

1 Sandford L. Frey (SBN 117058)
2 **CREIM MACIAS KOENIG & FREY LLP**
3 633 West Fifth Street, 51st Floor
4 Los Angeles, CA 90071
5 Telephone: (213) 614-1944
6 Facsimile: (213) 614-1961
7 sfrey@cmkllp.com

8 Chapter 11 Attorneys for Bay Area Financial
9 Corporation, Debtor and Debtor in Possession

10 **UNITED STATES BANKRUPTCY COURT**
11 **CENTRAL DISTRICT OF CALIFORNIA**
12 **[LOS ANGELES DIVISION]**

13 In re

14 **BAY AREA FINANCIAL**
15 **CORPORATION,**

16 Debtor and Debtor in Possession.

CASE NO.: 2:13-bk-38974-TD

Chapter 11

DISCLOSURE STATEMENT
DESCRIBING PLAN OF
REORGANIZATION/LIQUIDATION
PROPOSED BY BAY AREA
FINANCIAL CORPORATION

DATE: May 14, 2014
TIME: 10:00 a.m.
CTRM: 1345

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

TABLE OF CONTENTS

	<u>Page</u>
1	
2	
3	PREFACE TO DISCLOSURE STATEMENT SUMMARIZING THE PLAN2
4	DISCLOSURE STATEMENT DESCRIBING PLAN OF
5	REORGANIZATION/LIQUIDATION PROPOSED BY BAY AREA
6	FINANCIAL CORPORATION.....7
7	I. DEFINITIONS AND RULES OF CONSTRUCTION7
8	A. Definitions.....7
9	B. Rules of Construction.23
10	II. INTRODUCTION.....24
11	A. Purpose of This Document.....25
12	B. Deadlines for Voting and Objecting; Date of Plan Confirmation Hearing;
13	Ballot Tabulation Procedures.....27
14	1. Time and Place of the Confirmation Hearing27
15	2. Deadline for Voting For or Against the Plan.....27
16	3. Parties Entitled to Vote or Object27
17	a. Parties entitled to Object to Confirmation of the Plan.....27
18	b. Parties entitled to Vote to Accept/Reject the Plan.....27
19	(i) General description of an Allowed Claim/Interest28
20	(ii) General description of an Impaired Claim.....28
21	c. Parties Not Entitled to Vote29
22	d. Parties entitled to Vote in More Than One Class29
23	e. Votes Necessary to Confirm the Plan30
24	f. Votes Necessary for a Class to Accept the Plan30
25	g. Treatment of Non-Accepting Classes30
26	4. Ballot Tabulation Procedures.....30
27	5. Deadline for Objecting to Confirmation of the Plan.....32
28	6. Identity of Person to Contact for More Information Regarding the
	Plan32
	C. Disclaimer32
	D. Bar Date34
	E. Exhibit List.....34
	III. BACKGROUND35
	A. Description and History of the Debtor.....35
	1. Debtor’s Management/Interest Holder37
	a. Interest Holder37
	b. Management of the Debtor Before and After the
	Bankruptcy37
	(i) Pre-Petition and Pre-Effective Date Management37

CREIM MACIAS KOENIG & FREY LLP
 633 WEST FIFTH STREET, 51ST FLOOR
 LOS ANGELES, CALIFORNIA 90071
 (213) 614-1944

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1	(ii)	Liquidation Debtor’s Post Effective Date Management.....	40
2	(iii)	Schedule of Payments made to Commercial Paper Account within one year of Petition Date.....	40
3	B.	Appointment of the Committee	41
4	C.	Events Leading to Chapter 11 Filing	42
5	D.	Significant Events During the Bankruptcy	44
6	1.	Employment of Professionals	44
7	2.	341(a) Hearing	45
8	3.	Cash Collateral Motions	45
9	4.	First Day Motions	45
10	5.	Plan Deadline/Exclusivity.....	47
11	6.	Commercial Lease Assumption Motion	48
12	7.	Priority Tax Claim Motion.....	49
13	8.	Bank Stock Sales Procedures Motion.....	50
14	E.	Description of the Debtor’s Asset.....	52
15	1.	Cash.....	52
16	2.	Real Estate	52
17	a.	Ostin Property	52
18	b.	Ocean Drive Property	54
19	c.	West 8th Property	54
20	d.	Calle Laguna Property	55
21	3.	Principal Due the Debtor on Remaining Loans	56
22	a.	Loan Numbers 1 and 2.....	57
23	b.	Loan Numbers 3, 4 & 5.....	58
24	c.	Loan Number 6.	58
25	d.	Loan Number 7.	59
26	e.	Loan Number 8.	59
27	f.	Loan Number 9.	59
28	g.	Loan Numbers 10 and 11.....	59
	h.	Loan Number 12.	60
	i.	Loan Number 13.	60
	j.	Loan Number 14.	61
	k.	Loan Number 15.	61
	l.	Loan Number 16.	61
	m.	Loan Numbers 17 and 18.....	62
	4.	Accrued and Unpaid Interest Due the Debtor on Remaining Loans	62

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1	5.	Bank of San Francisco Stock.....	63
2	6.	Ostin Insurance Claim.....	63
3	7.	Rights of Action/Errors and Omissions Claims.....	64
4	IV.	SUMMARY OF THE PLAN OF REORGANIZATION.....	64
5	A.	General Statement About Classification Under The Plan.....	64
6	B.	Unclassified Claims	64
7	1.	Administrative Expenses	65
8	a.	Bankruptcy Court Approval of Fees Required	70
9	b.	Allowance of Other Administrative Claims	70
10	2.	Unclassified Priority Claims	71
11	C.	Classified Claims And Interests.....	72
12	1.	Classes of Secured Claims	72
13	2.	Classes of Commercial Paper Account Claims and General Unsecured Claims.	81
14	a.	CLASS 4 - Classification and Treatment of Early Cash-Out Election Class.....	81
15	b.	CLASS 5 - Classification and Treatment of Allowed Claims of the Holders of General Unsecured Claims and Commercial Paper Account Claims for Unpaid Principal and Accrued and/or Unpaid Interest through the Petition Date, but excluding (a) Interest Accrued after the Petition Date, (b) Penalties, Fees, Attorney’s Fees, Costs, and any Other Charges or Expenses Whenever Accrued or Incurred, (C) Allowed Claims which Timely and Properly Elect Treatment under Class 4, and (D) Any Claims that Qualify for Treatment in Classes 1, 2, 3, 6 and/or 7.	90
16	c.	Classification and Treatment of Allowed Claims for Penalties, fees, Attorney’s fees, Costs, and any Other Charges or Expenses, including, without limitation, those held by the Holders of Commercial Paper Account Claims (excluding any and all Claims that Qualify for treatment in Classes 1, 2, 3, 4, 5 and/or 7).	104
17	d.	CLASS 7 - Classification and Treatment of Allowed Claims of the Holders of Commercial Paper Account Claims for Interest Accrued or Owing After the Petition Date and Prior to the Effective Date (excluding any and all Claims that Qualify for, or elect, treatment in Classes 1, 2, 3, 4, 5 and/or 6.	106
18	3.	Class of the Interest Holder.....	107
19	D.	Treatment of Non-Consenting Classes	108
20	E.	Means Of Effectuating The Plan.....	109
21	1.	The source of all Distributions and payments under the Plan will as follows:	109
22	a.	Available Cash	109
23			
24			
25			
26			
27			
28			

CREIM MACIAS KOENIG & FREY LLP
683 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1	b.	Net Sale Proceeds of the Real Estate Assets.....	109
2	c.	Plan Reserves.....	109
3	d.	Early Cash-Out Financing.....	110
4	(i)	Amount of the Potential Early Cash-Out Loan.....	111
5	(ii)	Interest Rate.....	111
6	(iii)	Maturity Date and Payment Term.....	111
7	(iv)	Exclusive Source of Payment.....	111
8	(v)	Security for the Early Cash-Out Loan.....	111
9	2.	Management of the Liquidation Debtor.....	112
10	3.	The Oversight Committee.....	112
11	4.	The Plan Administrator.....	114
12	a.	Appointment of the Plan Administrator.....	114
13	b.	Powers and Authority of Plan Administrator.....	115
14	c.	Expenses of the Liquidation Debtor and/or Plan Administrator.....	117
15	d.	Removal of the Plan Administrator.....	118
16	e.	Successor Plan Administrator.....	118
17	f.	Records.....	119
18	g.	Liability of the Plan Administrator.....	119
19	5.	Limitations on the Rights of the Oversight Committee.....	120
20	6.	Termination/Resignation of Current Management.....	121
21	7.	Ultimate Dissolution of Bay Area.....	121
22	8.	Physical Location of the Liquidation Debtor on and after the Effective Date.....	122
23	9.	Termination of Services of the Debtor's Employees.....	122
24	10.	Termination of Duties/Closing of the Case.....	123
25	11.	Treatment of Disputed Claims.....	123
26	12.	Distribution of Property under the Plan.....	124
27	a.	Manner of Cash Payments.....	124
28	b.	Setoff and Recoupment.....	125
	c.	No De Minimis Distributions.....	125
	d.	No Distributions With Respect to Disputed Claims.....	125
	e.	Undeliverable, Unclaimed Non-Negotiated Distributions.....	125
	F.	Executory Contracts and Unexpired Leases.....	127
	G.	Regulatory Approval Not Required.....	128
	H.	Litigation.....	128
	I.	Summary of the Plan Risks Factors.....	129
	V.	LIQUIDATION ANALYSIS/BEST INTEREST TEST.....	131
	VI.	FINANCIAL INFORMATION.....	135

CREIM MACIAS KOENIG & FREY LLP
693 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1	A.	Feasibility.....	135
2	1.	Cash on Effective Date	135
3	2.	Additional Financial Information	135
4	VII.	TAX CONSEQUENCES OF THE PLAN.....	137
5	A.	Tax Consequences to the Debtor.	138
6	1.	Cancellation of Debt.	138
7	2.	Gain on Sales.	139
8	3.	Carryover Losses and Other Tax Attributes.	139
9	4.	Limitation on Carry forwards.	140
10	VIII.	OTHER PLAN PROVISIONS	140
11	A.	Post-Effective Date Effect of Evidences of Claims.....	140
12	B.	Recourse.....	140
13	C.	No Admissions.....	140
14	D.	Revocation of the Plan.....	141
15	E.	Severability of Plan Provisions.....	141
16	F.	Confirmation Request.	141
17	G.	Governing Law	141
18	H.	Successors and Assigns.....	142
19	I.	Saturday, Sunday, or Legal Holiday	142
20	J.	Headings	142
21	K.	Other Assurances	142
22	L.	Modification of Plan	143
23	M.	Rounding.....	143
24	N.	Claims Estimation.....	143
25	O.	Setoff, Recoupment and Other Rights.	143
26	P.	Retention of Jurisdiction.....	144
27	Q.	Post Confirmation UST Fees and Identity of the Estate Representative.	146
28	R.	Exemption from Certain Transfer Tax.....	146
	S.	Applicability of LBR 3020(b).....	146
	T.	Final Decree.	146
	IX.	EFFECT OF CONFIRMATION OF PLAN	147
	A.	Injunction.	147
	B.	Vesting of Property in the Liquidation Debtor.	148
	C.	Exculpation.	148
	1.	Injunction Prohibiting Actions against the Exculpated Parties.....	149
	2.	Indemnification of the Exculpated Parties.....	149

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

PREFACE TO DISCLOSURE STATEMENT SUMMARIZING THE PLAN

This document is the Disclosure Statement, which describes the Plan filed by the Debtor. The Disclosure Statement also discusses certain information so that you can make an informed decision as to whether or not to vote to accept or reject the Plan as well as the process that the Bankruptcy Court follows in determining whether or not to confirm the Plan. Due to the length of the Disclosure Statement and the complexities of the Plan, this preface summarizes a few material provisions of the Plan regarding management, and the various classes and their treatment under the Plan, including the treatment of the claims of the Commercial Paper Account Holders.

At the insistence of the Creditors Committee appointed in the Case, management will resign as of confirmation of the Plan. Specifically, Kenneth J. Pingree Jr. shall resign as president and chief executive officer; Vincent Lombardo shall resign as secretary; and, Patricia Pingree shall resign as assistant secretary of the Debtor.

In place of former management, management of the liquidation and distribution under the Plan shall be handled by an Oversight Committee and a Plan Administrator. The Oversight Committee shall have the authority to manage the Liquidation Debtor, cause the Liquidation Debtor to take actions and to direct the Plan Administrator pursuant to and as limited by the Plan. The Oversight Committee shall effectively exercise the powers and duties of the board of directors, subject to the Plan. The Oversight Committee shall consist of three members. The initial three members appointed to the Oversight Committee under the Plan shall be two Commercial Paper Account Holders, Todd Fiorentino (who is also a member of the Creditors Committee) and James Prause. The third member of the Oversight Committee shall be a member selected by the Debtor (which may be Kenneth J. Pingree Jr or Vincent Lombardo). The initial Plan Administrator shall be Samuel Biggs, who is a principal in the Debtor’s accounting firm, Biggs & Co.

Under the Plan, certain types of claims are not placed into voting Classes; and instead they are referred to as “unclassified”. Unclassified Claims are not entitled to vote on the Plan because such claims are automatically entitled to specific treatment provided in the Bankruptcy Code. Unclassified Claims include Administrative Claims and Priority Claims. Administrative Claims

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 are claims for costs or expenses of administering the Chapter 11 Case, which include the expenses
2 incurred after the commencement of the Chapter 11 Case, such as for post-petition taxes and
3 professional fees for legal and other services incurred in connection with the Chapter 11 Case.
4 Priority Tax Claims are certain types of pre-petition claims entitled to priority under the
5 Bankruptcy Code, such as for pre-petition taxes, wages and other claims more fully described in
6 the Plan.

7 Aside from Unclassified Claims, the other claims in the Case are treated in one of eight
8 classes under the Plan. Class 1 consists of secured tax claims, which consists primarily of claims
9 for property taxes on the various real estate parcels owned by the Debtor. Class 2 is a secured
10 claim of Residential Credit Solutions, which holds a senior secured lien against the Ostin Property,
11 which property is now owned by the Debtor. Class 3 is a general Class created for secured claims
12 against any additional real estate that the Debtor acquires through foreclosure prior to confirmation
13 of the Plan. Class 3 is a precautionary class, and there are no known claims in that Class at this
14 time.

15 The claims asserted by the Commercial Paper Account Holders are treated in one or more
16 of four Classes, i.e. Classes 4, 5, 6 and/or 7. Class 8 is the existing shareholders, who will receive
17 no distribution under the Plan on account of their shares of stock.

18 A brief summary of the four Classes created for Commercial Paper Account Holders is
19 summarized below.

20 Commercial Paper Account Holders whose claims are \$150,000 or less are given an option
21 under the Plan. Class 4 is the Early Cash-Out Election Class created for any Commercial Paper
22 Account Holder whose unpaid principal balance and accrued and unpaid interest as of the Petition
23 Date is \$150,000 or less, and who would rather accept a discounted payoff, rather than accepting
24 deferred payments and waiting for the orderly liquidation to be completed. The election into this
25 Class must be made on the Ballot accepting the Plan by the Ballot Deadline. Qualified Commercial
26 Paper Account Holders electing into this Class will receive upon confirmation of the Plan, thirty-
27 five percent (35%) of the amount of its principal balance and accrued and unpaid interest as of the
28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 date of filing of the Chapter 11. The amount of principal and interest is set forth in the Disclosure
2 Statement. For example, assuming a Commercial Paper Account Holder has a claim for \$100,000,
3 such creditor will receive \$35,000 in full and final satisfaction of its claims.

4 In the Disclosure Statement, the Debtor includes a projection of the payout to Class 4 based
5 on certain hypotheticals. However, in reality, until the elections are actually received, the Debtor
6 cannot reasonably project with exactitude the number of Commercial Paper Account Holders (with
7 claims equal to or under \$150,000) who will actually elect into Class 4. Therefore, although the
8 Debtor believes it will have enough cash on hand to distribute the full 35% on confirmation, the
9 Debtor cannot predict with certainty as to whether or not it will have cash on hand as of
10 confirmation of its Plan sufficient to fund the entire thirty-five percent to all creditors electing
11 treatment in Class 4 due to the number of variables involved. Accordingly, one or two Commercial
12 Paper Account Holders having larger claims have offered to loan the Debtor funds to cover any
13 shortfall, if required.

