal Revenue Code section 501(c)(3) (whose contributions are
13 deductible under Internal Revenue Code section 170)) of the Liquidation Trustee's choice, any
14 Liquidation Trust Assets that are of no benefit, including any Distributable Cash remaining after the
15 Final Distribution Date; and (~~p~~q) without limitation, do any and all things necessary to accomplish
16 the purposes of the Liquidation Trust Agreement subject to and consistent with the Plan and the
17 Confirmation Order.

18 In addition, the Liquidation Trustee shall have the right to seek Bankruptcy Court approval of
19 any action to be undertaken by the Liquidation Trust, but shall not be required to do so unless the
20 Liquidation Trustee is required to do so in accordance with the Plan or the Confirmation Order or
21 determines that Bankruptcy Court approval is necessary in his sole discretion. In addition, the
22 Liquidation Trustee will be responsible for and shall, without limitation, oversee the liquidation of
23 the Liquidation Trust, invest all cash held by the Liquidation Trust prior to distribution, satisfy all of
24 the Liquidation Trust governmental reporting requirements, and cause the dissolution of the
25 Liquidation Trust.

26 7.4.1 Duration of Liquidation Trust. The Liquidation Trust shall terminate on the
27 date upon which all of the Liquidation Trust Assets have been distributed to the Beneficiaries and all
28 of the necessary tax returns have been prepared and filed; provided, however, that the Liquidation

1 Trust shall terminate no later than the fifth anniversary of the effective date of the Liquidation Trust
2 Agreement as provided in section 8.02 of the Liquidation Trust Agreement; and provided further,
3 however, that prior to such termination date, the Liquidation Trustee may seek multiple fixed-term
4 extensions of such termination date from the Oversight Committee, if the extension is necessary for
5 the liquidating purposes of the Liquidation Trust. Any such extension must be obtained at least three
6 months before the expiration of the original term and each extended term.

7 7.4.2 Retention of Professionals. The Liquidation Trustee may, to the extent
8 efficient and practical, retain the Liquidation Trust Professionals and other Persons with historical
9 knowledge of and/or experience with the Causes of Action or the Debtor's operations to assist the
10 Liquidation Trustee in the liquidation of the Assets, the prosecution of Causes of Action, the
11 objections to Claims, and the performance of the Liquidation Trustee's other duties under the Plan.
12 The Liquidation Trustee shall have the right to rely upon the information and advice provided by
13 such professionals and other Persons. The Liquidation Trustee may retain professionals or other
14 Persons on an hourly, fixed, or contingency fee basis. The Liquidation Trustee shall seek Oversight
15 Committee approval of the retention of such professionals; no further order of the Bankruptcy Court
16 shall be required to retain a Professional employed in the Chapter 11 Case.

17 The Liquidation Trustee shall have the right, but not the obligation, to employ such other
18 procedures, not inconsistent with the Plan, necessary for the Liquidation Trustee to perform his
19 duties under the Plan.

20 7.5 Compensation of Liquidation Trustee and Liquidation Trustee Professionals. The
21 Liquidation Trustee shall be compensated for his services at his usual and customary hourly rate, as
22 such rates are adjusted from time to time. The Liquidation Trustee's minimum monthly fee shall be
23 \$5,000. All actual and reasonable out-of-pocket expenses incurred by the Liquidation Trustee
24 (including reasonable fees incurred by his legal counsel in connection with the review of the
25 Liquidation Trust Agreement) shall be reimbursable as an expense of the Liquidation Trust. The
26 Liquidation Trustee is authorized to hire professionals, including Mesirow Financial Consulting,
27 LLC, to assist him in fulfilling his responsibilities under the Liquidation Trust Agreement, with the
28 approval and consent of the Oversight Committee.

1 The Liquidation Trustee and Liquidation Trust Professionals, or the Oversight Committee,
2 including, but not limited to, attorneys and financial consultants, shall be entitled to reasonable
3 compensation for services rendered at a rate reflecting actual time billed by such professional on an
4 hourly basis, at the standard billing rates in effect at the time of service or such other rate or basis of
5 compensation that is reasonable. Notwithstanding the foregoing, the Liquidation Trustee may
6 engage such professionals on a contingency fee basis. All actual and reasonable out-of-pocket
7 expenses incurred by members of the Oversight Committee or by any professional retained by the
8 Oversight Committee or the Liquidation Trustee pursuant to the Plan shall be reimbursable as an
9 expense of the Liquidation Trust. The fees and expenses of any Liquidation Trust Professional shall
10 be reimbursed in accordance with section 5.01(a)(ii) of the Liquidation Trust Agreement. The
11 Liquidation Trustee shall not pay any Liquidation Trust Professional Fees unless he has received
12 approval from the Oversight Committee.

13 Unless consent of the Oversight Committee is required under the Liquidation Trust
14 Agreement, the Liquidation Trustee shall have discretion to pay expenses, other than those expenses
15 of the Liquidation Trust Professionals or professionals retained by the Oversight Committee, without
16 approval of the Oversight Committee if such expenses are less than \$10,000 on a nonrecurring
17 monthly basis.

18 7.6 Dissolution of Creditors' Committee. Following the Effective Date, the
19 responsibilities of the Creditors' Committee and its Professionals shall be limited to the preparation
20 and review of fee applications. Effective sixty (60) days after the Effective Date, the Creditors'
21 Committee shall be dissolved without any further action and their members shall be deemed released
22 of all their duties, responsibilities and obligations. The retention or employment of the Creditors'
23 Committee's Professionals shall terminate with the dissolution of the Creditors' Committee.

24 7.7 Indemnification/Limitation on Liability.

25 7.7.1 General Indemnification. The Liquidation Trust shall indemnify, defend,
26 and hold harmless any Person who was, or is, a party, or is threatened to be made a party, to any
27 pending or contemplated investigation, action, suit or proceeding, whether civil, criminal,
28 administrative, or investigative, by reason of the fact that such Person is or was the Liquidation

1 Trustee, a member of the Oversight Committee or the Liquidation Trustee's or Oversight
2 Committee's respective agents, affiliates, attorneys, accountants, financial advisors, professionals, or
3 employees (each such person, an "Indemnified Person"), from and against any and all claims, causes
4 of action, liabilities, obligations, losses, damages, all costs, expenses, judgments, fines, and amounts
5 paid in settlement actually and reasonably incurred or paid by such Indemnified Person in
6 connection with such investigation, action, suit, or proceeding, or the defense or settlement of any
7 such investigation, action, suit, proceeding, claim, issue or matter therein, to the fullest extent
8 permitted by applicable law, except to the extent such liability is determined to be the result of
9 willful misconduct or gross negligence. Costs or expenses incurred by any such Indemnified Person
10 in defending any such action, suit, or proceeding shall be paid by the Liquidation Trust in advance of
11 the institution or final disposition of such action, suit, or proceeding, provided, however, that any
12 such Indemnified Person shall promptly reimburse the Liquidation Trust for all such costs and
13 expenses paid by the Liquidation Trust, if it is finally adjudicated by a court of competent
14 jurisdiction, that liability by such Indemnified Person is a result of willful misconduct or gross
15 negligence. The Liquidation Trustee may in his discretion purchase and maintain insurance on
16 behalf of any Indemnified Person who is or was a beneficiary of this provision.