14 In addition, because of the number of uncertainties at this time respecting the number of
15 elections and the amount of loan proceeds needed, if any, the Plan gives the Plan Administrator
16 the option of making two payments (instead of just one) if the cash on hand and loan proceeds
17 (after factoring appropriate reserves) as of confirmation are still not sufficient to make the entire
18 35% payment when the Plan is confirmed and all the election to be cashed out are calculated. In
19 the event that the Plan Administrator is required to make two payments, the up-front cash payout
20 will be increased an additional one-half percent ($\frac{1}{2}$ %) from 35% to 35 $\frac{1}{2}$ % to compensate for the
21 delay in the second payment.

22 In the absence of timely election and compliance with each of the conditions necessary to
23 elect into Class 4, the Commercial Paper Account Holders will automatically be treated in Classes
24 5, 6 and/or 7, as applicable.

25 In order for a Commercial Paper Account Holder to opt into Class 4 and receive a
26 discounted cash-out, the portion of the Commercial Paper Account Claim for unpaid principal and
27 accrued and unpaid interest as of the Petition Date must be in an amount that is greater than \$0 and
28

1 less than or equal to \$150,000; the Holder must voluntarily elect on the Ballot (or other written
2 instrument submitted and satisfactory to the Debtor) to be treated as an Early Cash-Out Election
3 Claim in Class 4; and, the Holder must execute and deliver to the Debtor prior to the Ballot
4 Deadline (i) a Ballot accepting the Plan, and (ii) the Release, whereby the Commercial Paper
5 Account Holder qualifying and electing treatment in Class 4, in exchange for the treatment
6 provided in Class 4, releases, among other things, all other claims and any further right to
7 distribution under the Plan.

8 In the absence of an election into Class 4, the claims of Commercial Paper Account Claim
9 Holders are automatically treated in Classes 5, 6 and/or 7, as applicable. Class 5 consists of the
10 portion of the claims of the Commercial Paper Account Holders that is for unpaid principal and
11 accrued and unpaid interest through the filing of the Case. Class 6 consists of the portion of the
12 claims of the Commercial Paper Account Holders that is for any penalties, fees costs and any other
13 charges. Class 7 consists of the portion of the claims of the Commercial Paper Account Holders
14 that is for any interest accrued or owing during the Chapter 11 case, after the Petition Date and
15 prior to confirmation.

16 Although the Debtor anticipates that the distribution to Commercial Paper Account Holders
17 in Class 5 will eventually be greater over time than the 35% being offered to those electing to be
18 cashed-out in Class 4, it is not possible to predict with any degree of certainty the exact amount or
19 percentage of distribution to Class 5 at this time or the amount of time it will take to complete the
20 liquidation, although reasonable efforts have been made by the Debtor to do so, as set forth the
21 exhibits to the Disclosure Statement. Among other reasons, there are too many uncertainties
22 regarding the value of the remaining real estate assets, collectability of the remaining loans in the
23 Debtor's loan portfolio and general unpredictability of the economy to make a completely accurate
24 prediction at this point. With that general disclaimer in mind, the Disclosure Statement projects
25 that the distribution to Class 5 should be between 45% and 70% over a 2 year period, although it
26 is entirely possible it could be materially more or less.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

The Debtor does not anticipate that there will be any distribution on account of claims in Classes 6 or 7 as it is not likely that Class 5 will receive payment in full. Therefore, Classes 6 and 7 are included for merely precautionary purposes only.

Although the prefatory summary of the Plan set forth in this preface has been approved by the Court for dissemination to Creditors along with a the Disclosure Statement, the summary is not intended as a substitute for complete and thorough reading of the Disclosure Statement, Plan and Exhibits. Furthermore, this prefatory summary is not intended to supplement, modify, amend or augment the Disclosure Statement and Plan in any way; thus, in the event of a conflict, ambiguity, mistake or inaccuracy, the terms and provisions of the Disclosure Statement and Plan shall control over this summary.

CREIM MACIAS KOENIG & FREY LLP
833 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

**DISCLOSURE STATEMENT DESCRIBING PLAN OF
REORGANIZATION/LIQUIDATION PROPOSED BY BAY AREA FINANCIAL
CORPORATION**

I.

DEFINITIONS AND RULES OF CONSTRUCTION

A. DEFINITIONS

In addition to the definitions set forth elsewhere in the Disclosure Statement and in the Plan, the following definitions will apply with respect to the Disclosure Statement:

Administrative Bar Date shall have the meaning set forth in Section IV of the Plan.

Administrative Claim(s) or *Administrative Expense(s)* shall mean Claims for costs or expenses of administering the Debtor's Chapter 11 Case which are Allowed under Bankruptcy Code §§ 503 (b) and 507(a) (1).

Administrative Claims Funding Amount shall have the meaning set forth in Section IV of the Plan.

Administrative Claim Reserve(s) means a Plan Reserve in an amount sufficient to satisfy Allowed Administrative Claims against the Debtor.

Administrative Tax Claim means a Claim that a governmental unit asserts or may assert against the Debtor either for taxes or for related interest, fees, costs or penalties for any tax period.

Allowed means, when used in respect of a Claim or an Interest or group of Claims or Interests, the following as applicable:

(a) if no Proof of Claim or Interest has been timely filed, such amount of the Claim or Interest or group of Claims or Interests which has been scheduled by the Debtor as liquidated in amount and not disputed or contingent and as to which no party in interest has filed an objection within the time required under the Plan or otherwise fixed by the Court and which Claim or Interest is not disallowed under Bankruptcy Code § 502 (d) or (e); or

(b) if a Proof of Claim or Interest has been filed by the applicable bar date or is deemed timely filed by the Court, such amount of the Claim or Interest or group Claims or Interests as to

1 which any party in interest has not filed an objection within the time required under the Plan or
2 otherwise fixed by the Court and which Claim or Interest is not disallowed under Bankruptcy Code
3 § 502 (d) or (e); or

4 (c) such amount of the Claim or Interest or group of Claims or Interests which is
5 allowed by a Final Order of the Court.

6 **Allowed Administrative Claim** means an Administrative Claim that is an Allowed Claim.

7 **Allowed Claim** or **Allowed Interest** means a Claim or Interest that is Allowed.

8 **Allowed Early Cash-Out Election Claim(s)** means an Early Cash-Out Election Claim that
9 is Allowed, and qualifies for treatment in Class 4.

10 **Allowed General Unsecured Claim** means a General Unsecured Claim that is an Allowed
11 Claim.

12 **Allowed Commercial Paper Account Claim(s)** means a Commercial Paper Account Claim
13 that is Allowed.

14 **Assets** means (i) any and all real or personal property of the Debtor of any nature, including,
15 without limitation, any Cash, real property, licenses, goods, materials, supplies, furniture, fixtures,
16 equipment, works in process, accounts or loans receivable, tax refunds, chattel paper, deposit
17 accounts, reserves, deposits, contractual rights, intellectual property rights, claims, Rights of
18 Action, and any other general intangibles of any nature whatsoever; and (ii) proceeds, products,
19 rents and profits of any and all of the foregoing.

20 **Assumed Contract Schedule** shall have the meaning set forth in Section VI of the Plan.

21 **Available Cash** means all Cash held by the Plan Administrator on and after the Effective
22 Date available for distribution after payment of or reserve for Administrative Claims (including,
23 without limitation, Professional Fee Claims), Priority Claims, the Disputed Claims Reserve, Plan
24 Operating Expenses, Liquidation Expenses, the Early Cash-Out Election Claim Payment, the Post-
25 Effective Date Plan Expense Reserve and other Plan Reserves. Available Cash shall not include
26 the Cash in any of the Plan Reserve Accounts, pending the release thereof by the Plan
27 Administrator pursuant to the Plan.

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Avoidance Action(s) means all avoiding powers, rights to seek subordination and all rights and remedies under Bankruptcy Code §§ 502(d), 506, 510, 542, 544, 545, 547, 548, 549, 550, 551, 552 or 553 or any fraudulent conveyance, fraudulent transfer, or preference laws under applicable state or other law.

Ballot(s) means the ballot to vote to accept or reject the Plan.

Ballot Deadline means the deadline established by the Court for the delivery of executed Ballots to the Debtor.

Bank Stock Sales Procedures Motion means the *Motion of Debtor and Debtor in Possession, for an Order (1) Approving the Immediate Sale of 1,710 Shares of Stock of the Bank of San Francisco; (2) Subsequent Sales of Additional Stock; and (3) Approving Sales Procedures for All Such Sales of Stock*, filed by the Debtor on February 28, 2014 [Docket No. 70].

Bankruptcy Code means the Bankruptcy Code, as codified in Title 11 of the United States Code, 11 U.S.C. Section 101 et seq., including all amendments thereto, to the extent such amendments are applicable to the Case.

Bay Area means Bay Area Financial Corporation, the Debtor and Debtor in Possession.

Biggs means Samuel R. Biggs of Biggs & Co.

Biggs & Co. means Biggs & Co., accountants and financial advisors to the Debtor.

Business Day means any day other than a Saturday, Sunday or a legal holiday (as defined in the FRBP 9006(a)).

Calle Laguna Property means the real property owned by the Debtor, commonly known as 1840 Calle Laguna, Arroyo Grande, California 93420.

Case mean the Chapter 11 proceeding commenced by the Debtor by voluntary petition and entitled *In re Bay Area Financial Corporation*, Case No. 2:13-bk-38974-TD, pending in the United States Bankruptcy Court, Central District of California.

Cash means cash or cash equivalents, including, but not limited to, bank deposits, checks or other similar items.

CREIM MACIAS KOENIG & FREY LLP
693 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 **Claim** means (a) right to payment, whether or not such right is reduced to judgment,
2 liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal,
3 equitable, secured or unsecured, or (b) right to an equitable remedy for breach of performance if
4 such breach gives rise to a right to payment, whether or not such right to an equitable remedy is
5 reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured, or
6 unsecured.

7 **Class** means a class of Claims or Interests described in the Plan.

8 **Class 5 Deferred Plan Payment(s)** shall have the meaning set forth in the Treatment of
9 Class 5 under the Plan.

10 **Class 5 Final Plan Payment** shall have the meaning set forth in the Treatment of Class 5
11 under the Plan.

12 **Classified Priority Claim(s)** means an Allowed Claim entitled to priority against the Estate
13 under Bankruptcy Code §§ 507(a)(1), 507(a)(4), 507(a)(5) and/or 507(a)(7), excluding any such
14 claims incurred after the Petition Date.

15 **CMKF** means Creim Macias Koenig & Frey LLP, Chapter 11 counsel to the Debtor.

16 **Commercial Lease Assumption Motion** means the *Motion of Debtor and Debtor in*
17 *Possession to Assume Nonresidential Lease Agreement*, filed by the Debtor on February 2, 2014
18 [Docket No. 69}, whereby the Debtor seeks to assume its nonresidential lease as modified by the
19 Fifth Amendment to such lease, between Douglas Emmett Realty Fund 1995 and the Debtor for
20 real property located at 12400 Wilshire Blvd, Suite 350, Los Angeles, California 90025.

21 **Commercial Paper Account Claim(s)** means any and all Claims of any kind or nature held
22 by the Commercial Paper Account Holders.

23 **Commercial Paper Account Holder(s)** means any Holder of a Commercial Paper Account
24 Claim.

25 **Committee** means the Official Committee of Unsecured Creditors, appointed in the Case.

26 **Committee Counsel** means SHB.

27 **Confirmation** means the entry of the Confirmation Order.
28

CREIM MACIAS KOENIG & FREY LLP
683 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 **Confirmation Date** means the date upon which the Court enters the Confirmation Order.

2 **Confirmation Hearing Date** shall mean the date on which the Court held a hearing on
3 Confirmation of the Plan.

4 **Confirmation Order** means the order of the Court confirming the Plan pursuant to
5 Bankruptcy Code § 1129.

6 **Consummation** means the occurrence of the Effective Date.

7 **Contracts** means all agreements and contracts to which the Debtor is a party.

8 **Court** means the United States Bankruptcy Court for the Central District of California, Los
9 Angeles Division, or any other court that exercises jurisdiction over the Case.

10 **Creditor** means the Holder of a Claim against the Debtor.

11 **Cure Obligations** means all (a) amounts (or such lesser amount as may be agreed upon by
12 the parties under an executory contract or unexpired lease) required to cure any monetary defaults
13 and (b) other obligations required to cure any non-monetary defaults, if any, under any executory
14 contract or unexpired lease that is to be assumed and assigned by the Debtor pursuant to Bankruptcy
15 Code §§ 365 and 1123.

16 **DACA** means DACA VI, LLC an entity that purports to be the transferee of a number of
17 Commercial Paper Account Claims.

18 **Debtor** means Bay Area Financial Corporation, the Debtor in this Case.

19 **Debtor's Accountants** means Biggs & Co.

20 **Debtor's Counsel** mean CMKF.

21 **Disallowed Claim** means a Claim, or any portion thereof, that: (a) is not listed on the
22 Debtor's Schedules, or is listed therein as contingent, unliquidated, disputed, in an unknown
23 amount, or in an amount equal to zero, and whose Holder has failed to timely File a Proof of Claim;
24 or (b) the Court has disallowed pursuant to order of the Court.

25 **Disbursing Agent** means the Plan Administrator, who is the Person responsible for making
26 all Distributions to Claimants provided under the Plan.

27 **Disclosure Statement** shall mean the *Disclosure Statement Describing Plan of*
28

1 *Reorganization/Liquidation Proposed by Debtor, Bay Area Financial Corporation*, and any and
2 all amendments, modifications and exhibits thereto.

3 ///

4
5 ***Disputed Claim*** or ***Disputed Interest*** means a Claim or Interest as to which a Proof of
6 Claim is filed or is deemed filed under FRBP 3003(b)(1) or a Proof of Interest was filed or deemed
7 filed under FRBP 3003(b)(2); and

- 8 1. An objection: (a) has been timely filed; and (b) has not been denied
9 by a Final Order or withdrawn; or,
- 10 2. The Claim or Interest is listed on the Debtor's Schedules as disputed,
11 contingent or unliquidated.

12 ***Disputed Claim Reserve*** means, for any Disputed Claim, the amount as estimated pursuant
13 to (a) agreement among the Debtor, the Plan Administrator and the Holder of the Disputed Claim;
14 (b) determination made by the Debtor and the Plan Administrator, in their absolute and sole
15 discretion; (c) determination made after the Effective Date by the Oversight Committee and the
16 Plan Administrator, in their absolute and sole discretion; or (d) determination of the Court.

17 ***Distribution*** means any transfer under the Plan of Cash or other property to a Holder of an
18 Allowed Administrative Claim, a Holder of an Allowed Claim (including, without limitation, a
19 Holder of an Allowed Commercial Paper Account Claim), or a Holder of an Interest.

20 ***Early Cash-Out Election Claim*** means any Claim against the Debtor that would otherwise
21 be an Allowed Commercial Paper Account Claim or Allowed General Unsecured Claim, but for
22 the fact that (a) the portion of such Holders' Allowed Commercial Paper Account Claim or
23 Allowed General Unsecured Claim that represents the unpaid principal balance and accrued and
24 unpaid interest as of the Petition Date, that would otherwise qualify for treatment in Class 5, is in
25 an amount that is greater than \$0 and less than or equal to \$150,000; (b) the Holder of such Allowed
26 Claim elects on the Ballot to be treated in the Early Cash-Out Election Class in Class 4; and (c)
27 waives any and all other Claims, including, those in Classes 5, 6 and 7, and any right to any further
28 Distribution under the Plan; and, (d) *provided, however*, that each such Holder executes and

1 delivers to the Debtor prior to the Ballot Deadline (i) a Ballot accepting the Plan, and (ii) the
2 Release.

3 **Early Cash-Out Election Class** shall have the meaning set forth in Section V.D., Class 4
4 of the Plan.

5 **Early Cash-Out Election Class Payment** means the aggregate amount required to pay all
6 Holders of the Early Cash-Out Election Claims, who timely and properly elect treatment in the
7 Class 4, an amount equal to thirty-Five percent (35%) of their Early Cash-Out Election Claim on
8 the Effective Date, pursuant to the provisions of Section V.D., Class 4 of the Plan.

9 **Early Cash-Out Loan** means the loan to be provided by the Exit Financing Group, in the
10 amount determined by the Debtor to be necessary in order for the Debtor to satisfy the Early Cash-
11 Out Elections Class Payment due on the Effective Date as more fully described in Section VI.A
12 (d) of the Plan.

13 **Effective Date** means a date set by the Plan Administrator, which date shall be within sixty
14 (60) days after the Confirmation Order becomes a Final Order.

15 **Effective Date Available Cash** means cash held by the Debtor on the Effective Date which
16 the Plan Administrator determines in his, hers or its discretion is reasonably available for
17 distribution to Class 4, remaining after payment of, or reserve for, Administrative Claims
18 (including, without limitation, Professional Fee Claims), Priority Claims, any other Effective Date
19 Payments, Claims in Classes 1, 2 and 3, the Disputed Claims Reserve, the Post-Effective Date Plan
20 Expense Reserve, reserves for Plan Operating Expenses and Liquidation Expenses, other Plan
21 Reserves, and any other amount that the Plan Administrator determines in his, hers or its discretion
22 to be prudent, necessary or reasonable to hold back or reserve for.

23 **Effective Date Notice** means a notice to be served on creditors by the Liquidation Debtor
24 upon the occurrence of the Effective Date.

25 **Enjoined Claim** shall have the meaning set forth in Section VII of the Plan.

26 **Estate** means the estate in the Debtor's Case created pursuant to Bankruptcy Code § 541(a).

27 **Exculpated Parties** means, collectively, the Debtor, the Committee, CMKF, SHB, Biggs
28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 & Co., Biggs, Lombardo, the Pingrees and each of their respective predecessors, successors and
2 assigns, shareholders, affiliates and Insiders (determined as if such Entity were a debtor under the
3 Bankruptcy Code), subsidiaries, principals, employees, agents, officers, directors, trustees,
4 members, partners, professionals, consultants and advisors.

5 **Exculpation** shall have the meaning set forth in Section VIII of the Plan.

6 **Exhibit Filing Date** means the date that is at least 10 days prior to the date of the
7 Confirmation Hearing.

8 **Exit Financing Group** means any and all Commercial Paper Account Holder electing prior
9 to the Confirmation Hearing Date to participate in the Early Cash-Out Loan on the terms and
10 conditions more fully described in Section VI.A (d) of the Plan.

11 **Fiorentino** means Todd Fiorentino.

12 **Final Order** means an order or judgment of a court of competent jurisdiction entered on
13 such court's official docket the operation or effect of which (a) has not been reversed, rescinded,
14 stayed, modified, or amended; (b) is in full force and effect; and (c) with respect to which: (i) the
15 time to appeal or to seek review, remand, rehearing, or a *writ of certiorari* has expired and as to
16 which no timely filed appeal or petition for review, rehearing, remand, or *writ of certiorari* is
17 pending, or (ii) any such appeal or petition has been dismissed or resolved by the highest court to
18 which the order or judgment was appealed or from which review, rehearing, remand, or a *writ of*
19 *certiorari* was sought.

20 **FRBP** means the Federal Rules of Bankruptcy Procedure as now in effect or hereafter
21 amended and applicable to the Case.

22 **General Unsecured Claims** means a Claim that is not an Administrative Claim, a Priority
23 Claim, an Administrative Tax Claim, a Secured Claim, a Secured Tax Claim, an Early Cash-Out
24 Election Claim or a Commercial Paper Account Claim.

25 **General Unsecured Creditor** or **General Unsecured Claimant** means the Holder of a
26 General Unsecured Claim.

27 **Governmental Unit** means United States; State; Commonwealth; District; Territory;
28

CREIM MACIAS KOENIG & FREY LLP
683 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 municipality; foreign state; department, agency, or instrumentality of the United States, a State, a
2 Commonwealth, a District, a Territory, a municipality, or a foreign state, or other foreign or
3 domestic government.

4 **Holder** means the holder of a Claim against or Interest in the Debtor.

5 **Insider** means all Persons who are "insiders" as that term is defined in Bankruptcy Code §
6 101 (31).

7 **Interest** means any equity security holder of the Debtor as defined in Bankruptcy Code §
8 101(16).

9 **IRS** means the Internal Revenue Service.

10 **LBR** means the Local Bankruptcy Rules of the United States Bankruptcy Court for the
11 Central District of California, including all amendments thereto, to the extent such amendments
12 are applicable to the Case.

13 **Lien** means any charge against or interest in property to secure payment or performance of
14 a Claim, debt or obligation.

15 **Liquidation Agreement** means the liquidation documents to be filed with the Bankruptcy
16 Court on or before the Effective Date.

17 **Liquidation Analysis** means the Liquidation Analysis prepared by the Debtor attached to
18 the Disclosure Statement as Exhibit 8.

19 **Liquidation Analysis Detail** means the Liquidation Analysis referred to as Exhibit 9 to the
20 Disclosure Statement, with includes additional detail not contained in Exhibit 8, because the
21 Debtor believes that it is not in the best interest of the Estate and Creditors to include such
22 confidential information in the public record, but which exhibit is available to qualifying Creditors
23 as part of the Supplemental Disclosure Package.

24 **Liquidation Debtor** means the Debtor on and after the Effective Date, after giving effect
25 to the Plan.

26 **Liquidation Expense(s)** means any and all fees, costs and/or expenses incurred or required
27 to be paid in connection with the collection, preservation, liquidation, sale, transfer, abandonment
28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 or disposition of any and all Assets, including, without limitation, (a) any and all secured claims
2 against any of the Assets; (b) any and all usual and customary fees and expenses respecting the
3 collection, preservation, liquidation, sale, transfer, abandonment or disposition of any of Assets,
4 including, without limitation, escrow fees, title fees, title insurance fees, document preparation
5 fees, legal fees and costs, financial advisory fees and costs, accounting fees and costs, fees for
6 other services and any other fees and costs; (b) any and all broker's commission or other fees in
7 connection with, or related to, the collection, preservation, liquidation sale, transfer, abandonment
8 or disposition of any of Assets; (c) any and all other reasonable and customary costs respecting the
9 collection, preservation, liquidation, sale, transfer, abandonment or disposition of any of Assets.
10 (d) any and all property taxes, transfer taxes, uses taxes or other applicable tax due and owing to
11 the applicable Governmental Unit in connection, or related to, collection, preservation, liquidation,
12 sale, transfer, abandonment or disposition of any of Assets; (c) any and all other tax owed to the
13 applicable Governmental Unit resulting from or in connection with the collection, preservation,
14 liquidation, sale, transfer, abandonment or disposition of any of Assets; and, (d) any and all other
15 charges, fees, costs and/or expenses of any kind or nature which the Plan Administrator and/or
16 Liquidation Debtor determines in their discretion, is necessary or appropriate to be paid in
17 connection, or related to, collection, preservation, liquidation, sale, transfer, abandonment or
18 disposition of any of Assets or in order to conclude the sale and/or close escrow for any of the
19 Assets.

20 **Liquidation Value** means the aggregate dollar amount found by the Court (calculated
21 without consideration of Rights of Action), which is equal to the lowest dollar amount necessary
22 to fund payment to a Class in the manner provided under the Plan so that each Holder of an
23 Allowed Claim would receive or retain property with a value as of the Effective Date at least equal
24 to the amount such Holder would receive if the Debtor were liquidated under chapter 7 of the
25 Bankruptcy Code on the Effective Date.

26 **Loan Procedures Motion** means the *First Day Emergency Motion of Debtor and Debtor*
27 *in Possession for Order (1) Approving Payoff of Promissory Note at Compromised Amount; (2)*
28

1 *Establishing Procedures for Compromise and Settlement of Promissory Notes in the Ordinary*
2 *Course of Business*, filed by the Debtor, which was approved on an interim basis by the Bankruptcy
3 Court by Order entered on December 20, 2013 [Docket No. 27] and on a final basis by Order
4 entered on February 26, 2014 [Docket No.68].

5 ***Lombardo*** means Vincent J. Lombardo of Lombardo & Safford, special counsel to the
6 Debtor.

7 ***McCauley Borrower*** shall have the meaning set forth in Section III.D.4 of the Disclosure
8 Statement.

9 ***McCauley Borrower Properties*** shall have the meaning set forth in Section III.D.4 of the
10 Disclosure Statement.

11 ***Ocean Drive Property*** means the real property owned by the Debtor, commonly known as
12 4145 Ocean Drive, Oxnard, CA 93035.

13 ***Ostin Property*** means the real property owned by the Debtor, commonly known as 5734
14 Ostin Drive, Woodland Hills, CA 91367.

15 ***Other Secured Claim*** means any Secured Claims that are not otherwise expressly classified
16 under the Plan.

17 ***Oversight Committee*** means a committee of Persons established pursuant to Section VI.I
18 of the Plan to oversee the Plan Administrator/Liquidation Debtor's performance of their duties and
19 otherwise serve the functions described in the Plan.

20 ***Oversight Committee Conference Requirement*** means the requirement of the Plan
21 Administrator/Liquidation Debtor to advise, confer, consult and obtain the consent of the
22 Oversight Committee on the matter specified in the applicable Plan provision reasonably prior to
23 the subject action of the Plan Administrator/Liquidation Debtor, and if the Oversight Committee
24 objects or fails to consent to the particular action to be taken, the Plan Administrator shall have a
25 reasonable opportunity (no less than three Business Days) to seek authorization from the
26 Bankruptcy Court.

27 ***PBCG*** means the Pension Benefit Guaranty Corporation, the independent government
28

1 agency initially created by the Employee Retirement Income Security Act of 1974.

2 **Person** shall mean any individual or entity.

3 **Personal Property** means all property owned by the Debtor now or hereafter which under
4 applicable law is not real property, and includes all tangible and intangible personal property.

5 **Petition Date** means December 9, 2013.

6 **Pingrees** means collectively Kenneth J. Pingree Jr. and Patricia Pingree.

7 **Plan** means the *Plan of Reorganization/Liquidation Proposed by the Debtor, Bay Area*
8 *Financial Corporation*, as it may be amended or modified from time to time, and all exhibits
9 thereto.

10 **Plan Administrator** means Biggs for purposes of administering the Plan, liquidating the
11 Assets, and representing and appearing in all proceedings (including, without limitation, any
12 proceedings before any federal court, bankruptcy court and/or state court) on and after the
13 Effective Date in accordance with the terms of the Plan.

14 **Plan Operating Expense(s)** means any and all fees, costs and/or expenses incurred by the
15 Plan Administrator and/or Liquidation Debtor following the Effective Date (including the fees and
16 costs of the Plan Administrator, attorneys, advisors, other professionals and agents) for, in
17 connection with, or related to, (i) operating expenses incurred by the Liquidation Debtor and/or
18 Plan Administrator, including, without limitation, rent, offices expenses, salaries, parking
19 expenses, taxes, insurance and any and all other expenses incurred after the Effective Date; (ii)
20 prosecuting or otherwise attempting to collect or realize upon the Assets and/or Rights of Action;
21 (iii) liquidating, selling, abandoning or collecting upon any of the Assets or otherwise incurred
22 following the Effective Date in connection with generating Available Cash; (iv) resolving
23 Disputed Claims and effectuating distributions to Creditors under the Plan; (v) prosecuting,
24 litigating and/or otherwise participating in any court proceedings; or (vi) otherwise implementing
25 the Plan, including, but not limited to post-Effective Date taxes (such as for income in the Plan
26 Reserve Accounts) and wind-down expenses (such as records maintenance).

27 **Plan Participants** has the meaning set forth in Section VIII of the Plan.
28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 **Plan Proponent** means the Debtor.

2 **Plan Reserve Account(s)** means the segregated accounts to be established by the Plan
3 Administrator to hold each of the various Plan Reserves as the Plan Administrator reasonably
4 deems appropriate, subject to the terms of the Plan.

5 **Plan Release(s)** means the general release of the Debtor and the Exculpated Parties set
6 forth in the Plan.

7 **Plan Reserves** means all reserves of the Assets to be established by the Plan Administrator
8 on the Effective Date (or as soon as reasonably practicable thereafter), including, but not limited
9 to, the Post-Effective Date Plan Expense Reserve, the Administrative Claim Reserve, the
10 Indemnification Reserve, and separate reserves for payment of Disputed Administrative Claims
11 and Disputed General Unsecured Claims as of the date of any contemplated distribution. Each
12 Plan Reserve shall be in an amount determined in the discretion of the Plan Administrator, and
13 such amount(s) can be reduced, increased and/or replenished after the Effective Date by the Plan
14 Administrator subject to the terms of the Plan.

15 **Plan Supplement** means the compilation of documents and forms of documents, schedules,
16 and exhibits to the Plan, to be Filed before the Confirmation Hearing (to the extent such document
17 is in existence as of the time thereof), as amended, supplemented, or modified from time to time
18 in accordance with the terms hereof, the Bankruptcy Code, and the FRBP.

19 **POC** means Proof of Claim filed in the Case.

20 **POI** means Proof of Interest filed in the Case.

21 **Post-Effective Date Litigation** means all claims reserved under Section VII of the Plan,
22 including, but not limited to: (a) Rights of Action; (b) any rights to object to, settle, compromise,
23 or resolve Claims and (c) any rights of equitable subordination or disallowance.

24 **Post-Effective Date Plan Expense Reserve** means a reserve of the Liquidation Debtor's
25 Cash on hand in the initial amount(s) scheduled in the Reserve Notice, established and used by the
26 Plan Administrator in its discretion to pay any and all Plan Operating Expenses including, without
27 limitation, the fees and expenses of the Plan Administrator and its attorneys, advisors and other
28

1 agents, and other expenses relating to the implementation of the Plan expected to arise after the
2 Effective Date.

3 **Prause** means James Prause, trustee for the James Prause Trust.

4 **Pre-Approved Loan Compromise Procedures** shall have the meaning set forth in Section
5 III.D.4 of the Disclosure Statement.

6 **Priority Claim(s)** means an Allowed Claim entitled to priority against the Estate under
7 Bankruptcy Code §§ 507(a)(1) through 507(a)(8), excluding any such claims incurred after the
8 Petition Date.

9 **Priority Tax Claim(s)** means certain unsecured tax claims based on income, employment
10 and other taxes described by Bankruptcy Code § 507(a)(8), excluding any such claims incurred
11 after the Petition Date.

12 **Priority Tax Claims Funding Amount** shall have the meaning set forth in Section IV of
13 the Plan.

14 **Priority Tax Claim Motion** means the *Motion of Bay Area Financial Corporation the*
15 *Debtor and Debtor in Possession for an Order from this Court Authorizing the Debtor to Pay*
16 *Past-Due and Delinquent real Property Taxes*, filed by the Debtor on March 4, 2014 [Docket No.
17 74].

18 **Pro Rata** means with respect to a particular Class of Claims or Interests, the ratio that the
19 amount of a particular Allowed Claim or Allowed Interest in the Class bears to the total amount
20 of Allowed Claims or Allowed Interests in the Class.

21 **Professionals** means the professionals (including, without limitation, attorneys,
22 accountants, and other advisors and agents) employed by the Debtor and the Committee.

23 **Professional Fee Claim** means a claim under Bankruptcy Code §§ 327, 328, 330, 331,
24 503, or 1103 for compensation for professional services rendered or expenses incurred for which
25 the Estate is liable for payment.

26 **PWMC** means Properties West Management Company, acting property manager for the
27 San Pedro Property in accordance with the PWMC Property Management Agreement.

1 **PWMC Property Management Agreement** means that certain property management
2 agreement between the Debtor and PWMC, and any and all amendments and modifications
3 thereto, pursuant to which PWMC acts as property manager for the San Pedro Property.

4 **RCS** means Residential Credit Solutions, holder of the senior secured lien against the Ostin
5 Property.

6 **RCS Loan** means that certain obligation in favor of RCS secured by a senior deed of trust
7 in favor of RCS in the approximate amount of \$371,902.17.

8 **Real Estate Assets** means any and all real estate owned or acquired by the Debtor and/or
9 Liquidation Debtor before, on or after the Effective Date.