17 7.7.2 No Recourse. To the extent permitted by law, and except as provided in the
18 Plan, the Confirmation Order, and this Liquidation Trust Agreement, no recourse shall ever be had,
19 directly or indirectly, against the Liquidation Trustee personally, or against any agent, representative,
20 affiliate, attorney, accountant, financial consultant or other professional of the Liquidation Trustee,
21 or the members of the Oversight Committee or against any agent, affiliate, representative, attorney,
22 accountant, financial consultant or professional of the Oversight Committee, for actions taken or
23 omitted to be taken in connection with the Liquidation Trust, by legal or equitable proceedings, or by
24 virtue of any statute or otherwise, nor upon any promise, contract, instrument, undertaking,
25 obligation, covenant or agreement whatsoever executed by the Liquidation Trustee or the Oversight
26 Committee under the Plan, the Confirmation Order, this Liquidation Trust Agreement, or by reason
27 of the creation of any indebtedness by the Liquidation Trustee in connection with the Liquidation
28 Trust under the Plan, the Confirmation Order, or this Liquidation Trust Agreement for any purpose

1 authorized by the Plan, the Confirmation Order, or this Liquidation Trust Agreement, it being
2 expressly understood and agreed that all such liabilities, covenants and agreements shall be
3 enforceable only against and be satisfied only out of the Liquidation Trust Assets or such part
4 thereof as shall under the terms of any such agreement be liable therefor or shall be evidence only of
5 a right of payment out of the Liquidation Trust Assets.

6 7.7.3 No Liability. No successor Liquidation Trustee shall be in any way
7 responsible or liable for the acts or omissions of any predecessor Liquidation Trustee in office prior
8 to the date on which such Person becomes the Liquidation Trustee, nor shall such successor
9 Liquidation Trustee be obligated to inquire into the validity or propriety of any such act or omission
10 unless such successor Liquidation Trustee expressly assumes such responsibility. Any successor
11 Liquidation Trustee shall be entitled to accept as conclusive any final accounting and statement of
12 Liquidation Trust Assets furnished to such successor Liquidation Trustee by the predecessor
13 Liquidation Trustee and shall further be responsible only for those Liquidation Trust Assets included
14 in such statement. No predecessor Liquidation Trustee shall be in any way responsible or liable for
15 the acts or omissions of any successor Liquidation Trustee, nor shall such predecessor Liquidation
16 Trustee be obligated to inquire into the validity or propriety of any such act or omission.

17 7.7.4 Limitation on Liquidation Trustee's and Oversight Committee's Liability.
18 To the extent permitted by law, the Liquidation Trustee, the members of the Oversight Committee,
19 the Beneficiaries and their respective agents, affiliates, attorneys, accountants, financial consultants
20 or other professionals shall be exculpated from any liability for any errors or omissions made in
21 connection with its their duties or actions in connection with this Liquidation Trust Agreement,
22 except for liability for any errors or omissions arising from their own gross negligence or willful
23 misconduct. The foregoing limitation on liability shall apply equally to the agents, employees or
24 professionals of the Liquidation Trustee acting on behalf of the Liquidation Trustee in the fulfillment
25 of their duties or actions in connection with the Liquidation Trust under the Plan, the Confirmation
26 Order, and this Liquidation Trust Agreement. Neither the Liquidation Trustee, nor the members of
27 the Oversight Committee, including their respective agents, affiliates, attorneys, accountants,
28 financial consultants, or other professionals, shall be personally liable with respect to any liabilities

1 or obligations of the Liquidation Trust or any liabilities or obligations relating to the Liquidation
2 Trust Assets, including, without limitation, those arising under this Liquidation Trust Agreement or
3 with respect to the Liquidation Trust or the Liquidation Trust Assets, and all persons dealing with
4 the Liquidation Trust must look solely to the Liquidation Trust Assets for the enforcement of any
5 claims against the Liquidation Trust or the Liquidation Trust Assets.

6 7.7.5 Express Exculpatory Clauses in Instruments. The Liquidation Trustee shall
7 cause any written instrument creating an obligation of the Liquidation Trust to include a reference to
8 the Liquidation Trust Agreement and to provide that none of the members of the Oversight
9 Committee, the Beneficiaries, or the Liquidation Trustee or their respective agents, affiliates,
10 attorneys, accountants, financial consultants, or other professionals shall be liable thereunder and
11 that the other parties to such instrument shall look solely to the Liquidation Trust Assets for the
12 payment of any claim thereunder or the performance thereof.

13 **ARTICLE 8**

14 **MEANS FOR IMPLEMENTATION OF THE PLAN**

15 The Plan shall become effective on the Effective Date. In addition to the provisions set forth
16 elsewhere in this Plan regarding means of execution, the following shall constitute the principal
17 means for the implementation of the Plan. All payments to be made under the Plan on the Effective
18 Date shall be made by the Debtor, and all payments to be made after the Effective Date shall be
19 made by the Liquidation Trustee.

20 8.1 Conveyance of Liquidation Trust Assets. The Debtor will irrevocably assign,
21 effective on the Effective Date, the Liquidation Trust Assets to the Liquidation Trust. Upon the
22 Effective Date, title to all Assets of the Estate shall pass to the Liquidation Trust free and clear of all
23 liens, claims, and interests of any Person as that term is defined in Bankruptcy Code section 101(17).

24 8.2 DHI Settlement Agreement. This Plan incorporates the terms and conditions of the
25 DHI Settlement Agreement. The Creditors' Committee consents to the DHI Settlement Agreement.
26 The following summary and all other references to the DHI Settlement Agreement contained herein
27 are qualified by and subject to the terms and conditions of the DHI Settlement Agreement.

28 The following description is a summary of the DHI Settlement Agreement:

1 8.2.1 Settlement of Disputes Regarding the Deferred Compensation Fund. In
2 exchange for payment by the Debtor to the DHI estate in the amount of \$200,000.00 (the “Litigation
3 Fund”), the Chapter 7 Trustee and the DHI estate agree to release any and all claims of the DHI
4 estate to the Deferred Compensation Funds or any portion thereof. The balance of the Deferred
5 Compensation Funds will be transferred into the Liquidation Trust, to be distributed in accordance
6 with the Plan.

7 8.2.2 Review and Objection to Claims; Payment of Claims. In accordance with
8 the Plan, employees of the Liquidation Trust will review and reconcile claims in the Chapter 11 Case
9 and the DHI Case. The Liquidation Trust and the Chapter 7 Trustee will coordinate their claims
10 objections accordingly. The Liquidation Trust will have principal responsibility for handling claims
11 objections where identical or similar claims are filed in both cases; the Chapter 7 Trustee will be
12 responsible only for claims filed in the DHI Case which are not filed in the Chapter 11 Case.

13 All claims which are allowed in both cases, and all claims which are allowed only in
14 the Chapter 11 Case, will be paid from funds in the Liquidation Trust, pro rata, in accordance with
15 the Plan. Any claims allowed solely in the DHI Case will be deemed to be allowed claims in the
16 Chapter 11 Case and will be paid pro rata with the allowed claims in the Chapter 11 Case.
17 Notwithstanding the foregoing, in no event shall the aggregate amount of distributions paid to
18 creditors (a) whose claims are allowed solely in the DHI Case or (b) on account of the portion of any
19 claim that is allowed in the DHI Case in excess of the allowed amount of the claim in the Dunmore
20 Homes Case (the “DHI Only Claims”) exceed the sum of 1) the balance of Deferred Compensation
21 Funds as of the Effective Date of the Plan, less \$200,000 and 2) any contributions made by the DHI
22 Chapter 7 Trustee to the Liquidation Trust (the “DHI Claims Distribution Cap”). Prior to making
23 any distributions, the Liquidation Trustee will determine the amount of the DHI Only Claims. To
24 the extent that the total pro rata payments on account of such claims would exceed the DHI Claims
25 Distribution Cap, the Liquidation Trustee shall make the payments to the holders of DHI Only
26 Claims pro rata on the basis of the DHI Claims Distribution Cap, and such claim holders shall not
27 receive any additional payment from the Liquidation Trust on account of the DHI Only Claims.
28

1 8.2.3 Litigation by the Parties; Coordination of Litigation Activities. The Debtor
2 and, after the Effective Date, the Liquidation Trustee will be responsible for attempting to collect
3 from Mr. Dunmore on the Lender Receivable, and all matters relating to the Lender Receivable. The
4 Chapter 7 Trustee will be responsible for attempting to collect from Mr. Dunmore for any fraudulent
5 transfers (under either federal or state law) which might have been made to Mr. Dunmore by
6 Dunmore California, and on any other claims which either Dunmore California or the Debtor has
7 against Mr. Dunmore. The Debtor will assign to the DHI estate any claims and causes of action,
8 which the Debtor holds against Mr. Dunmore based on illegal or improper distributions to him under
9 state law, but excluding claims based on the Lender Receivable, and excluding the Assigned
10 Creditor Claims. The Chapter 7 Trustee will be responsible for attempting to collect any amounts
11 due to the DHI estate from anyone else who received avoidable transfers from Dunmore California
12 (including transfers prior to the Sale), or who received a benefit from avoidable payments made by
13 Dunmore California.

14 The Debtor, the Chapter 7 Trustee, and, after the Effective Date, the Liquidation
15 Trustee will coordinate their litigation activities, including but not limited to the retention and use of
16 legal and non-legal professionals, to avoid unnecessary duplication of efforts, will share information,
17 and, where appropriate, will attempt to jointly negotiate settlements with persons who are indebted
18 to the Debtor and DHI, all subject to joint defense and joint cooperation agreements among the
19 applicable parties.

20 8.2.4 Funds Received by the DHI Estate. The Litigation Fund will be used by the
21 Chapter 7 Trustee to finance litigation against Mr. Dunmore and anyone else who may be liable to
22 the DHI estate. All funds received by the DHI estate from any source, including but not limited to
23 the proceeds of litigation, and including the balance of the Litigation Fund, less expenses, fees, and
24 the Chapter 7 Trustee's fees, all of which must be approved by the Bankruptcy Court, shall be paid
25 to the Liquidation Trust. Said payments to the Liquidation Trust shall be made upon (a) a
26 determination by the Chapter 7 Trustee that the DHI estate has received all amounts which it can
27 reasonably expect to receive, and has paid or is reserving sufficient funds to cover all court-approved
28 expenses and fees, and (b) an appropriate final order of the Bankruptcy Court. Because the creditors

1 in the Chapter 11 Case appear to be substantially identical to the creditors in the DHI Case, all
2 payments by the Chapter 7 Trustee to the Liquidation Trust shall be deemed to be payments to
3 creditors with allowed claims in the DHI Case, and the Liquidation Trustee shall be deemed to be
4 acting as a disbursing agent for the Chapter 7 Trustee to the extent that payments are made by the
5 Liquidation Trust with funds provided by the Chapter 7 Trustee.

6 8.3 ~~§.2~~ Establishment of Accounts.

7 8.3.1 ~~§.2.1~~ Creation of Accounts. In addition to the Plan Proceeds Account to be
8 established by the Liquidation Trustee to receive and hold Plan Proceeds, the Liquidation Trustee, on
9 behalf of the Beneficiaries, shall establish and maintain the Liquidation Trust Fund Accounts in the
10 name of the Liquidation Trust as segregated trust interest bearing accounts accessible only by the
11 Liquidation Trustee as necessary to implement the Plan.

12 8.3.2 ~~§.2.2~~ Liquidation Trust Administrative Reserve Account. The Liquidation
13 Trustee shall establish and maintain a Liquidation Trust Administrative Reserve Account in the
14 name of the Liquidation Trust accessible only by the Liquidation Trustee. Funds deposited therein
15 will be held on reserve to pay any Administrative Claims of the Estate pursuant to the Plan and to
16 pay the Liquidation Trustee and the Liquidation Trustee Professionals retained by the Liquidation
17 Trustee, including attorneys, financial advisors and other advisors, expenses, expert witness fees,
18 storage, rental and office administrative costs, costs of temporary employees, or others utilized by
19 the Liquidation Trustee to fulfill his duties, and any other costs incurred by the Liquidation Trustee
20 in fulfilling his fiduciary duties, including claims reconciliation and distribution and pay any
21 Administrative Claims of the Estate pursuant to the Plan. At all times, the Liquidation Trustee shall
22 maintain funds in the Liquidation Trust Administrative Reserve Account in an amount sufficient to
23 cover the maximum amount of anticipated fees, costs and expenses to be incurred for any
24 two- month period by the Liquidation Trustee and the Liquidation Trustee Professionals and any
25 Administrative Claims of the Estate pursuant to the Plan. The Liquidation Trustee, in consultation
26 with the Oversight Committee, will have the sole responsibility of determining the amount of the
27 Liquidation Trust Administrative Reserve Account and the funding of the Liquidation Trust
28 Administrative Reserve Account.