10 **Real Estate Assets Estimated Value** means the projected fair market value as of the
11 Effective Date of the Real Estate Assets, which have not been sold as of the Effective Date, as
12 estimated by the Liquidation Debtor or the Plan Administrator.

13 **Rejection Damage Claim** means a Claim for any obligations or damages arising under an
14 unexpired real-property or personal-property lease or executory contract that the Debtor rejects or
15 is deemed rejected pursuant to the terms of the Plan.

16 **Rejection Schedule** shall have the meaning set forth in Section VI of the Plan.

17 **Related Parties** means with respect to any person or entity, all of such person's or entity's
18 direct or indirect subsidiaries, partnerships, management companies, current or former
19 corporations or trusts, staff, shareholders, legal representatives, attorneys, accountants, financial
20 advisors, insurers, heirs, executors, administrators, partners, guarantors, investors, trustees,
21 parents, successors, assigns, managers, affiliates, employees, members, contractors, consultants,
22 agents, officers and directors, all and each in their respective personal and corporate capacities.

23 **Release(s)** means the separate general release of the Debtor, the Pingrees and their Related
24 Parties to be executed and delivered by the Holder of a Claim in order to qualify and be treated as
25 an Early Cash-Out Election Claim in Class 4.

26 **Remaining Loan Portfolio** means the Debtor's remaining Loan Portfolio as described in
27 the Schedule of Loans Receivable as of February 28, 2014 referred to as Exhibit 1 to the Disclosure
28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 Statement, and the proceeds, product and offspring thereof as of the Effective Date.

2 **REO(s)** means any and all property owned by the Debtor as of the Petition Date, acquired
3 by the Debtor after the Petition Date or acquired by the Liquidation Debtor after the Effective Date
4 by means of a successful sale at a foreclosure auction.

5 **Rights of Action** means any and all claims, demands, rights, actions, causes of action and
6 suits of, held by or which could be asserted on behalf of the Estate, of any kind, nature or character
7 whatsoever, known or unknown, suspected or unsuspected, whether arising prior to, on or after the
8 Petition Date, in contract or in tort, at law or in equity or under any other theory of law, including,
9 but not limited to (1) rights of setoff, counterclaim or recoupment, and claims on contracts or for
10 breaches of duties imposed by law, (2) the right to object to Claims or Interests, (3) claims pursuant
11 to Bankruptcy Code § 362, (4) such claims and defenses as fraud, mistake, duress, usury, (5)
12 Avoidance Actions and, (6) errors and omissions claims involving officers and directors.

13
14 **Schedules** means, collectively, the schedules of assets and liabilities, schedules of
15 Executory Contracts and Unexpired Leases, and statement of financial affairs filed by the Debtor
16 pursuant to Bankruptcy Code § 521, as the same may have been amended, modified, or
17 supplemented from time to time.

18 **Secured Claim** means a Claim, including a Secured Tax Claim, which is secured by a lien
19 on the Debtor's property, including any REO. A claim is a Secured Claim only to the extent of
20 the value of the claimholder's interest in the collateral or to the extent of the amount subject to
21 setoff, whichever is applicable, and as determined under Bankruptcy Code §506(a).

22 **Secured Tax Claim** mean a governmental unit's Secured Claim for unpaid taxes arising
23 before the Petition Date.

24 **SHB** means Shulman Hodges & Bastian LLP, Chapter 11 counsel for the Committee.

25 **Suite 350 Lease** means Bay Area Financial corporate headquarters, located at 12400
26 Wilshire Blvd, Suite 350, Los Angeles, California 90025, pursuant that certain lease agreement
27 between the Debtor, as lessee, and Douglas Emmett Realty Fund 1995, as lessor, and that certain
28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 Fifth Amendment to lease effective October 11, 2013, extending the lease term for an additional
2 one year period, which was assumed by the Estate pursuant to the Commercial Lease Assumption
3 Motion.

4 **Supplemental Disclosure Package** means the supplemental disclosure exhibits prepared
5 by the Debtor in support of the Disclosure Statement (including the Schedule of Loans Receivable
6 and supporting analysis, and the Liquidation Analysis Detail), which is available to any Holder of
7 an Allowed Commercial Paper Account Claim (which is not a Disputed Claims) upon written
8 request made to the Debtor by such Holder prior to the Balloting Deadline.

9 **Unclassified Priority Claim(s)** means an Allowed Claim entitled to priority against the
10 Estate under Bankruptcy Code §§ 507(a)(2), 507(a)(3) and/or 507(a)(8), excluding any such claims
11 incurred after the Petition Date.

12 **UST** means the Office of the United States Trustee for the Central District of California.

13 **UST Fees** means fees or charges assessed against the Estate pursuant to 28 U.S.C. § 1930.

14 **Voting Deadline** means the deadline established by the Debtor for receipt of Ballots voting
15 to accept or reject the Plan and Plan Releases.

16 **West 8th Property** means the real property owned by the Debtor, commonly known as 623-
17 627 West 8th Street, Units 1-6, San Pedro, CA 90731.

18
19
20 **B. RULES OF CONSTRUCTION.**

21 The rules of construction in Bankruptcy Code §102 apply to the Disclosure Statement to
22 the extent not inconsistent herewith.

23 The rules of construction in Bankruptcy Code §102 apply to the Plan to the extent not
24 inconsistent herewith.

25 FRBP 9006(a) applies when computing any time period under the Plan.

26 A term that is used in the Plan and that is not defined in the Plan has the meaning attributed
27 to that term, if any, in the Bankruptcy Code or the FRBP.

28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 The definition given to any term or provision in the Plan supersedes and controls any
2 different meaning that may be given to that term or provision in the Disclosure Statement.

3 Whenever it is appropriate from the context, each term, whether stated in singular or the
4 plural, includes both the singular and the plural.

5 Any reference to a document or instrument being in a particular form or on particular terms
6 means that the document or instrument will be substantially in that form or on those terms. No
7 material change to the form or terms may be made after the Confirmation Date without the consent
8 of any party materially negatively affected.

9 Any reference to an existing document means the document as it may be, amended or
10 supplemented.

11 Unless otherwise indicated, the phrase “under the Plan” and similar words or phrases refer
12 to the Plan in its entirety rather than to only a portion of the Plan.

13 Unless otherwise specified, all references to Sections are references to the Plan’s sections.

14 Unless otherwise specified, all references to Exhibits are references to the Exhibits to the
15 Plan.

16 The words “herein,” “hereto,” “hereunder,” and other words of similar import refer to the
17 Plan in its entirety rather than to only a particular portion hereof.

18
19 **II.**

20 **INTRODUCTION**

21 The Debtor commenced its Case by filing in the Bankruptcy Court a voluntary petition for
22 relief under Chapter 11 of the Bankruptcy Code on the Petition Date.

23 **THIS DOCUMENT IS THE DISCLOSURE STATEMENT DESCRIBING THE**
24 **PLAN FILED BY THE DEBTOR.**

25 On January 8, 2014, the UST filed its *Notice of Appointment and Appointment of*
26 *Committee of Creditors Holding Unsecured Claims* [Docket No. 35] appointing the Committee as
27 the Official Committee of Unsecured Creditors in the Case pursuant to Bankruptcy Code §
28

1 1102(a).

2 The Debtor believes that the Plan provides, under the circumstances, the best possible
3 recoveries to creditors; that acceptance of the Plan is in the best interests of all parties in interest;
4 and that any alternatives would result in unnecessary delay, uncertainty and expense to the Estate.
5 The Debtor, therefore, recommends that all eligible creditors entitled to vote on the Plan cast their
6 Ballot to accept the Plan.

7
8 **A. PURPOSE OF THIS DOCUMENT**

9 This document is the Disclosure Statement filed by the Debtor. The Disclosure Statement
10 describes the Plan filed by the Debtor. The Disclosure Statement also discusses certain
11 information relating to the Plan and the process that the Bankruptcy Court follows in determining
12 whether or not to confirm the Plan. The Plan sets forth the manner in which the Claims against
13 and Interests in the Debtor will be treated following the Debtor's emergence from Chapter 11. The
14 Disclosure Statement further describes certain aspects of the Debtor's current and future business
15 operations, and other related matters.

16 Chapter 11 allows a debtor, and under some circumstances creditors and others parties in
17 interest, to propose a plan of reorganization. The plan may provide for a debtor to reorganize by
18 continuing to operate, to liquidate by selling assets of the estate, or a combination of both. Here,
19 the Debtor is proposing a plan that provides for an orderly liquidation of the Assets in a manner
20 that will maximize distributions to creditors.

21 The Plan of the Debtor in this Case is included in the same envelope as the Disclosure
22 Statement. By and through the Plan, the Debtor will resolve all Claims against the Estate. Plan
23 Distributions shall be funded primarily from the Debtor's post-confirmation liquidation of its
24 Assets, discussed in more detail later in this Disclosure Statement.

25
26 **READ THE DISCLOSURE STATEMENT AND PLAN CAREFULLY, AS THEY**
27 **CONTAIN INFORMATION RESPECTING, AMONG OTHER THINGS:**

- 28 (1) THE TERMS OF THE PLAN;
(2) PARTIES ENTITLED TO VOTE ON, AND/OR OBJECT TO, THE

1 PLAN;

2 (3) THE TREATMENT OF CLAIMS (i.e., what Creditors will receive if
the Plan is confirmed),

3 (4) HOW TREATMENT UNDER THE PLAN COMPARES TO
LIQUIDATION;

4 (5) THE HISTORY OF THE DEBTOR AND SIGNIFICANT EVENTS
DURING THE BANKRUPTCY;

5 (6) REQUIREMENTS FOR CONFIRMATION OF THE PLAN;

6 (7) THE EFFECT OF CONFIRMATION; AND

(8) WHETHER THE PLAN IS FEASIBLE.

7 FOR A COMPLETE UNDERSTANDING OF THE PLAN, READ THE
8 DISCLOSURE STATEMENT, THE PLAN, AND THE EXHIBITS IN THEIR
9 ENTIRETY.

10 The Disclosure Statement does not explain all aspects of creditors' rights and claims.
11 Parties in interest are urged to consider consulting their own lawyer to obtain more specific advice
12 on how the Plan will affect the rights and claims of interested parties as well as the best course of
13 action.

14 Among other things, the Disclosure Statement sets forth the assumptions underlying the
15 Plan, describes the process that the Bankruptcy Court will follow when determining whether to
16 confirm the Plan, and describes how the Plan will be implemented if it is confirmed by the
17 Bankruptcy Court.

18 The provisions of the Plan govern in the event there are any inconsistencies between the
19 language of the Disclosure Statement and the provisions of the Plan. Please see, Article I, Section
20 B (Rules of Construction) for additional "Rules of Construction."

21 The Bankruptcy Code requires that a Disclosure Statement contain "adequate information"
22 concerning the Plan. The Bankruptcy Court has approved this document as an adequate Disclosure
23 Statement, containing enough information to enable parties affected by the Plan to make an
24 informed judgment about the Plan. Any party in interest can now solicit votes in favor of, or
25 against, the Plan based on the information contained in the Disclosure Statement.

26
27 **THE BANKRUPTCY COURT HAS NOT YET CONFIRMED THE PLAN**
28 **DESCRIBED IN THE DISCLOSURE STATEMENT. IN OTHER WORDS,**
THE TERMS OF THE PLAN ARE NOT YET BINDING ON ANYONE.

1 **HOWEVER, IF THE BANKRUPTCY COURT LATER CONFIRMS THE**
2 **PLAN, AND THE EFFECTIVE DATE OCCURS, THEN THE PLAN WILL**
3 **BE BINDING ON THE DEBTOR AND ON ALL CREDITORS AND OTHER**
4 **PARTIES IN INTEREST IN THE CASE.**

5 **B. DEADLINES FOR VOTING AND OBJECTING; DATE OF PLAN CONFIRMATION HEARING;**
6 **BALLOT TABULATION PROCEDURES**

7 1. *Time and Place of the Confirmation Hearing*

8 The hearing at which the Bankruptcy Court will determine whether or not to confirm the
9 Plan filed by the Debtor will take place on the date set forth in the Disclosure Statement Order, in
10 **Courtroom "1345"**, located at the **Edward R. Roybal Federal Building and Courthouse, 255**

11 **E. Temple Street, Los Angeles, California 90012** before the **Honorable Thomas B. Donovan,**
12 United States Bankruptcy Judge.

13 2. *Deadline for Voting For or Against the Plan*

14 If a the Holder of an Allowed Claim is entitled to vote, it is in such Claimant's best interest
15 to timely vote on the enclosed Ballot and return the Ballot in the enclosed envelope to:

16
17 **Kelli Nielsen,**
18 **Creim Macias Koenig & Frey LLP;**
19 **633 W. Fifth Street, 51st Floor;**
20 **Los Angeles, California 90071;**
21 **Facsimile - (213) 614-1961;**
22 **Email address - knielsen@cmkllp.com.**

23 **ALL BALLOTS MUST BE RECEIVED BY THE DATE AND TIME SET FORTH**
24 **IN THE DISCLOSURE STATEMENT ORDER IN ORDER TO BE COUNTED.**

25 3. *Parties Entitled to Vote or Object*

26 a. *Parties entitled to Object to Confirmation of the Plan*

27 Any party in interest may object to the confirmation of the Plan, but as explained below,
28 not everyone is entitled to vote to accept or reject the Plan.

 b. *Parties entitled to Vote to Accept/Reject the Plan*

 The Holder of an Allowed Claim has a right to vote for or against the Plan if such Claimant

1 has a Claim which is both (1) Allowed or estimated for voting purposes and (2) classified in an
2 impaired Class.

3 (i) General description of an Allowed Claim/Interest

4 As noted above, a Holder of Claim must have an Allowed Claim to have the right to vote.
5 The definitions of “Allowed” and “Allowed Claim” are set forth in Article I, Section A
6 (Definitions) located at the beginning of this document, which provisions supersede the general
7 description below in the event of a conflict or ambiguity.

8 Without limiting the generality of the foregoing definition, a proof of claim will generally
9 be deemed Allowed, unless a party in interest files an objection to the Claim. When an objection
10 to a Claim is filed, the creditor holding the Claim cannot vote unless the Bankruptcy Court, after
11 notice and hearing, either overrules the objection or Allows the Claim for voting purposes.

12 A creditor may have an Allowed Claim even if a proof of claim or interest was not timely
13 filed. Generally, a Claim is deemed Allowed if (1) it is scheduled on the Debtor’s schedules and
14 such claim is not scheduled as disputed, contingent, or unliquidated, and (2) no party in interest
15 has objected to the Claim.

16 (ii) General description of an Impaired Claim

17 As noted above, an Allowed Claim only has the right to vote if it is in a Class that is
18 impaired under the Plan. A Class is generally considered impaired if the Plan alters the legal,
19 equitable, or contractual rights of the members of that Class. For example, a Class comprised of
20 General Unsecured Claims is impaired if the Plan fails to pay the members of that Class 100% of
21 their Allowed Claims.

22 In this Case, the Debtor believes that Classes **4, 5, 6, 7 and 8** are **impaired** under the Plan
23 and that Holders of Claims in each of these Classes in the Plan are, therefore, entitled to vote to
24 accept or reject the Plan. Classes 1, 2 and 3 are not impaired under the Plan and are, therefore, not
25 entitled to vote. Parties who dispute the Debtor’s characterization of their Claim as being impaired
26 or unimpaired may file an objection to the Plan contending that the Debtor has incorrectly
27 characterized the Class.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

c. Parties Not Entitled to Vote

Set forth below are the **Ballot Tabulation Procedures** which govern voting on the Plan, which provisions supersede the general description below in the event of a conflict or ambiguity.

Generally, the following types of Claims are not entitled to vote: (1) Claims that are subject to a pending objection and that have not been estimated for voting purposes; (2) Claim that are Scheduled as disputed, contingent and/or unliquidated and for which no proof of claim has been timely filed; (3) Claim that have been disallowed or estimated at zero for voting or distribution; (4) Claims in unimpaired Classes; (5) Priority Claims; and (6) Claims in Classes that do not receive or retain any value under the Plan.

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE DISCLOSURE STATEMENT OR PLAN, NO DISTRIBUTION WILL BE MADE AND NO RIGHTS WILL BE RETAINED ON ACCOUNT OF ANY CLAIM OR INTEREST THAT IS NOT AN ALLOWED CLAIM OR INTEREST.