1 8.3.3 ~~§.2.3~~ Contested Claims Reserve Account. The Liquidation Trustee shall
2 establish and maintain the Contested Claims Reserve Account in the name of the Liquidation Trust
3 as a segregated trust account accessible only by the Liquidation Trustee. The funds deposited
4 therein will be held on reserve for the benefit of Holders of Contested Claims that become Allowed.
5 The Liquidation Trustee shall determine the amount held in the Contested Claims Reserve Account,
6 and shall consult with the Oversight Committee prior to making his determination. Any excess
7 amount remaining in the Contested Claims Reserve Account after all Contested Claims have been
8 resolved shall be distributed as additional Plan Proceeds in accordance with Article 9 of this Plan
9 and section 5.04 of the Liquidation Trust Agreement.

10 8.4 ~~§.3~~ Collection of Plan Proceeds. From and after the Effective Date, the Liquidation
11 Trustee shall retain and pursue the Causes of Action on such terms and conditions as are consistent
12 with the interests of Creditors, sell or liquidate the Debtor's remaining tangible and intangible assets,
13 collect the Debtor's accounts receivable and conduct the Claims Resolution Process. All Cash,
14 Liquidation Proceeds, and Litigation Recoveries realized or obtained by the Liquidation Trustee
15 shall be deposited into the Plan Proceeds Account and such funds shall be held in trust by the
16 Liquidation Trustee as Plan Proceeds. Except as otherwise provided in this Plan and the
17 Confirmation Order, such Plan Proceeds shall be free and clear of all Claims and Liens and shall
18 only be expended in accordance with the provisions of this Plan. To the extent required to make
19 Distributions to the holders of Allowed Claims, fund the Contested Claims Reserve Account, pay
20 Plan Expenses, and otherwise implement this Plan, all Plan Proceeds shall be held in trust by the
21 Liquidation Trustee.

22 8.5 ~~§.4~~ Postconfirmation United States Trustee Quarterly Fees. A quarterly fee shall be
23 paid by the Liquidation Trust to the United States Trustee, for deposit into the Treasury, for each
24 quarter (including any fraction thereof) until the Chapter 11 Case is converted, dismissed, or closed
25 by the entry of a final decree pursuant to 28 U.S.C. § 1930(a)(6).

26 8.6 ~~§.5~~ Chapter 11 Postconfirmation Reports and Final Decree.

27 8.6.1 ~~§.5.1~~ Postconfirmation Reports. At the end of each calendar quarter, the
28 Liquidation Trustee shall file with the Bankruptcy Court and distribute by electronic mail a

1 postconfirmation status report, the purpose of which is to explain the progress made toward full
2 administration of the confirmed Plan, including the status of the liquidation of the Liquidation Trust
3 Assets, objections to Claims, prosecution of Causes of Action, investigation of other claims,
4 retention of Liquidation Trust Professionals, and other matters concerning the Liquidation Trust.
5 Such reports shall be distributed to those parties requesting special notice in the Chapter 11 Case and
6 to any party in interest that makes a written request therefor to the Liquidation Trustee. The first
7 report shall be filed for the portion of the calendar quarter from the date of confirmation to the end of
8 the quarter. Subsequent reports shall be filed at the expiration of each calendar quarter thereafter
9 until dismissal, conversion, or entry of a Final Decree closing the case. Reports shall be filed with
10 the Bankruptcy Court and served upon the United States Trustee not later than twenty (20) days after
11 the expiration of the reported quarter. The report shall include a statement of receipts and
12 disbursements, with the ending cash balance, for the entire ninety-day period. The report shall also
13 include information sufficiently comprehensive to enable the court to determine: (1) whether the
14 order confirming the plan has become final; (2) whether deposits, if any, required by the plan have
15 been distributed; (3) whether any property proposed by the plan to be transferred has been
16 transferred; (4) whether the Liquidation Trustee under the Plan has assumed the business or the
17 management of the property dealt with by the plan; (5) whether payments under the Plan have
18 commenced; (6) whether accrued fees due to the United States Trustee under 28 U.S.C. § 1930(a)(6)
19 have been paid; and (7) whether all motions, contested matters, and adversary proceedings have been
20 finally resolved.

21 8.6.2 ~~8.5.2~~ Service of Reports. A copy of each report shall be served upon the
22 United States Trustee and other persons or entities as have requested service of such reports in
23 writing with the Bankruptcy Court, no later than five (5) days after the day upon which it is filed
24 with the Bankruptcy Court.

25 8.6.3 ~~8.5.3~~ Final Decree. After the estate is fully administered, the Liquidation
26 Trustee shall file an application for Final Decree, and shall serve the application on the United States
27 Trustee, together with a proposed Final Decree. The United States Trustee shall have twenty days
28 by which to object or otherwise comment upon the Bankruptcy Court's entry of the Final Decree.

1 **ARTICLE 9**

2 **PROVISIONS GOVERNING DISTRIBUTIONS**

3 9.1 Distribution of Plan Proceeds. The Plan Proceeds shall be used to make the payments
4 required under the Plan, provided that the Liquidation Trustee shall only distribute Net Plan
5 Proceeds to the Holders of Allowed Claims in such amounts and at such times as are set forth in this
6 Plan. No payments or Distributions shall be made by the Liquidation Trustee on account of
7 Contested Claims unless and to the extent such Claims become Allowed Claims. The Net Plan
8 Proceeds allocated to Contested Claims will not be distributed but will be held in the Contested
9 Claims Reserve Account by the Liquidation Trustee in accordance with this Plan pending resolution
10 of such Contested Claims.

11 9.2 Full and Final Satisfaction. Commencing upon the Effective Date, the Liquidation
12 Trustee shall be authorized and directed to distribute the amounts required under the Plan to the
13 holders of Allowed Claims according to the provisions of the Plan. Upon the Effective Date, all
14 Debts of the Debtor shall be deemed fixed and adjusted pursuant to this Plan and the Liquidation
15 Trustee shall have no further obligation on account of any Claims except as set forth in this Plan.
16 All payments and all Distributions made under the Plan shall be the only recourse Holders of Claims
17 have against the Liquidation Trust; provided, however, that nothing contained in this section 8.2 of
18 the Plan, or in any other provision of this Plan, shall be deemed to constitute or result in a discharge
19 of the Debtor under Bankruptcy Code § 1141(d).

20 9.3 Distribution Procedures. The Liquidation Trustee shall, within his discretion, make
21 distributions to the Beneficiaries Pro-Rata, as soon practicable, consistent with the terms of this Plan.
22 Distribution of the net income of the Liquidation Trust plus all net proceeds from the sale of
23 Liquidation Trust Assets in excess of amounts necessary to fund the Liquidation Trust
24 Administrative Reserve Account and the Contested Claims Reserve Account shall be made to the
25 Beneficiaries at least annually.

26 9.3.1 Manner of Payments. Payments to be made by the Liquidation Trustee
27 pursuant to this Plan, the Confirmation Order, and the Liquidation Trust Agreement shall be made
28 by the Liquidation Trustee in Cash or by check drawn from the Liquidation Trust Fund Accounts, as

1 provided in section 5.04(a) of the Liquidation Trust Agreement. Distributions to holders of Allowed
2 Claims shall be made by the Liquidation Trustee pursuant to this Plan, the Confirmation Order, and
3 the Trust Agreement. Distributions to Holders of Allowed Claims shall be made by the Liquidation
4 Trustee: (i) at the addresses set forth on the proofs of claims filed in the Chapter 11 Case by such
5 Holders; (ii) at the addresses set forth in any written notices of address changes delivered to the
6 Liquidation Trustee by such holders after the date of filing of any related proof of claim (in which
7 event the notice of change will supersede and replace the address set forth on the related proof of
8 claim and any address set forth in the Debtor's Schedules); or (iii) at the addresses reflected in the
9 Schedules if no proof of Claim has been filed and the Liquidation Trustee has not received a written
10 notice of a change of address. No payments of fractions of cents will be made. Whenever any
11 payment of a fraction of a cent would otherwise be required, the actual payment may reflect a
12 rounding of such fraction to the nearest whole cent (up or down).

13 9.3.2 De Minimis Interim Distribution. If the amount distributable to a Holder of
14 an Allowed General Unsecured Claim would be less than \$25.00 in the aggregate considering the
15 distributions from the applicable Liquidation Trust Fund Account for such Holder (such distribution
16 amount of less than \$25.00, a "De Minimis Interim Distribution"), then the Liquidation Trustee may
17 not make the De Minimis Interim Distribution, but rather shall hold the De Minimis Interim
18 Distribution in reserve until such time as the aggregate amounts distributable to such Holder of an
19 Allowed General Unsecured Claim, combined, as of the next distribution, equals or exceeds \$25.00,
20 but in all events not later than the Final Distribution Date. Notwithstanding the foregoing, the
21 Liquidation Trustee shall not be required to make any final distribution of less than \$5.00 and all
22 monies otherwise payable in such amount shall be paid to the other Holders of Allowed Claims.

23 9.3.3 Undeliverable Distributions. If any distribution to a Holder of an Allowed
24 Claim been made by the Liquidation Trustee and is returned to the Liquidation Trustee as an
25 Undeliverable Distribution, no further distributions to such Holder of an Allowed Claim shall be
26 made unless and until the Liquidation Trustee is notified by such Holder of an Allowed Claim of
27 their then current address, at which time all missed distributions shall be made to such holder of an
28 Allowed Claim, without interest. Pending the Liquidation Trustee's receipt of such current address

1 and subject to Section 5.04(e) of the Liquidation Trust Agreement, all missed distributions shall be
2 maintained by the Liquidation Trustee in the Liquidation Trust Fund Account. Any Holder of an
3 Allowed Claim that does not provide a current address as described in Section 5.04(e) of the
4 Liquidation Trust Agreement to the Liquidation Trustee within ninety (90) days after the date on
5 which a distribution was deliverable to such holder of an Allowed Claim, shall thereafter be treated
6 as though such Claim has been disallowed. In such cases, the Undeliverable Distribution shall be
7 made available for distribution to the Holders of Allowed Claims, and no further payments shall be
8 made to the Holder of an Allowed Claim on account of such Undeliverable Distribution and such
9 Allowed Claim shall thereafter be treated as though such Claim has been disallowed. Under no
10 circumstances shall any Undeliverable Distribution be subject to the escheat laws of any state.

11 9.3.4 Unclaimed Property. Holders of Allowed Claims shall have ninety (90)
12 days from the check date to negotiate any distribution checks. Otherwise, any payment on such
13 checks shall be stopped and the corresponding funds (the “Unclaimed Property”) shall be placed in
14 the Plan Proceeds Account and made available for distribution to the Holders of Allowed Claims. In
15 the event that Unclaimed Property becomes available for distribution to the Holders of Allowed
16 Claims, then no further payments shall be made to the Holder of such Allowed Claim on account of
17 the Unclaimed Property and such Allowed Claim shall thereafter be treated as though such Claim
18 has been disallowed. Under no circumstances shall any Unclaimed Property be subject to the
19 escheat laws of any state.

20 9.3.5 Interest on Distributions. Any interest earned by the funds in the
21 Liquidation Trust Fund Accounts shall inure to the benefit of the Liquidation Trust generally, and
22 not specifically for any party.

23 9.4 Setoffs. Nothing contained in this Plan shall constitute a waiver or release by the
24 Debtor or the Liquidation Trustee of any right of setoff or recoupment the Debtor may have against
25 any Creditor.

26 9.5 Withholding Taxes/Reporting Requirements. Pursuant to Bankruptcy Code section
27 346(f), the Liquidation Trustee shall be entitled to deduct any federal, state, or local withholding
28 taxes from any Cash payments made with respect to Allowed Claims, as appropriate. The

1 Liquidation Trustee shall be permitted to withhold a Distribution to any Creditor that has not
2 provided information requested by the Liquidation Trustee for the purpose of fulfilling his
3 obligations hereunder. In particular, if the Liquidation Trustee is unable to obtain a valid, properly
4 completed IRS Form after having made a written request to the Beneficiary, then after the expiration
5 of ninety (90) days from the date of transmission of such written request the Beneficiary shall forfeit
6 all distributions and shall thereafter be treated as if their claims had been disallowed. The
7 Liquidation Trustee shall comply with all reporting obligations imposed on it by any governmental
8 unit. Notwithstanding any other provision of this Plan, the Confirmation Order, or the Liquidation
9 Trust Agreement, each holder of an Allowed Claim that is to receive a distribution from the Trust
10 Fund Accounts shall have sole and exclusive responsibility for the satisfaction and payment of any
11 tax obligations imposed by any governmental unit, including income, withholding, and other tax
12 obligations, on account of such distribution.

13 **ARTICLE 10**

14 **PROCEDURES FOR RESOLVING DISPUTED CLAIMS**

15 10.1 Claims Resolution Process. The Liquidation Trustee shall have the authority to
16 compromise claim objections and other actions commenced by the Debtor or by the Liquidation
17 Trustee on behalf of the Liquidation Trust.