Claims in categories (1), (2) and (3) are not entitled to vote because such Claims are not Allowed or deemed Allowed. Claims in unimpaired Classes are not entitled to vote because such Classes are deemed to have accepted the Plan. Priority Claims are not entitled to vote because such claims are not placed in Classes and they are required to receive certain treatment specified by the Bankruptcy Code. Claims in Classes that do not receive or retain any value under the Plan do not vote because such Classes are deemed to have rejected the Plan.

EVEN IF THE HOLDER OF A CLAIM IS OF THE TYPE DESCRIBED ABOVE AND NOT ENTITLED TO VOTE ON THE PLAN, SUCH CLAIMANT MAY NEVERTHELESS STILL HAVE A RIGHT TO OBJECT TO THE CONFIRMATION OF THE PLAN.

d. Parties entitled to Vote in More Than One Class

The Holder of a Claim that has been Allowed in part as a Secured Claim and in part as a General Unsecured Claim is entitled to accept or reject the Plan in both capacities by casting one Ballot in the Class containing the Secured Claim and another Ballot in the Class containing the

CREIM MACIAS KOENIG & FREY LLP
833 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 General Unsecured Claim, subject to the **Ballot Tabulation Procedures** below.

2 e. Votes Necessary to Confirm the Plan

3 If impaired Classes exist, the Bankruptcy Court cannot confirm the Plan unless (1) at least
4 one impaired Class has accepted the Plan without counting the votes of any insiders within that
5 Class, and (2) all impaired Classes have voted to accept the Plan, unless the Plan is eligible to be
6 confirmed by “cramdown” on non-accepting Classes, as discussed below.

7 f. Votes Necessary for a Class to Accept the Plan

8 A Class of Claims is considered to have accepted the Plan when more than one-half (1/2) in
9 number and at least two-thirds (2/3) in dollar amount of the Allowed Claims which actually voted
10 and are entitled to vote, have voted in favor of the Plan. A Class of Interests is considered to have
11 accepted the Plan when at least two-thirds (2/3) in amount of the Interest-Holders of such Class
12 which actually voted, voted to accept the Plan.

13 g. Treatment of Non-Accepting Classes

14 As noted above, even if all impaired Classes do not accept the Plan, the Bankruptcy Court
15 may nonetheless confirm the Plan if the non-accepting Classes are treated in the manner required
16 by the Bankruptcy Code. The process by which non-accepting Classes are forced to be bound by
17 the terms of the Plan is commonly referred to as *cramdown*. The Bankruptcy Code allows the Plan
18 to be “crammed down” on non-accepting Classes of Claims or Interests if it meets all consensual
19 requirements except the voting requirements of Bankruptcy Code § 1129(a)(8), and if the Plan
20 does not *discriminate unfairly* and is *fair and equitable* toward each impaired Class that has not
21 voted to accept the Plan as referred to in Bankruptcy Code § 1129(b) and applicable case law.

22
23 4. Ballot Tabulation Procedures

24 The following procedures will apply with respect to balloting and the tabulation of Ballots
25 with respect to the Plan:

26 A. The amount of a Claim or Interest for purposes of Ballot tabulation will be:

27
28 i. For a Claim or Interest identified in the Schedules as not

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

contingent, not unliquidated, and not disputed, and that has not been disallowed, waived, or withdrawn by order of the Bankruptcy Court, stipulation, or otherwise, prior to the Balloting Deadline (as defined in the Disclosure Statement Order), and for which no proof of claim has been timely filed, the Claim or Interest amount, as identified in the Schedules (“**Scheduled Amount**”);

ii. For a timely proof of claim or proof of interest that is filed in a specified liquidated amount and that is not the subject of an objection filed before the Balloting Deadline, or that has not been disallowed, waived, or withdrawn by order of the Bankruptcy Court, stipulation, or otherwise prior to the Balloting Deadline, the specified liquidated amount in such proof of claim or proof of interest (“**POC Amount**”);

iii. For a Claim or Interest that is the subject of an objection in whole or in part before the Confirmation Hearing, only the undisputed amount, if any, of such Claim or Interest, unless such Claim or Interest is temporarily Allowed under FRBP 3018(a) (“**Disputed/Estimated Amount**”);

iv. For a Claim that is offered an option under the Plan to have its Claim Allowed for voting purposes upon the timely election of certain options, and which claimant is in compliance with the procedures set forth in the Plan for such election, the stipulated amount specified in the Plan (“**Stipulated Amount**”);

B. If an entity submits a Ballot for a Claim or Interest (i) for which there is no timely proof of claim or proof of interest filed and, for which there is no corresponding Scheduled Amount, or (ii) which is the subject of an unresolved objection filed prior to the Confirmation Hearing, such Ballot will not be counted, unless ordered by the Bankruptcy Court;

C. Creditors that have Claims in more than one voting Class under the Plan must submit a separate Ballot for voting their Claims in each such Class; any creditor that requires additional copies of a Ballot may either photocopy the original Ballot or obtain an additional Ballot pursuant to the instructions set forth in the Confirmation Hearing Notice and the proposed Ballot. **If a creditor uses the same Ballot to vote Claims in more than one class, such combined Ballot will NOT be counted unless the Court order’s otherwise;**

D. If an entity casts more than one eligible Ballot with respect to the same Claim or Interest before the Balloting Deadline, the last Ballot received prior such deadline shall supersede any prior Ballot(s) by such entity with respect to such Claim or Interest in the Class in which the Ballot is submitted; and,

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 E. Any Ballot that is incomplete or that is not received by the applicable deadline
2 shall NOT be counted.

3 **5. Deadline for Objecting to Confirmation of the Plan**

4 Objections to Confirmation of the Plan must be filed with the Bankruptcy Court and served
5 upon **Sandford L. Frey, Esq., Creim Macias Koenig & Frey LLP; 633 W. Fifth Street, 51st**
6 **Floor; Los Angeles, California 90071; Facsimile - (213) 614-1961; Email address:**
7 **sfrey@cmkllp.com by the date and time set forth in the Disclosure Statement Order.**

8 Any objection must be in writing; specify the name and address of the party objecting; set
9 forth the amount of the objecting party's Claim(s) and any other grounds giving the objector
10 standing to object; set forth grounds for the objection; and be accompanied by the objecting party's
11 evidentiary support for its objection, including declarations made under penalty of perjury and
12 other admissible documentary evidence.

13
14 **6. Identity of Person to Contact for More Information Regarding the Plan**

15 Any interested party desiring further information about the Plan should contact Sandford
16 L. Frey, Esq., or Marta Wade of Creim Macias Koenig & Frey LLP; 633 W. Fifth Street, 51st
17 Floor, Los Angeles, California 90071; Telephone - (213) 614-1944; Facsimile - (213) 614-1961;
18 Email address: sfrey@cmkllp.com or mwade@cmkllp.com.

19
20 **C. DISCLAIMER**

21 The financial data relied upon in formulating the Plan is based on the information provided
22 by the Debtor; the Debtor's books and records; the Schedules of Assets filed by the Debtor; and
23 the opinion of the Debtor. The Debtor has represented that everything stated in the Disclosure
24 Statement is true to the best of the Debtor's knowledge. The Debtor urges you to vote to accept
25 the Plan.

26 The Bankruptcy Court has not yet determined whether the Plan is confirmable, and makes
27 no recommendation as to whether Claimants entitled to vote should support or oppose the Plan.

28 The Debtor's professionals have prepared the Plan and Disclosure Statement at the

1 direction of, and with the review, input, and assistance of, the Debtor. The Debtor's professionals
2 have not independently verified the information contained herein or used to formulate the Plan or
3 prepare the Plan and/or Disclosure Statement.

4 The statements and information that concern the Debtor that are set forth in this document
5 constitute the only statements and information that the Bankruptcy Court has approved for the
6 purpose of soliciting votes to accept or reject the Plan. Therefore, no statements or information
7 inconsistent with anything contained in the Disclosure Statement are authorized unless otherwise
8 ordered by the Bankruptcy Court.

9
10 **You may not rely on the Plan and Disclosure Statement for any purpose other**
11 **than to determine whether to vote to accept or reject the Plan. Nothing**
12 **contained in the Plan or Disclosure Statement constitutes an admission of any**
13 **fact or liability by any party or may be deemed to constitute evidence of the**
14 **tax or other legal effects that the reorganization set forth in the Plan may have**
15 **on entities holding Claims or Interests.**

16 Unless another time is expressly specified in the Disclosure Statement, all statements
17 contained in this document are made as of the date set forth on the last page of the Disclosure
18 Statement. Under no circumstances will the delivery of the Disclosure Statement or the exchange
19 of any rights made in connection with the Plan create an implication or representation that there
20 has been no subsequent change in information included in this document. The Debtor assumes no
21 duty to update or supplement any of the information contained in this document, and it presently
22 does not intend to undertake any such update or supplement.

23 **Any and all statements or projections contained in the Disclosure Statement**
24 **regarding the amount or timeliness of Distributions to be made under the Plan to**
25 **Creditors are only estimates based upon information reasonably available as of the**
26 **date set forth on the last page of the Disclosure Statement, and are not a guaranty as**
27 **the amount or timeliness of the projected Distributions.**

28 **The statements and information contained in the Plan and Disclosure**
Statement do not constitute financial or legal advice. Parties in interest are
strongly urged to consult with their own advisors, including respecting any
questions about the impact of the Plan on any Claims or Interests.

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

D. BAR DATE

A Bar Date for filing Proofs of Claim in the Case was set for **March 31, 2014** pursuant to motion filed by the Debtor [Docket No. 54]. Notice of the Bar Date was sent on February 13, 2014. [Docket No. 59].

THE BAR DATE IN THE CASE WAS MARCH 31, 2014

Pursuant to the Plan, the Administrative Claim Bar Date shall be fixed as a date set forth in the Confirmation Order. See further discussion below in Section Article IV.

E. EXHIBIT LIST

The Exhibits listed in the following table are intended to be a part of the Disclosure Statement and Plan. These Exhibits are deemed to be incorporated into the Disclosure Statement and Plan when filed.

EXHIBIT NO.	DESCRIPTION
1	<i>Schedule of Loans Receivable as of February 28, 2014, intentionally omitted, included as part of the Supplement Disclosure Package</i>
2	<i>Notice from the Committee of Potential Errors and Omissions Claims</i>
3	<i>Balance Sheets as of June 30, 2012 & 2013, and February 28, 2014</i>
4	<i>Profit & Loss, June 30, 2012 through June 30, 2016</i>
5	<i>Cash Flow Projections, June 30, 2012 through June 30, 2016</i>
6	<i>Profit & Loss Statement for the Year Ending June 30, 2014 and Forecasted Profit & Loss for the Year Ending June 30, 2015</i>
7	<i>Cash Flow Projections for the Year Ending June 30, 2014 and Cash Flow Projections for the Year Ending June 30, 2015</i>
8	<i>Liquidation Analysis</i>
9	<i>Liquidation Analysis Detail, intentionally omitted,</i>

CREIM MACIAS KOENIG & FREY LLP
533 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 [redacted] included as part of the Supplement Disclosure
2 Package

3
4 **III.**

5 **BACKGROUND**

6 **A. DESCRIPTION AND HISTORY OF THE DEBTOR**

7 The Debtor is a California corporation. The Debtor began business in 1960 as a consumer
8 finance company. The company made and collected loans through six offices in Southern
9 California. In the late 1970's, the Debtor concentrated its lending on secured real estate loans. A
10 loan origination office was opened in San Francisco to service Northern California. The primary
11 source of new loan customers was typically referrals from commercial banks.

12 At the height of the real estate downturn in 2008, the Debtor ceased making loans and
13 closed the San Francisco office. Thereafter, the Debtor continued to manage its portfolio of loans.
14 Prior to October 2008, it was the Debtor's policy to pay Commercial Paper Account Holders who
15 made demands on the Debtor for payment under their notes.

16 At the time of the real estate downturn, an extraordinary number of Commercial Paper
17 Account Holders made demand on the Debtor for payment under their demand notes. Although
18 the Debtor made best efforts to satisfy these demands, the demands unfortunately exceeded the
19 Debtor's available liquidity, placing an enormous financial strain on the Debtor's cash resources.
20 At the height of the recession, demands escalated substantially due to the panic. During this period,
21 many of the Commercial Paper Account Holders having larger claims also started making demands
22 for payment. The Debtor was confronted with enormous demands for payment and did not have
23 the liquidity to meet such demands.

24 In October 2008, the Debtor was compelled to institute a 13 month notice policy due to the
25 heavy demands. In February 2009 and June 2009, the Debtor distributed a payment of
26 approximately 20% of principal to any Commercial Paper Account Holders who had made
27 demand. In addition, the Debtor continued to pay interest to Commercial Paper Account Holders
28 through June 30, 2013. Thereafter, the Debtor declared a moratorium on interest payments, while

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1844

1 it considered its financial options.

2 After thorough analysis of the Debtor's financial situation (including its asset/debt
3 structure) and weighing the various alternatives, the Debtor concluded that it is in the best interest
4 of creditors for it to start the process of an orderly liquidation of all loans and all real estate owned
5 by it. Thereafter, the Debtor commenced and continues the process of an orderly liquidation of its
6 remaining loans and real estate owned and acquired for the benefit of creditors.

7 For several months prior to the Petition date, the Debtor was engaged in efforts to negotiate
8 consensual out of court workout plan with Commercial Paper Account Holders and several
9 attorneys representing them. To that end, the Debtor had already formulated and circulated an
10 initial draft of a proposed liquidation plan. In order to conserve expenses, the Debtor had hoped
11 to avoid a chapter 11 filing entirely, or to at least defer such filing long enough to get comments
12 to the structure of the plan so that the Debtor was reasonably confident before filing that the
13 majority of Commercial Paper Account Holders would support the plan after filing. However,
14 several factors necessitated the decision to file for chapter 11 as discussed below.

15 The Debtor's primary assets consist of Loans made to Borrowers, REOs (owned as a result
16 of foreclosure), one investment real estate property and 20,000 shares of stock in the Bank of San
17 Francisco. As of the date of the Disclosure Statement, the Debtor currently has three REO's and
18 one investment property.

19 The Debtor has no secured creditors, except that inasmuch as REOs may be encumbered
20 by senior secured creditors. As of the Petition Date, one of the REOs, the Ostin Property, is secured
21 by a senior deed of trust in favor of RCS securing the RCS Loan in the approximate amount of
22 \$371,902.17. Prior to the Petition Date, the Debtor brought current the RCS Loan and delinquent
23 real estate taxes, and the Debtor continues to service the debt..
24

25 In addition, there are priority tax claims in the aggregate amount of approximately
26 \$141,000 in connection with the one of the other REO's and the investment property, although the
27 Debtor is seeking authority of the Bankruptcy Court to bring current real estate taxes prior to
28

1 confirmation of the Plan pursuant to motion discussed below.

2 Apart from those few claims mentioned above and ongoing operating expenses and costs
3 to be incurred in connection with administration and liquidation, the primary claims are unsecured
4 and held by the Debtor's Commercial Paper Account Holders. There are approximately 175
5 distinct commercial paper account claims held by approximately 150 Commercial Paper Account
6 Holders. The aggregate amount of the commercial paper account claims is approximately
7 \$20,537,264 (inclusive of interest through the Petition Date.

8
9 **1. Debtor's Management/Interest Holder**

10 **a. Interest Holder**

11 The Debtor's sole shareholder is Kenneth J. Pingree Jr.

12 **b. Management of the Debtor Before and After the Bankruptcy**

13 **(i) Pre-Petition and Pre-Effective Date Management**

14 Prior to the Petition Date and during the Chapter 11 Case, the Debtor's day to day
15 operations were managed by Kenneth J. Pingree Jr., who is the President and Chief Executive
16 Officer. Mr. Pingree has been associated with the Debtor since 1960. He was formally acting
17 Vice President for approximately thirty years, and became president and a director in 1996.
18 Immediately prior to filing Chapter 11, Mr. Pingree's salary was \$4,166.67 paid semi-monthly.
19 Mr. Pingree's last salary increase was approximately 2003. However, Mr. Pingree agreed to
20 periodic decreases in his compensation since 2009. In addition, Mr. Pingree's compensation has
21 been accrued and deferred since April 30, 2013. After the Petition Date, a *Notice of*
22 *Setting/Increasing Insider Compensation* was filed on behalf of Kenneth J. Pingree Jr. requesting
23 accrual of insider compensation in the amount of \$4,166.67, but deferring payment until further
24 Court Order.