18 10.2 Resolution of Contested Claims. All objections to Claims shall be filed and served
19 not later than the Claims Objection Deadline, subject to extension by the Bankruptcy Court. If an
20 objection is not timely filed by the deadline established in this Plan, any remaining Contested Claims
21 shall be deemed to be Allowed Claims for purposes of this Plan. The Liquidation Trustee shall have
22 the authority to settle any objections without first consulting the Oversight Committee involving: (a)
23 any Administrative Claim or any Priority Claim if the allowed amount of such Claim is less than
24 \$25,000.00 and (b) any General Unsecured Claim if the allowed amount of such Claim is less than
25 \$250,000.00.

26 10.3 Estimation of Claims. The Liquidation Trustee may, at any time, request that the
27 Bankruptcy Court estimate any contingent or unliquidated Claim pursuant to Bankruptcy Code
28 section 502(c) regardless of whether the Liquidation Trustee has previously objected to such Claim

1 or whether the Bankruptcy Court has ruled on any such objection, and the Bankruptcy Court will
2 retain jurisdiction to estimate any Claim at any time during litigation concerning any objection to
3 any Claim, including during the pendency of any appeal relating to any such objection. In the event
4 that the Bankruptcy Court estimates any contingent or unliquidated Claim, that estimated amount
5 will constitute either the allowed amount of such Claim or a maximum limitation on such Claim, as
6 determined by the Bankruptcy Court. If the estimated amount constitutes a maximum limitation on
7 such Claim, the Liquidation Trustee may elect to pursue any supplemental proceedings to object to
8 any ultimate payment on such Claim.

9 10.4 Cumulative Remedies. All of the aforementioned objection, estimation, and
10 resolution procedures are cumulative and not necessarily exclusive of one another. Claims may be
11 estimated and subsequently compromised, settled, withdrawn, or resolved by any mechanism
12 approved by the Bankruptcy Court. Until such time as such Claim becomes an Allowed Claim such
13 Claim shall be treated as a Contested Claim for purposes related to allocations, Distributions, and
14 voting under the Plan.

15 10.5 Allowance of Claims.

16 10.5.1 Disallowance of Claims. All Claims held by Entities against whom any
17 party in interest has asserted a cause of action under Bankruptcy Code sections 542, 543, 522(f),
18 522(h), 544, 545, 547, 548, 549, or 550 shall be deemed disallowed pursuant to Bankruptcy Code
19 section 502(d), and Holders of such Claims may not vote to accept or reject the Plan, both
20 consequences to be in effect until such time as such Causes of Action against that Entity have been
21 settled or resolved by a Final Order and all sums due the Debtor or Estate by that Entity are turned
22 over to the Estate.

23 10.5.2 Allowance of Claims. Except as expressly provided in the Plan, no Claim
24 shall be deemed Allowed by virtue of Confirmation, or any order of the Bankruptcy Court in the
25 Chapter 11 Case, unless and until such Claim is deemed Allowed under the terms of this Plan.

26 10.6 Implementation of Indenture Agreement Subordination. The Indenture Agreement
27 provides, *inter alia*, that certain junior subordinated notes issued under the Indenture Agreement are
28 “subordinate and subject in right of payment to the prior payment in full of all Senior Debt.”

1 Distributions from the Liquidation Trust of Distributable Cash or property made in respect of any
2 Allowed Class 5 Claim shall take account of provisions in the Indenture Agreement making Senior
3 Debt the beneficiary of the Indenture Agreement's subordination provisions and such other
4 provisions of the Indenture Agreement as are necessary or appropriate to give effect to such
5 subordination in a manner consistent with the Indenture Agreement. Notwithstanding the foregoing,
6 for purposes of such distributions, Senior Debt under the Indenture Agreement only shall be those
7 Claims on the "List of Senior Debt" set forth on **Exhibit 3** hereto in the Allowed amount thereof,
8 subject to any modifications made pursuant to the procedures approved by the Bankruptcy Court in
9 connection with its approval of the Disclosure Statement. As promptly as practicable after final
10 determination of any modifications to the "List of Senior Debt" set forth on **Exhibit 3**, including the
11 identification of the holders and Allowed amount thereof, whether determined by agreement or Final
12 Order, the Indenture Trustee or the Liquidation Trustee, as the case may be, shall make distributions
13 in respect of Allowed Class 5 Claims to such holders of Senior Debt or to Noteholders, as the case
14 may be, subject to the prior payment in full of the fees and expenses (including for legal counsel) of
15 the Indenture Trustee, payable under the Indenture Agreement, and of the Liquidation Trustee, if
16 both payable under the Liquidation Trust Agreement and attributable to implementation of these
17 subordination provisions. The Liquidation Trustee and the Indenture Trustee shall be entitled to rely
18 upon, and have no liability for relying upon, the Plan and any Final Order when implementing the
19 subordination provisions of the Indenture Agreement in the manner described herein.

ARTICLE 11

PROCEDURES FOR PURSUIT OF CAUSES OF ACTION

22 11.1 Preservation of Causes of Action. Pursuant to Bankruptcy Code Section
23 1123(b)(3)(B), as of the Effective Date all Causes of Action of the Debtor and its Estate against any
24 Person, except to the extent released by prior action of the Estate, pursuant to the Plan or by a Final
25 Order, shall vest in the Liquidation Trust. No other Entity may pursue any Causes of Action.

26 11.2 Causes of Action. Prior to the commencement of any Cause of Action, the
27 Liquidation Trustee shall send out a demand letter. The Liquidation Trustee and his counsel shall
28 have absolute authority to conduct any examination pursuant to Bankruptcy Rule 2004 and settle any

1 Cause of Action where the amount at issue is less than \$25,000 or the proposed settlement is for
2 greater than 75% of the amount involved. If the Liquidation Trustee seeks to compromise or
3 abandon any Cause of Action where the amount at issue exceeds \$25,000, for less than 75% of the
4 amount involved, the Liquidation Trustee shall first advise the Oversight Committee, providing them
5 summary information about the case (including the defendant's defenses and the strengths and
6 weaknesses of the case ("Documentation")). The Documentation shall not be independently
7 discoverable, and shall be deemed attorney-client privileged through the work product doctrine. If
8 the Oversight Committee disagrees with the proposed resolution, the Liquidation Trustee, in
9 accordance with the Local Bankruptcy Rules, may file with the Bankruptcy Court a motion under
10 Bankruptcy Rule 9019 to approve the proposed resolution.