25 Patricia Pingree is the spouse of Kenneth J. Pingree Jr. Prior to the Petition Date and during
26 the Chapter 11 Case, Ms. Pingree was the assistant secretary of the Debtor. Ms. Pingree was an
27 employee of the Debtor from 1980 through 1985. Thereafter, Ms. Pingree returned to the Debtor
28

CREIM MACIAS KOENIG & FREY LLP
833 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 in 1995. In 2004, Ms. Pingree became and a director and assistant secretary, and remained in that
2 capacity through the Petition Date. Ms. Pingree is also the office manager and the supervisor of
3 the Commercial Paper Department. She is involved in the day to day management, general office
4 management and involved with issues concerning and inquiries from, the Commercial Paper
5 Account Holders. Immediately prior to filing Chapter 11, Ms. Pingree's salary was \$3,125.00 paid
6 semi-monthly. Ms. Pingree's last salary increase was approximately 2004. However, Ms.
7 Pingree's salary has periodically decreased since 2009. In addition, Ms. Pingree's compensation
8 has been accrued and deferred since April 30, 2013. After the Petition Date, a *Notice of*
9 *Setting/Increasing Insider Compensation* was filed on behalf of Patricia Pingree requesting accrual
10 of insider compensation in the amount of \$3,125, but deferring payment until further Court Order.

11 With respect to the *Notices of Setting/Increasing Insider Compensation* filed on behalf of
12 the Pingrees, the Committee requested an order memorializing that, among other things, the
13 Committee reserved the right to object to such compensation at a later date. The Debtor and the
14 Pingrees agree to the Committee's request for a reservation of rights. Pursuant to that agreement,
15 the Debtor and the Committee agreed upon a proposed form of order. However, Commercial
16 Paper Account Holders, Larry and Linda Sacks, served an objection to the requested
17 compensation. As a result, the Committee and Objecting Parties, Larry and Linda Sacks,
18 unilaterally negotiated modifications to the proposed form of order, which was then presented to
19 the Debtor for approval. Unfortunately, the Debtor did not believe that the unilateral changes were
20 in the best interest of the Estate and creditors. Among other modifications, the unilateral changes
21 proposed by Objecting Parties, Larry and Linda Sacks, to the previous form of order for
22 compensation agreed to by the Debtor and the Committee, provided that the Estate and the Pingrees
23 agree in the order that any deferred compensation awarded is limited to a setoff and yet was still
24 subject to the Sacks' objection, rather than deferring the issue to Plan confirmation. It had always
25 been the Pingrees' intention to accrue the compensation for purposes of a setoff against any claims
26 asserted against them, and the Pingrees communicated that they were prepared to memorialize the
27 limitation in the order. With the prospective objection right in the hands of the Committee, the
28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 Debtor was prepared to sign-off on an order memorializing that the accrued compensation is
2 limited to setoff (despite the intrinsic one-sidedness of the proposed order), because the Debtor
3 had the assurance that the Committee and the Committee Counsel would act reasonably and in the
4 best interest of the Estate and its Creditors. The Debtor was concerned that this was not necessarily
5 the case with Objecting Parties, Larry and Linda Sacks, who owed a duty to no other constituency
6 in the Case than themselves (particularly inasmuch as Larry Sacks had declined the opportunity to
7 seek to serve on the Committee for the benefit of all creditors of the Estate). Therefore, the
8 Debtor's apprehension about the Sacks' proposed changes to the order was that the new form of
9 proposed order provided Objecting Parties, Larry and Linda Sacks, with little, if any, disincentive
10 to the filing of an objection in the future; thereby potentially embroiling the Estate in a costly
11 contested proceeding for the purpose of eliminating a relatively minimal setoff right of the
12 Pingrees in connection with any future damage award against them (particularly when it is entirely
13 possible that no lawsuit may ever be filed against them by the Estate). Inasmuch as the Debtor's
14 primary motivation was to maintain continuity of management during the Chapter 11 case, the
15 modified Plan was on the verge of being filed within the initial exclusivity period and taking into
16 account the amount of progress that the Debtor and the Committee had made toward a consensual
17 plan, the Debtor was concerned that the Case would last long enough to result in setoff right high
18 enough to justify the expenditure of fees it would take to deal with a prospective Sacks' objection,
19 particularly when nothing in the proposed form of order prevented any such objection from being
20 filed immediately after the order was entered (i.e. the day after the Estate and Pingrees had
21 voluntarily limited their rights by virtue of the order). The Debtor proposed a number of alternative
22 to rectify the concern, such as a provision providing for an award of attorney's fees to the Estate
23 in the event that any objection was filed by Objecting Parties, Larry and Linda Sacks, which was
24 overruled or failed to result in a material reduction of the requested setoff claim or, alternatively,
25 providing that any prospective objection right was limited to the Committee. However, before the
26 issues could be resolved, the Debtor and the Committee learned that Objecting Parties, Larry and
27 Linda Sacks, transferred their claim to an entity know to DACA [See, Docket Nos. 95, 96. and
28

1 101].

2 In any event, as originally contemplated, the Pingrees are agreeing as part of the Plan, to
3 forego payment under the Plan on account of their pre and post-petition accrued and unpaid salary,
4 and that such claims shall only be preserved and asserted by way of setoff against any damages
5 sought in any litigation initiated against them by the Debtor, the Estate, the Liquidation Debtor,
6 the Committee and/or any Creditor.

7 Prior to the Petition Date and during the Chapter 11 Case, Lombardo served as secretary
8 to the Debtor. Lombardo was also the Debtor's general business lawyer.

9 In addition to Kenneth J. Pingree Jr. and Patricia Pingree, the Debtor had two other
10 employees, Kimberly Wizer and Elsa Raigoza.

11
12 (ii) Liquidation Debtor's Post Effective Date Management.

13 On the Effective Date, Kenneth J. Pingree Jr. shall resign as president and chief executive
14 officer of the Liquidation Debtor; Lombardo shall resign as secretary; and, Patricia Pingree shall
15 resign as assistant secretary of the Debtor.

16 The Plan Administrator shall assume the powers and duties previously exercised by the
17 president, subject to the powers and duties of the Oversight Committee as set forth in the Plan.

18 On and after the Effective Date, as more fully discussed later in the Disclosure Statement,
19 the Oversight Committee shall exercise the powers and duties of the board of directors of the
20 Liquidation Debtor, subject to, as limited by, and to extent not inconsistent with, the terms of the
21 Plan. On and after the Effective Date, the Plan Administrator shall serve exercise the powers and
22 duties of the president of the Liquidation Debtor, subject to, as limited by, and to extent not
23 inconsistent with, the terms of the Plan.

24
25 (iii) **Schedule of Payments made to Commercial Paper Account**
26 **within one year of Petition Date.**

27 Set forth below is a list consisting of the payments made to Commercial Paper Account
28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 Holders within one year of the Petition Date.

REF	Payoff Demand Date	Ck Date	Ck#	Investor Name	Amount	Balance at 12/9/13
1	11/8/2011	12/10/2012	83681	Betty Cockerill	\$ 10,000	\$ 86,992
2	12/14/2012*	12/14/2012	83682	Dean Rouiller Trustee	5,000	54,276
3	12/3/2012**	1/3/2013	83746	Pingree Family Trust (2nd Cousin to Ken Pingree)	5,000	285,761
4	12/13/2012**	1/14/2013	83747	Pingree Family Trust (2nd Cousin to Ken Pingree)	5,000	285,761
5	1/3/2012	2/1/2013	83809	Internal Revenue Service fbo Blaise D'Angelo	5,873	-
6	1/10/2012	2/13/2013	83811	George Ryu	37,012	-
7	1/12/2012	2/13/2013	83813	Hiroshi Nakatani	80,000	79,656
8	2/27/2013*	2/27/2013	83814	The Blackburn Foundation	7,500	16,958
9	2/17/2013**	3/19/2013	83876	Pingree Family Trust (2nd Cousin to Ken Pingree)	5,000	285,761
10	7/21/2011	3/25/2013	83877	Jason Dietz	171,218	-
11	8/22/2011	3/25/2013	83879	Sonja Biele	116,467	-
12	2/27/2012	3/28/2013	83881	Verna Voght	9,500	27,723
13	3/6/2012	4/5/2013	83942	Paul Horvitz – SEP	17,083	-
14	3/21/2012	4/26/2013	83944	Carol Taugher	187,105	-
15	3/29/2012	5/1/2013	84005	Robert R. Fontana	15,000	54,040
16	7/7/2010	6/14/2013	84067	Barbara Bidwell Hillman	100,000	485,964
17	5/28/2013**	6/28/2013	84068	Pingree Family Trust (2nd Cousin to Ken Pingree)	5,000.00	285,761
TOTAL					\$ 781,758	

*Demand note with no provision for deferred payment

**Pursuant to agreement of 4/20/2011

B. APPOINTMENT OF THE COMMITTEE

On January 8, 2014, the UST filed its Notice of Appointment and Appointment of
Committee of Creditors Holding Unsecured Claims [Docket No. 35] appointing the Committee

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 as the Official Committee of Unsecured Creditors pursuant to Bankruptcy Code § 1102(a). The
2 members of the Committee are as follows:

3
4 Juliana Westervelt
5 James Malkmus, Trustee for the William H. Malkmus Revocable Trust
6 Todd Fiorentino, Trustee for the Valerie Cantwell Life Insurance Trust dated 2/3/2011
7 Arthur Beavens and Grace Beavens, Trustees for the Beavens Living Trust dated 8/21/1991
8 Mary Kravitsky, Trustee for the Kravitsky Family Trust

9 The Committee selected James Bastian and Melissa Davis Lowe of SHB to serve as its
10 attorneys. The Order employing SHB to serve as Committee Counsel was entered on February
11 19, 2014 [Docket No. 62].

12
13 **C. EVENTS LEADING TO CHAPTER 11 FILING**

14 A brief summary of the circumstances that led to the filing of the Debtor's Case is set forth
15 below. The Debtor filed its voluntary petition under Chapter 11 of the Bankruptcy Code on the
16 Petition Date -- December 9, 2013.

17 The Debtor initially attempted to avoid filing chapter 11 out of concern for the potential costs
18 associated with chapter 11, which it was concerned might significantly reduce the distribution to
19 Commercial Paper Account Holders. However, the Debtor eventually concluded that filing
20 Chapter 11 may inevitably be less costly than the burden placed on the Debtor from having to
21 respond to, and negotiate with, so many Commercial Paper Account Holders on an individual
22 basis, particularly after weighing a number of other impediments to the out-of-court process and
23 disclosure of information.

24 Specifically, an overwhelming majority of the Commercial Paper Account Holders
25 understandably sought additional information respecting the assets and liabilities as well as an
26 answer to the important question of the anticipated distribution. Although the Debtor appreciated
27 the desire and necessity of providing more detailed financial information in order for Commercial
28 Paper Account Holders to properly evaluate what to expect from the liquidation, the Debtor

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 ultimately concluded that dissemination of confidential financial information about the Debtor in
2 response to the overwhelming inquiries was not feasible, practical or prudent without some degree
3 of control over the process. Similarly, it was not practical or economically feasible to respond to
4 inquiries made by so many Commercial Paper Account Holders, individually.

5 After weighing the best and most efficient means to disseminate the backup information,
6 balancing the Commercial Paper Account Holders' need for such information against the necessity
7 of complying with disclosure laws, avoiding unintentionally misleading or inconsistent
8 information being distributed, and maintaining the need for some level of confidentiality, it was
9 decided the chapter 11 was the best and most efficient means of accomplishing and managing the
10 dissemination of information.

11 There were several additional reasons for the decision to file a chapter 11. First, as stated,
12 there is the concern respecting disclosure of financial information without the procedural
13 protection afforded by the Bankruptcy Code. Second, there is the issue of soliciting votes for a
14 plan and binding non-consenting Commercial Paper Account Holders. Third, there is the practical
15 issue of ensuring equal treatment of Commercial Paper Account Holders.

16 The timing of the filing was unfortunately expedited by an event outside the Debtor's control.
17 The Debtor is aware of only one lawsuit filed against it prior to the Petition Date, entitled *Candace*
18 *Pingree vs. Bay Area Financial Corporation*, which was pending in the Los Angeles County
19 Superior Court. The Debtor unequivocally communicated its position that it was unwilling to
20 permit any Commercial Paper Account Holder (particularly one related to the principals) to receive
21 priority treatment to the detriment of other Commercial Paper Account Holders who cooperatively
22 participated in the out-of-court restructuring efforts, because to permit that to occur would impair
23 the integrity of the entire out-of-court restructuring process. Despite the Debtor's clearly
24 expressed position, the plaintiff in the pending *Pingree vs. Bay Area Financial Corporation* action
25 noticed a hearing for December 10, 2013 seeking a writ of attachment. In order to ensure equality
26 of distribution among the Commercial Paper Account Holders, and for the other reasons articulated
27 above, the Debtor elected to file for Chapter 11 protection.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

D. SIGNIFICANT EVENTS DURING THE BANKRUPTCY

The Debtor filed its Case on December 9, 2014. Thereafter, the Debtor timely filed its Schedules on December 23, 2014 [Docket No. 29].

1. Employment of Professionals

The Debtor employed CMKF, as reorganization counsel for the Debtor, pursuant to application filed January 8, 2014 [Docket No. 36], although the employment order did not get entered until March 2014 due to a noticing issue requiring additional notice. The Debtor also employed Biggs & Co as its accountants and financial advisors pursuant to application filed on December 13, 2013 [Docket No. 17] and order entered January 9, 2014 [Docket No. 37].

The Debtor employed Keller Williams Estate Properties, Calabasas as brokers to market and sell the Ostin Property, pursuant to application filed January 21, 2014 [Docket No. 42], as amended pursuant to application filed January 28, 2014 [Docket No. 48].

The Debtor employed PWMC to act as property manager for the San Pedro Property in accordance with the PWMC Property Management Agreement, pursuant to application filed January 29, 2014 [Docket No. 49].

SHB was employed as Committee Counsel in the Case pursuant application filed on January 23, 2014 [Docket No. 45] and order entered February 19, 2014 [Docket No. 62].

The Debtor intends to retain special counsel to handle certain business and loan issues. On April 7, 2014, the Debtor filed an application to employ Lombardo & Safford LLP as special counsel [Docket No. 109]. The time period for objection had not yet passed as of the date of the Disclosure Statement, and no order has yet been entered.

On April 7, 2014, the Debtor filed an application to employ Hendricks Berkadia as real estate brokers to market the West 8th Street Property [Docket No. 110]. The time period for objection had not yet passed as of the date of the Disclosure Statement, and no order has yet been entered.

///

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 ///

2 **2. 341(a) Hearing**

3 The Debtor appeared at its Initial Debtor Interview (“**IDI**”) scheduled by the UST on
4 January 7, 2014. The Debtor appeared at the statutory meeting of creditors held pursuant to
5 Bankruptcy Code § 341(a) (“**341(a) Hearing**”) on January 14, 2014.

6
7 **3. Cash Collateral Motions**

8 There are no cash collateral issues in the Case.

9
10 **4. First Day Motions**

11 Loan Procedures Motion. After the Petition Date, the Debtor filed its Loan Procedures
12 Motion, which was approved on an interim basis by the Bankruptcy Court by Order entered on
13 December 20, 2013 [Docket No. 27] and on a final basis by Order entered on February 26, 2014
14 [Docket No.68]. The Loan Procedures Motion sought, among other things, approval of a
15 compromise of an existing loan between Michael C. McCauley (“**McCauley Borrower**”) and the
16 Debtor, and approval of procedures to permit the Debtor to compromise other loans without further
17 Court approval.

18 With respect to the loan with the McCauley Borrower, the Debtor entered into an
19 agreement with the McCauley Borrower in January 2008, in the ordinary course of the Debtor’s
20 business, to loan up to \$650,000 to the McCauley Borrower, secured by a second deed of trust on
21 real property owned by the McCauley Borrower, commonly known as 117 W. Channel Rd, Santa
22 Monica, California and a third deed of trust on real property owned by the McCauley Borrower
23 commonly known as 107 W. Channel Rd, Santa Monica, California (collectively referred to as the
24 “**McCauley Borrower Properties**”). The McCauley Borrower note originally had a term of six
25 months, with a variable interest rate. Over the course of the succeeding three years, the McCauley
26 Borrower entered into extension agreements with the Debtor extending the term of the note in one
27 year increments. However, in August 2011, the McCauley Borrower refused to execute another
28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 extension agreement, but continued to make principal and interest reduction payments. At that
2
3 time, and up through the filing of the Loan Procedures Motion, the McCauley Borrower had an
4 outstanding balance of unpaid interest.

5 Thereafter, the Debtor learned that the McCauley Borrower had accrued delinquent real
6 property taxes against the McCauley Borrower Properties in the approximate amount of \$275,000.
7 On or about October 31, 2013, the McCauley Borrower advised the Debtor that he had entered
8 into an agreement to sell the collateral but that the sale proceeds would not be sufficient to pay off
9 both the principal and interest due to the Debtor.

10 Accordingly, the Debtor agreed, subject to the approval of the Bankruptcy Court, to accept
11 a reduction of approximately \$28,554.51 in accrued and unpaid interest on the McCauley
12 Borrower's note, which would result in a net payment to the Estate of approximately \$678,659.51,
13 plus per diem interest of \$147.38 for each day the loan remained unpaid after December 16, 2013.

14 Although the compromise discussed above arguably did not require Bankruptcy Court
15 approval as being in the ordinary course of the Debtor's business, the Debtor nevertheless sought
16 that approval by filing the Loan Procedures Motion, so that creditors would have adequate notice
17 of the intended compromise. As stated above, the Bankruptcy Court approved the compromise of
18 the McCauley note. Although closing of escrow for the sale of the McCauley Borrower Properties
19 was delayed, the sale eventually closed in January 2014, and the Estate received \$685,586.37 on
20 or about January 28, 2014.

21 In an effort to minimize additional fees and costs to the Estate, the Loan Procedures
22 Motion also sought a Bankruptcy Court order adopting the procedures to be implemented with
23 respect to the compromise or settlement of loans without further order of the Bankruptcy Court
24 so as to promote and facilitate a resolution of troubled loans, and streamline the process for
25 compromising any troubled loans in an expeditious manner.

26 In connection with the approval of the Loan Procedures Motion, the Debtor also has the
27 authority to compromise and settle those loans that meet the criteria set forth below, in its sole
28

1 discretion, without further notice to creditors (except to the Committee) and without further
2 approval from the Bankruptcy Court, as follows:

- 3
- 4 • For those loans where the borrower is seeking a reduction in the outstanding payoff
5 amount, a reduction of the loan amount by no more than 20% including principal and
6 interest.
 - 7 • For those loans that are to remain in place, and the borrower cannot make the payments
8 required under the terms of the loan agreement, a reduction in the interest rate of not
9 more than 4% .
 - 10 • For the those loans that are due and the term has expired, the right to enter into a
11 forbearance agreement pursuant to which the Debtor agrees not to commence foreclosure
12 proceedings against the borrower for a period not to exceed 18 months, so long as the
13 borrower agrees to continue to make the interest and principal payments required under
14 the terms of the loan.

(collectively referred to as the “**Pre-Approved Loan Compromise Procedures**”)

15 With respect to the foregoing procedures, the Debtor and the Committee agreed that the
16 Debtor would provide the Committee with ten (10) days notice to its intent to implement With
17 respect to any compromise or settlement of loans outside of the terms set forth above, the Debtor
18 may still seek Bankruptcy Court approval under FRBP 9019(a).

19 Utility Motion. After the Petition Date, the Debtor also filed its *First Day Emergency*
20 *Motion by Debtor for Order Prohibiting Utility Providers from Altering, Refusing or*
21 *Discontinuing Service, (B) Deeming Utility Companies Adequately Assured of Future*
22 *Performance, and (C) Establishing Procedures for Determining Adequate Assurance of Payment,*
23 which was approved by the Bankruptcy Court by Order entered on January 7, 2014 [Docket No.
24 34] after hearing held on December 11, 2013.

25 **5. Plan Deadline/Exclusivity**

26 Pursuant to Bankruptcy Code §1121, the 120 day exclusive period in which only the Debtor
27 may file a plan of reorganization expires on April 9, 2014, and, the 180 exclusive period in which
28 only the Debtor may solicit acceptance of a plan expires on June 9, 2014. The Debtor intends to

1 file a motion requesting an extension of the exclusive period in which only the Debtor may file a
2 plan through June 9, 2014; and, for purposes of maintaining the exclusive right to file its plan, an
3
4 extension of the exclusive period in which only the Debtor may solicit acceptance of a plan through
5 August 11, 2014.
6

7 **6. Commercial Lease Assumption Motion**

8 On February 2, 2014, the Debtor filed the Commercial Lease Assumption Motion,
9 whereby the Debtor seeks to assume its nonresidential lease as modified by the Fifth Amendment
10 to such lease, between Douglas Emmett Realty Fund 1995 and the Debtor for real property
11 located at 12400 Wilshire Blvd, Suite 350, Los Angeles, California 90025.

12 On September 21, 2000, the Debtor entered into the original lease for space at its current
13 location, but on the second floor of the building, with Douglas Emmett Realty Fund 1995.
14 Thereafter, on July 14, 2010, the Debtor entered into the Second Amendment to the Lease,
15 pursuant to which the Debtor moved to its current location on the third floor, Suite 350.
16 Thereafter, the Lease was extended by subsequent amendments. Pursuant to the Fourth
17 Amendment, the Lease expired in or about October 2013.

18 Prior to the Petition Date, on October 11, 2013, the Debtor entered into a Fifth Amendment
19 to the Lease extending the Lease for one additional year. Before doing so, the Debtor considered
20 moving and weighed a number of factors, such as moving and related expenses. For example, the
21 Debtor's took into consideration the age of its telephone and computer systems, and the probability
22 either or both would not survive the move, requiring replacement. Accordingly, the Debtor
23 considered the cost of new telephones and computers and the cost of installation if it were to
24 relocate. Similarly, the Debtor considered the costs of moving, and boxing loan files. The Debtor
25 also factored in the cost for storage of loan files and documents required for it to relocate to a
26 smaller facility. The Debtor also took into consideration the deposits that would likely be required
27 by a new landlord. The Debtor compared the legal fees required for reviewing and negotiating the
28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 518T FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 terms of the new lease documentation as opposed to an amendment to the existing lease.

2 In reaching its decision to extend its Lease for its existing space, the Debtor weighed a
3 number of factors. The Debtor was able to obtain the agreement of its Landlord, Douglas Emmett
4 Realty Fund 1995, for a short term extension, due to its many years of occupancy. The rent for
5 Suite 350 is \$4,505.84 per month under the terms of the Fifth Amendment, which is the same rate
6 as called for under the Fourth Amendment to the Lease. In other words, the Landlord did not raise
7 the rent for the additional year or impose any additional charges. The Debtor believes that the rent
8 provided for under the Lease is fair and reasonable and within the market rate for the area, the
9 building and space. In addition, the Debtor general business counsel, Lombardo & Safford,
10 subleases space in the current location, paying approximately 1/3 of the rent obligation.

11 Pursuant to Bankruptcy Code § 365(d)(4), the Debtor has 120 days from the Petition Date
12 to assume or reject the Lease for Suite 350, which period expires on April 8, 2014. As of the date
13 of the Disclosure Statement, the Debtor is current on its monetary obligations under the Lease.
14 After considering the factors discussed above, among others, and the rejection damage claim which
15 Douglas Emmett Realty Fund 1995 would be entitled were the Lease rejected, the Debtor elected,
16 in the exercise of its business judgment, to assume the Lease through the filing its Commercial
17 Lease Assumption Motion. As of the date of the Disclosure Statement, the statutory notice period
18 for entry of an order had not yet expired.

19
20 **7. Priority Tax Claim Motion**

21 On March 4, 2014 [Docket No. 74], the Debtor filed its Priority Tax Claim Motion seeking
22 authorization to pay pre-petition real property taxes (excluding interest, penalties and/or other
23 costs) due on various parcels of real estate owned by the Debtor. After reasonable consultation
24 with the Committee, the Debtor determined, in the exercise of its business judgment, that paying
25 the pre-petition property taxes prior to Confirmation of the Plan was in the best interest of the
26 Estate and creditors. At the time of the filing of the Priority Tax Claim Motion, the Debtor had
27 sufficient funds on hand to pay the real estate taxes. The payment of real estate taxes prior to
28

1 Confirmation of the Plan was intended to avoid further deterioration in the value of the Estate's
2 interest in the real estate properties owned by the Debtor resulting from the ongoing accrual of
3 interest, penalties and other charges at the expenses of the Estate.

4 Specifically, the Priority Tax Claim Motion seeks authorization to pay the following
5 amounts:

6		
7	<i>West 8th Property</i>	\$33,450.83
8	<i>Ostin Avenue Property</i>	\$7,222.78
9	<i>Calle Laguna Property</i>	\$52,888.60
10	<i>Ocean Drive Property</i>	\$72,403.54
11	Total	\$165,965.75

12 The Priority Tax Claim Motion was initially set for hearing on April 2, 2014 and has not
13 yet been heard as of the date of this Disclosure Statement.

14 **8. Bank Stock Sales Procedures Motion**

15 As of the Petition Date, the Debtor was holding 20,000 shares of stock of Bank of San
16 Francisco, which the Debtor estimated to have a value of approximately \$200,000 in Schedule B
17 of its Schedules filed in this Case. The Bank of San Francisco is a state-chartered bank, with its
18 corporate office located at 575 Market Street, Suite 900, San Francisco, California. Shares of the
19 Bank of San Francisco stock are not traded on any national or regional stock exchanges or over-
20 the counter. Sales of the Bank of San Francisco's shares of stock are generally sold through private
21 transactions between the Bank's registered shareholders and prospective purchasers. The Debtor
22 is informed and believes that once a price for the Bank of San Francisco's shares of stock has been
23 negotiated and a final price has been agreed to by the parties, the private sales transaction is
24 coordinated by the Bank of San Francisco's transfer agent, RTCO (Registrar and Transfer
25 Company), 10 Commerce Drive, Cranford, NJ 07016. RTCO does not charge any commission to
26 the Bank of San Francisco's registered shareholder for the transfer of the Bank's stock.

27 On February 28, 2014 [Docket No. 70], the Debtor filed its Bank Stock Sales Procedures
28 Motion. By its Bank Stock Sales Procedures Motion, the Debtor requested authorization to sell

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 1,710 shares of the Bank of San Francisco's stock to a proposed purchaser pursuant to private sale,
2 and to establish procedures for the Debtor to sell the remaining 18,290 shares of Bank stock, upon
3 notice to the Committee, without the necessity and expense of filing separate motions for each
4 such sale. The Debtor requested approval of sales procedures to avoid burdening the Estate with
5 the unnecessary and wasteful professional fee expenses resulting from having to file separate
6 motions for each proposed sale of the Bank of San Francisco stock. The Debtor proposed the
7 following procedures be established for future sales of the Bank of San Francisco's stock.

- 8
- 9 • The Debtor may sell, by one or more private sales, all or a portion of the remaining
10 18,290 shares of the Bank of San Francisco's stock without further Court order, at a
11 price of not less than \$10 per share, after providing the Committee with five (5) days
12 written notice of the proposed sale, with opportunity to object;
- 13 • The Debtor may sell, by one or more private sales, all or a portion of the remaining
14 18,290 shares of the Bank of San Francisco's stock without further order of the Court,
15 at a price below \$10 per share, upon written consent of the Committee;
- 16 • No overbid procedures for the subsequent private sales of Bank of San Francisco's
17 stock will be required pursuant to LBR Rule 6004-1(c)(2)(B);
- 18 • Any and all subsequent private sales of the Bank of San Francisco's stock pursuant to
19 the pre-authorized procedure is on an all cash basis with no conditions, terms, or
20 contingencies;
- 21 • Any and all subsequent private sales of the Bank of San Francisco's stock pursuant to
22 the pre-authorized procedure is "as is" and without "warranties;"
- 23 • Any and all subsequent private sales of the Bank of San Francisco's stock pursuant to
24 the pre-authorized procedure will be free and clear of all claims, liens, interests and
25 encumbrances;
- 26 • Any and all subsequent purchaser(s) of the remaining 18,290 shares of the Bank of
27 San Francisco's stock will be entitled to the protection afforded by Bankruptcy Code
28 § 363(m) with respect to any subsequent sale and transfer of any of the remaining
18,290 shares of the Bank of San Francisco's stock, upon the filing of a declaration
by the Debtor and/or such purchaser establishing that such purchaser is not an
"insider" within the definition of Bankruptcy Code § 101(31), and that the price for
the subsequent shares of the Bank of San Francisco's stock was negotiated at arm's
length;
- The Bank of San Francisco's transfer agent RTCO will be authorized to provide the

1 stock transfer services for the Debtor and any and all of the other subsequent
2 transactions for the remaining 18,290 shares of the Bank of San Francisco's stock.

3
4 The Committee has opposed the Bank Stock Sales Procedures Motion primarily on the
5 basis that the Committee requires additional information respecting the Bank of San Francisco's
6 short term business plan and how that plan may impact the value of the shares. For example, the
7 Committee would like to know whether the Bank of San Francisco intends to merge with another
8 bank or plans any public offering. The Debtor is using best efforts to obtain the information
9 requested by the Committee and hopes to resolve the objection prior to the hearing on the Bank
10 Stock Sales Procedures Motion. As of the date of the Disclosure Statement, the Bank Stock Sales
11 Procedures Motion has not yet been ruled upon by the Bankruptcy Court.

12 **E. DESCRIPTION OF THE DEBTOR'S ASSET**

13 The Debtor's assets consist primarily of cash, 4 parcels of real estate, three of which are
14 REOs, Loans and the Bank of San Francisco's stock. The projected values below are based on
15 gross values as of February 28, 2014.

16
17 **1. Cash**

18 As of February 28, 2014, the Debtor has approximately \$2,044,722.64 on deposit in its
19 Debtor in Possession accounts (which includes the proceeds of the McCauley Borrower loan).

20
21 **2. Real Estate**

22 Currently, the Debtor has four parcels of real estate, three of which are REOs. Based on
23 the best information currently available as of the date of the Disclosure Statement, the projected
24 aggregate gross sales price for the real estate assets owned by the Debtor (without deduction for
25 costs of sale, commissions and the RCS Loan) is approximately \$5,394,000.

26 **a. Ostin Property**

27 The Ostin Property is residential real estate, located on the Westside of Valley Circle
28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 Boulevard in Woodland Hills, California. The house was built in or around 1963. The structure
2 on the Ostin Property is approximately 3,250 permitted square feet. There is an additional 400
3 square feet which does not appear permitted. The house located on the Ostin Property has 5
4 bedrooms and 3 bathrooms. There is a two car garage and additional carport parking. The Ostin
5 Property has a pool in working condition.

6
7 The Ostin Property is encumbered by a first deed of trust in favor of RCS, securing the
8 RCS Loan, which has an unpaid principal balance of approximately \$371,902.17. The property
9 taxes are current.

10 The Ostin Property currently generates no income and is vacant. The expenses (excluding
11 utilities) consists of, among other expenses, the monthly debt service to RCS in the approximate
12 amount of \$3,728.96, insurance of \$236.83 per month and pool service of approximately \$90 per
13 month.

14 The Debtor scheduled its interest in the Ostin Property in Schedule A as having a value of
15 approximately \$875,000. The Debtor initially estimated the value based on a 2005 appraisal for
16 \$1,050,000, and the current market value in the area. The area in the San Fernando where the
17 Ostin Property is located is a desirable area, with comparables in the areas selling for as much as
18 \$800,000 to \$900,000. Unfortunately, the Ostin Property has considerable deferred maintenance.
19 In addition, the former owners who the Debtor evicted after foreclosure have removed a number
20 of kitchen and bathroom appliances.