11 ARTICLE 12

12 EXECUTORY CONTRACTS

13 12.1 Rejection. On the Effective Date, and except as set forth on **Exhibit 2** attached
14 hereto, all unexpired leases of nonresidential real property and all executory contracts not previously
15 assumed or rejected by the Debtor, or for which a motion to assume is pending as of the Effective
16 Date, shall be automatically rejected by the Debtor without further notice or order, in accordance
17 with the provisions of Bankruptcy Code sections 365 and 1123. Notwithstanding the foregoing,
18 nothing herein shall affect the Debtor's right to assert that any rejected contract or lease was
19 terminated prior to the Confirmation Date.

20 12.2 Assumption and Assignment. All executory contracts and unexpired leases set forth
21 on **Exhibit 2** attached hereto (together with any additions, deletions, modifications, or other
22 revisions to such Exhibit as may be made by the Debtor prior to the submission of the Plan
23 Supplement) shall be assumed on the Effective Date. The Debtor reserves the right to make
24 additions to or deletions from Exhibit 2 up to the time of submission of the Plan Supplement. Any
25 Assumption Obligations shall be satisfied by payment of such obligations in Cash on the Effective
26 Date, or on such other terms the parties to such executory contracts or unexpired leases may
27 otherwise agree.
28

1 not the Claim of such Creditor is impaired under the Plan, and whether or not such Creditor has
2 accepted or rejected the Plan. All Claims and Debts shall be as fixed and adjusted pursuant to this
3 Plan.

4 14.2 Vesting of Property in Liquidation Trust. Upon the Effective Date, title to all
5 property of the Estate in this Chapter 11 Case shall vest in the Liquidation Trust and shall be vested
6 in the Liquidation Trust free and clear of all liens, claims, and interests of any Person. Without
7 limiting the generality of the foregoing, all Causes of Action, rights to Liquidation Proceeds, and all
8 resulting Plan Proceeds shall vest in the Liquidation Trust upon the Effective Date and shall no
9 longer constitute property of the Estate.

10 14.3 Property Free and Clear. Except as otherwise provided in this Plan or the
11 Confirmation Order, all property that shall vest in the Liquidation Trust shall be free and clear of all
12 Claims, Liens, interests, charges, and other encumbrances of Creditors or Interest Holders.
13 Following the Effective Date, the Liquidation Trustee may transfer and dispose of any property free
14 of any restrictions imposed by the Bankruptcy Code or the Bankruptcy Rules and without further
15 approval of the Bankruptcy Court or notice to Creditors or Interest Holders, except as may otherwise
16 be required under the Plan or the Confirmation Order.

17 14.4 Injunction. The Confirmation Order shall provide, among other things, that except as
18 otherwise expressly provided in the Plan, and except in connection with the enforcement of the terms
19 of the Plan or any documents provided for or contemplated in the Plan, all Entities who have held,
20 hold or may hold Claims against or Interests in the Debtor or the Estate that arose prior to the
21 Effective Date are permanently enjoined from: (a) commencing or continuing in any manner,
22 directly or indirectly, any action or other proceeding of any kind against the Liquidation Trust or any
23 property of the Liquidation Trust with respect to any such Claim or Interest; (b) the enforcement,
24 attachment, collection, or recovery by any manner or means, directly or indirectly, of any judgment,
25 award, decree, or order against the Liquidation Trust, or any property of the Liquidation Trust with
26 respect to any such Claim or Interest; (c) creating, perfecting, or enforcing, directly or indirectly, any
27 Lien or encumbrance of any kind against the Liquidation Trust or any property of the Liquidation
28 Trust with respect to any such Claim; (d) asserting, directly or indirectly, any setoff, or right of

1 subrogation of any kind against any obligation due the Liquidation Trust or any property of the
2 Liquidation Trust with respect to any such Claim or Interest; and (e) any act, in any manner, in any
3 place whatsoever, that does not conform to or comply with the provisions of the Plan with respect to
4 such Claim or Interest. Nothing contained in this section 14.4 shall prohibit the Holder of a timely
5 filed proof of Claim from litigating its right to seek to have such Claim declared an Allowed Claim
6 and paid in accordance with the distribution provisions of this Plan, or enjoin or prohibit the
7 interpretation or enforcement by the Claimant of any of the obligations of the Debtor or the
8 Liquidation Trust under this Plan. Nothing shall be deemed to constitute or result in a discharge of
9 the Debtor under Bankruptcy Code section 1141(d).

10 14.5 Limited Exculpation. To the extent permitted by law, subject to the occurrence of the
11 Effective Date, the Debtor and the members of the Creditors' Committee, together with their
12 respective representatives, attorneys, advisors, and financial consultants, shall have no liability to
13 any Person for any acts or omissions on or after the Petition Date and through the Effective Date
14 provided that such actions were taken by the Debtor or the Creditors' Committee in their fiduciary
15 capacity in connection with the Chapter 11 Case, except in the case of gross negligence or willful
16 misconduct; provided, however, that this section shall not be deemed to release any attorney of
17 liability to such attorney's client, and shall not be deemed to release any member of the Creditors'
18 Committee from any liability for acts or omissions taken in their individual capacity.

19 **ARTICLE 15**

20 **RETENTION OF JURISDICTION**

21 From and after the Confirmation Date, the Bankruptcy Court shall retain such jurisdiction as
22 is legally permissible, including, but not limited to, for the following purposes:

23 To hear and determine any and all objections to the allowance of a Claim or Interest, actions
24 to equitably subordinate Claims or Interests, matters concerning whether a Claim is Senior Debt, or
25 any controversy as to the classification of a Claim in a particular Class under the Plan;

26 To administer the Plan and the Plan Proceeds;

27 To liquidate any Contested Claims;

28 To hear and determine any and all adversary proceedings, contested matters or applications

1 pending on the Effective Date;

2 To hear and determine any disputes relating to the Lender Receivable and related
3 Modification of Note and Loan Agreement dated September 10, 2007;

4 To hear and determine any and all motions for the rejection of executory contracts and
5 unexpired leases and to fix and allow any Claims arising therefrom;

6 To hear and determine any and all applications by Professionals for an award of Professional
7 Fees;

8 To enable the Liquidation Trust to commence and prosecute any Causes of Action that may
9 be brought after the Effective Date;

10 To interpret and/or enforce the provisions of the Plan and the injunction provided for in the
11 Plan and to determine any and all disputes arising under or regarding interpretation of the Plan or
12 any agreement, document, or instrument contemplated by the Plan;

13 To enter and implement such orders as may be appropriate in the event Confirmation is for
14 any reason stayed, reversed, revoked, modified, or vacated;

15 To modify any provision of the Plan to the extent permitted by the Bankruptcy Code and to
16 correct any defect, cure any omission, or reconcile any inconsistency in the Plan or in the
17 Confirmation Order as may be necessary to carry out the purposes and intent of the Plan;

18 To interpret and/or enforce settlements relating to the Debtor and to hear and consider claims
19 and adversary proceedings asserted by or against it;

20 To enter such orders as may be necessary or appropriate in furtherance of Confirmation and
21 the successful implementation of the Plan and to determine such other matters as may be provided
22 for in the Confirmation Order or as may be authorized under the provisions of the Bankruptcy Code;

23 To enter an order or Final Decree closing this Chapter 11 Case when administration of the
24 case has been completed; and

25 To exercise such other and further jurisdiction as is authorized or permitted under the
26 Bankruptcy Code.

27
28

1 **ARTICLE 16**

2 **MISCELLANEOUS**

3 16.1 Severability of Plan Provisions. In the event that, prior to the Confirmation Date, any
4 term or provision of this Plan is held by the Bankruptcy Court to be invalid, void or unenforceable,
5 the Bankruptcy Court shall, with the consent of the Debtor, have the power to alter and interpret
6 such term or provision to make it valid or enforceable to the maximum extent practicable, consistent
7 with the original purpose of the term or provision held to be invalid, void, or unenforceable, and
8 such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such
9 holding, alteration, or interpretation, the remainder of the terms and provisions hereof shall remain in
10 full force and effect and shall in no way be affected, impaired, or invalidated by such holding,
11 alteration, or interpretation. The Confirmation Order shall constitute a judicial determination and
12 shall provide that each term and provision hereof, as it may have been altered or interpreted in
13 accordance with the foregoing, is valid and enforceable pursuant to its terms.

14 16.2 Corporate Action. On the Effective Date, the Debtor shall terminate and dissolve
15 itself.

16 16.3 Exhibits. All exhibits attached to this Plan are, by this reference, hereby incorporated
17 into the Plan. The final version of all exhibits to the Plan will be substantially in the forms attached
18 hereto. The Debtor reserves the right to make changes and corrections to such exhibits in advance of
19 the Confirmation Hearing. If any exhibits are changed or corrected, the replacement Exhibits will be
20 filed with the Bankruptcy Court prior to the commencement of the Confirmation Hearing.

21 16.4 Notices. All notices required or permitted to be made in accordance with the Plan
22 shall be in writing and shall be delivered personally or by nationally recognized overnight or next-
23 day courier service, first class mail, or via facsimile with electronic confirmation of receipt as
24 follows:

25 If to the Debtor:

26 Dunmore Homes, Inc.
27 Attn: Doug Strauch
28 2200 Douglas Blvd., Suite 200B
Roseville, CA 95661

1 and a copy to counsel:

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21 If to the Liquidation Trustee:

22 Mesirow Financial Consulting, LLC
23 Attn: Leon Szlezinger
24 Senior Managing Director
25 666 Third Avenue
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16.5 Reservation of Rights. Neither the filing of the Plan nor any statement or provision contained in the Plan or in the Disclosure Statement, nor the taking by any party in interest of any action with respect to the Plan, shall (a) be or be deemed to be an admission against interest, and (b) until the Effective Date, be or be deemed to be a waiver of any rights any party in interest may have (i) against any other party in interest, or (ii) in any of the assets of any other party in interest, and, until the Effective Date, all such rights are specifically reserved. In the event that the Plan is not confirmed or fails to become effective, neither the Plan nor the Disclosure Statement nor any statement contained in the Plan or in the Disclosure Statement may be used or relied upon in any manner in any suit, action, proceeding or controversy within or without the Chapter 11 Case involving the Debtor, except with respect to Confirmation of the Plan.

1 16.6 Defects, Omissions, and Amendments. The Debtor may, with the approval of the
2 Bankruptcy Court and without notice to all holders of Claims, insofar as it does not materially and
3 adversely affect holders of Claims, correct any defect, omission, or inconsistency in the Plan in such
4 manner and to such extent as may be necessary or desirable to expedite the execution of the Plan.
5 The Plan may be altered or amended before Confirmation as provided in Bankruptcy Code section
6 1127 if, in the opinion of the Bankruptcy Court, the modification does not materially and adversely
7 affect the interests of holders of Claims, so long as the Plan, as modified, complies with Bankruptcy
8 Code sections 1122 and 1123 and the Debtor has complied with Bankruptcy Code section 1125. The
9 Plan may be altered or amended before or after the Confirmation Date but, prior to substantial
10 consummation, in a manner which, in the opinion of the Bankruptcy Court, materially and adversely
11 affects holders of Claims or Interests, so long as the Plan, as modified, complies with Bankruptcy
12 Code sections 1122 and 1123, the Debtor has complied with Bankruptcy Code section 1125 and,
13 after notice and a hearing, the Bankruptcy Court confirms such Plan, as modified, under Bankruptcy
14 Code section 1129.

15 16.7 Filing of Additional Documents. The Debtor shall file with the Bankruptcy Court
16 such agreements or other documents as may be necessary or appropriate to effectuate and further
17 evidence the terms and conditions of the Plan.

18 16.8 Successors and Assigns. The rights, benefits, and obligations of any entity named or
19 referred to in this Plan shall be binding on, and shall inure to the benefit of, the heirs, executors,
20 administrators, successors, and/or assigns of such entity.

21 16.9 Revocation and Withdrawal. The Debtor reserves the right to revoke and withdraw
22 the Plan at any time on or before the Confirmation Date. If the Debtor revokes or withdraws the
23 Plan pursuant to this section 16.9, or if Confirmation or the Effective Date does not occur, then the
24 Plan shall be deemed null and void and, in such event, nothing contained herein shall be deemed to
25 constitute a waiver or release of any Claims by or against the Debtor or any other entity or to
26 prejudice in any manner the rights of the Debtor or the Creditors' Committee or any Entity in any
27 further proceedings involving the Debtor or the Creditors' Committee.
28

1 16.10 Implementation. Upon Confirmation, the Debtor shall be authorized to take all steps
2 and execute all documents necessary to effectuate the provisions contained in the Plan.

3
4 Dated: ~~June 5,~~ July 22, 2008

DUNMORE HOMES, INC.

5
6 By: /s/ Doug Strauch

Doug Strauch

7 Its: Vice President, Finance

8 Respectfully submitted by,

9 PACHULSKI STANG ZIEHL
& JONES LLP

10 By: /s/ Debra I. Grassgreen

11 Debra I. Grassgreen

12 Maria A. Bove

Attorneys for Debtor and Debtor in Possession

13 Exhibits

14 Exhibit 1 – Liquidation Trust Agreement

15 Exhibit 2 – List of Assumed Contracts

16 Exhibit 3 – List of Senior Debt

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