21 The Ostin Property is currently listed for sale with Keller Williams Estate Properties,
22 Calabasas. The Debtor has recently received and accepted an offer for approximately \$670,000,
23 which is in the due diligence period as of the date of the Disclosure Statement. Assuming escrow
24 closes and no higher and better bid is received for the property, the net proceeds to the estate
25 resulting from such sale is estimated to be approximately \$243,970.05. This projection was arrived
26 at by deducting the following amounts from the purchase price: the outstanding balance due to the
27 senior lienholder, RCS (Class 2), the Secured Tax Claim of approximately \$7,227.78 and projected
28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 costs of sale, including brokers' commissions, in the approximate amount of \$46,900 (based on an
2 estimated 7%).

3
4 **b. Ocean Drive Property**

5 The Ocean Drive Property is residential real estate, located on the sand side of Ocean Drive
6 known as Hollywood Beach in Oxnard, California. Hollywood Beach is an extremely desirable
7 beach area in Ventura County for the ocean views and sand conditions. The house was built in or
8 around 1953. The structure on the Ocean Drive Property is approximately 1,377 square feet on an
9 approximately 2,625 square foot lot. The house has 3 bedrooms and 1 ½ bathrooms.

10 The Ocean Drive Property has no Secured Claim against it, except the Secured Tax Claim
11 for unpaid property tax in the approximate amount of \$90,760.16 of which approximately
12 \$72,403.54 consists of past due delinquent taxes.

13 The Debtor currently receives \$2,600 per month in rental income. The property tax
14 expense allocated on a monthly basis is approximately \$1,072.68 per month, and insurance
15 expense allocated per month is approximately \$75.71 monthly.

16 The Debtor scheduled its interest in the Ocean Drive Property in Schedule A as having a
17 value of approximately \$1,895,000, which appears fairly consistent with the recent estimate of
18 Beachfront Realtors, which estimates the fair market value to be approximately \$1,824,525, based
19 on a price of approximately \$1,325 per square foot.

20
21 **c. West 8th Property**

22 The West 8th Property is a six unit building located in San Pedro, California. The structure
23 was built in 1987. However, the interior units were remodeled in 2008 with the intention to convert
24 the units to condominiums. The total square footage of the structure is approximately 5,787.

25 Five of the units are approximately 887 square feet, consisting of two bedrooms and 1 ¾
26 bathrooms. One of the units is approximately 1,350 square feet, consisting of 3 bedrooms and 3
27 bathrooms. Each unit has a private access to the garage.

1 The West 8th Property has no Secured Claim against it, except the Secured Tax Claim for
2 unpaid property tax in the approximate amount of \$39,249.97 of which \$33,450.83 consists of past
3 due delinquent taxes.

4 The Debtor currently receives \$8,400 per month in rental income. The West 8th Property
5 is not under rent control. The property tax expense allocated on a monthly basis is approximately
6 \$943 per month, and insurance expense allocated per month is approximately \$75.71 monthly.

7 The Debtor scheduled its interest in the West 8th Property in Schedule A as having a value
8 of approximately \$1,185,000, which is based on an appraisal dated December 9, 2013, prepared
9 by Cornerstone Realty Analysts, Inc., based on a price of approximately \$204.77 per square foot.

10
11 **d. Calle Laguna Property**

12 The Calle Laguna Property is located in the rural area of Arroyo Grande, and the lot
13 exceeds two acres and is zoned for horses and farming. The Debtor completed the structure in
14 2008 after its borrower abandoned the property and stripped the fixtures and appliances. The
15 structure on the Calle Laguna Property is approximately 5,078 square feet on an approximately
16 110,206 square foot lot (2.53 acres). The house has 5 bedrooms and 4 bathrooms.

17 The Calle Laguna Property has no Secured Claim against it, except the Secured Tax Claim
18 for unpaid property tax in the approximate amount of \$68,382.13 of which approximately
19 \$52,888.60 consists of past due delinquent taxes.

20 The Debtor currently receives \$2,250 per month in rental income. The property tax
21 expense allocated on a monthly basis is approximately \$1,064 per month, and insurance expense
22 allocated per month is approximately \$209 monthly.

23 The Debtor scheduled its interest in the Calle Laguna Property in Schedule A as having a
24 value of approximately \$1,675,000, which appears to be a fairly conservative estimate of value.
25 The Calle Laguna Property had an appraised value in 2006 of approximately \$2,800,000. The best
26 estimate of value as of the date of the Disclosure Statement is approximately \$1,715,449, based on
27 a price of approximately \$337.82 per square foot.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

3. *Principal Due the Debtor on Remaining Loans*

Currently, the Debtor has 18 remaining Loans (after payment of the McCauley Loan discussed in Section III.D.4 of the Disclosure Statement). *Exhibit 1* referred to in the Disclosure Statement is a *Schedule of Loans Receivable as of February 28, 2014*, which was prepared by the Debtor. The aggregate principal balance of the remaining Loans (excluding accrued and unpaid interest and prospective interest) is approximately \$6,566,610. The aggregate interest due is \$831,621 for a total due the Debtor of \$7,396,231. *Exhibit 1* contains a projection of amounts that

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 the Debtor reasonably anticipates collecting based on best information currently available as of the
2 date of the Disclosure Statement.

3 Exhibit 1 has been intentionally omitted from the Disclosure Statement to avoid placing in
4 the public record confidential information concerning the borrowers as well to avoid placing
5 information in the public record that may potentially harm the value of the assets. However, the
6 Debtor has prepared the Supplemental Disclosure Package which contains Exhibit 1 as well as
7 other exhibits prepared by the Debtor.

8
9 **Any Holder of an Allowed Commercial Paper Account Claim (which is not a Disputed
10 Claim) wishing to obtain the Supplemental Disclosure Package may do so upon
11 written request made prior to the Balloting Deadline to Marta Wade of Creim Macias
12 Koenig & Frey LLP; 633 W. Fifth Street, 51st Floor, Los Angeles, California 90071;
13 Telephone - (213) 614-1944; Facsimile - (213) 614-1961; Email address-
14 mwade@cmkllp.com**

15 Set forth below is a general description and general information about some of the exiting
16 loans and collateral for such loans, which is supplemented by the more specific description
17 contained in the *Schedule of Loans Receivable as of February 28, 2014*. . However, information
18 about the identity of the borrowers and specific financial information about them has been
19 intentionally omitted so as to maintain confidentiality. Therefore, the loans are described by
20 number, which coincides with the numbers assigned to such loan in the *Schedule of Loans
21 Receivable as of February 28, 2014*.

22 **a. Loan Numbers 1 and 2.**

23 Loan Numbers 1 and 2 are secured by real property, which consists of a 7 unit apartment
24 building located at 1140 Chestnut, San Francisco, California ("**Chestnut Property**"). The
25 estimated value of the Chestnut Property is approximately \$4,600,000. The approximate senior
26 lien balance is \$1,500,000.¹ In addition to the senior loan balance, the Chestnut Property is secured
27 by the Debtor's second deed of trust with the principal loan balance on the Debtor's Note of

28 ¹ With respect to the Loan Receivables, all of the senior lien balances are approximations and may consist of more than one loan.

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 \$1,547,072 and past due interest as of February 28, 2014 in the amount of \$230,147 for a total
2 amount due of \$1,777,219 under the Debtor's Note secured by the second deed of trust. The
3 interest rate of the Debtor's Note under the second deed of trust is 8.25%, and the loan matured on
4 May 7, 2009.

5 The Chestnut Property is further secured by the Debtor's third deed of trust with the
6 principal loan balance on the Debtor's Note of \$703,015 and past due interest as of February 28,
7 2014 in the amount of \$75,337 for a total balance of under the Debtor's Note of \$778,352. As
8 with the Debtor's loan secured by a second deed of trust, the interest rate is also 8.25%, and the
9 loan secured by the Debtor's third deed of trust also matured on May 7, 2009.

10
11 **b. Loan Numbers 3, 4 & 5.**

12 Loan Numbers 3, 4 and 5 are unsecured loans. The security for these loans was sold prior
13 to the Petition Date. The Debtor is still investigating the circumstances respecting the background. In
14 the meantime, please review the *Schedule of Loans Receivable as of February 28, 2014* for more
15 detail respecting these loans and their potential value. .

16
17 **c. Loan Number 6.**

18 Loan number 6 is secured by real property, which consists of a single family residence
19 located at 2904 Broad St. Newport Beach, California ("**Broad Street Property**"). The estimated
20 value of the Broad Street Property is approximately \$1,800,000. The senior lien balance is
21 \$1,250,000. In addition to the senior loan balance, there is a second deed of trust and note on the
22 Broad Street Property, and the amount of the note is unknown. The Broad Street is also secured
23 by the Debtor's third deed of trust with the principal loan balance of \$34,849 and past due interest
24 as of February 28, 2014 in the amount of \$10,962 for a total balance of \$45,811 on the Debtor's
25 Note. The interest rate is 8.25%, and the loan matured on June 29, 2010.

26 ///

27 ///

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

d. Loan Number 7.

Loan number 7 is secured by real property, which consists of a single family residence located at 220 Santa Rosa Avenue, Sausalito, California ("**Santa Rosa Avenue Property**"). The estimated value of the Santa Rosa Avenue Property is approximately \$1,550,000. The senior lien balance is \$1,060,000. In addition to the senior loan balance, the Santa Rosa Avenue Property is secured by the Debtor's second deed of trust with the principal loan balance of \$92,486 and past due interest as of February 28, 2014 in the amount of \$23,841 for a total balance of \$116,327 on the Debtor's Note. The interest rate is 8.25%, and the loan matured on January 25, 2011.

e. Loan Number 8.

Loan number 8 was paid off after the Petition Date. See, discussion in Section III.D.4 of the Disclosure Statement and the further discussion respecting the Loan Procedures Motion.

f. Loan Number 9.

Loan number 9 is secured by real property, which consists of a single family residence located at 117 Mystic Place, Alamo, California ("**Mystic Place Property**"). The estimated value of the Mystic Place Property is approximately \$2,275,000. The approximate senior lien balance is \$1,458,991, which consists of first, second and third deed of trusts. In addition to the senior loan balance, the Mystic Place Property is secured by the Debtor's fourth deed of trust with the principal loan balance of \$62,554 on the Debtor's Note and past due interest as of February 28, 2014 in the amount of \$2,520 for a total amount due under the Debtor's Note of \$65,074. The interest rate of the Debtor's Note secured by the fourth deed of trust is 10%, and the loan matured on December 31, 2013.

g. Loan Numbers 10 and 11.

Loan Numbers 10 and 11 are secured by real property, which consists of a single family residence located at 1615 Lawrence Road, Danville, California ("**Lawrence Road Property**").

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 The estimated value of the Lawrence Road Property is approximately \$2,750,000. The senior lien
2 balance is \$2,160,000. There is non-Debtor third deed of trust on the Lawrence Road Property
3 with a loan balance of \$750,000. The Lawrence Road Property is secured by the Debtor's second
4 and fourth deed of trust with the principal loan balances of \$159,748 (second deed of trust) and
5 \$46,087 (fourth deed of trust) on the Debtor's Notes for a total of \$205,835. There is no past due
6 interest. The interest rate of the Debtor's Notes secured by the second and fourth deed of trust is
7 5%, and the loans will mature on November 29, 2014.

8
9 **h. Loan Number 12.**

10 Loan number 12 is secured by real property, which consists of a commercial building with
11 an auto shop located at 1213-15 Fell Street, San Francisco, California ("**Fell Street Property**").
12 The estimated value of the Fell Street Property is \$4,100,000. The senior lien balance is
13 \$2,090,000. In addition to the senior loan balance, the Fell Street Property is secured by the
14 Debtor's second deed of trust with the principal loan balance of \$165,618 on the Debtor's Note
15 with no past due interest. The interest rate of the Debtor's Note secured by the second deed of
16 trust is 8.25%, and the loan matured on September 15, 2012. Even though the Debtor's Note
17 matured, the borrower is current on its payments of principal and interest.

18
19 **i. Loan Number 13.**

20 Loan #13 is secured by real property, which consists of a cabin located in El Dorado
21 County, Echo Lake, California ("**Echo Lake Property**"). The estimated value of the Echo Lake
22 Property is \$1,900,000. The senior lien balance is \$500,000. In addition to the senior loan balance,
23 the Echo Lake Property is secured by the Debtor's second deed of trust with the principal loan
24 balance of \$836,816 and past due interest as of February 28, 2014 in the amount of \$41,160 for a
25 total amount due under the Debtor's Note of \$877,976. The interest rate of the Debtor's Note
26 secured by the second deed of trust is 8.25%, and the loan matured on January 3, 2014.

27 ///

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

j. Loan Number 14.

Loan number 14 is secured by real property, which consists of a single family residence located at 22447 Charlene Way, Castro Valley, California ("**Charlene Way Property**"). The estimated value of the Charlene Way Property is \$350,000. The senior lien balance is \$565,000. In addition to the senior loan balance, there is a second deed of trust and the amount of the note is unknown. The Charlene Way Property is secured by the Debtor's third deed of trust with the principal loan balance of \$189,108 and past due interest as of February 28, 2014 in the amount of \$73,690 for a total amount due under the Debtor's Note of \$262,798. The interest rate of the Debtor's Note secured by the third deed of trust is 8.25%, and the loan will mature on May 15, 2014.

k. Loan Number 15.

Loan number 15 is secured by real property, which consists of a single family residence (rental property) located at 1851 26th Avenue, San Francisco, California ("**26th Avenue Property**"). The estimated value of the 26th Avenue Property is \$900,000. The senior lien balance is \$620,000. In addition to the senior loan balance, the 26th Avenue Property is secured by Debtor's second deed of trust with the principal loan balance of \$43,132. There is no past due interest. The interest rate of the Debtor's Note secured by the second deed of trust is 8.25%, and the loan will mature on June 14, 2014.

l. Loan Number 16.

Loan number 16 is secured by real property, which consists of a duplex (primary residence and rental) located at 1357-59 Vienna Way, Venice, California ("**Vienna Way Property**"). The estimated value of the Vienna Way Property is \$1,500,000. The senior lien balance is \$1,171,000. In addition to the senior loan balance, the Vienna Way Property is secured by a second deed of trust and the principal balance is unknown. The Debtor's third deed of trust has a principal loan

1 balance of 235,795. There is no past due interest. The interest rate of the Debtor's Note secured
2 by the third deed of trust is 4.50 %, and the loan will mature on January 1, 2015.

3
4 **m. Loan Numbers 17 and 18.**

5 Loan numbers 17 and 18 are secured by real property, which consists of a beachfront single
6 family residence located at 162 Seadrift, Stinson Beach, California ("Seadrift Property"). The
7 estimated value of the Seadrift Property is \$4,500,000. The senior lien balance is \$1,945,000. In
8 addition to the senior loan balance, the Seadrift Property is secured by the Debtor's second deed
9 of trust with the principal loan balance on the Debtor's Note of \$839,000 and past due interest as
10 of February 28, 2014 in the amount of \$122,816 for a total amount due of \$961,186 under the
11 Debtor's Note secured by the second deed of trust. The interest rate of the Debtor's Note under
12 the second deed of trust is 6.75%, and the loan will mature on July 1, 2015.

13 The Seadrift Property is also secured by the Debtor's third deed of trust with the principal
14 loan balance on the Debtor's Note of \$530,869 and past due interest as of February 28, 2014 in the
15 amount of \$73,243 for a total amount due of \$604,112 under the Debtor's Note secured by the
16 third deed of trust. The interest rate of the Debtor's Note under the third deed of trust is 6.75%,
17 and the loan will mature on July 1, 2015.

18
19 **4. Accrued and Unpaid Interest Due the Debtor on Remaining Loans**

20 The forgoing forecast for the 17 remaining Loans does not include accrued and unpaid
21 interests due to the Debtor in connection with the 17 remaining Loans. The aggregate projected
22 amount of accrued and unpaid interests currently due the Debtor in connection with the 17
23 remaining Loans (excluding prospective interest) is approximately \$817,300.

24 ///

25 ///

26 ///

27

28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

5. Bank of San Francisco Stock

As of the Petition Date, the Debtor was holding 20,000 shares of stock of Bank of San Francisco, which the Debtor estimated to have a value of approximately \$200,000 in Schedule B of its Schedules filed in this Case.

The Bank of San Francisco is a state-chartered bank, with its corporate office located at 575 Market Street, Suite 900, San Francisco, California. Shares of the Bank of San Francisco stock are not traded on any national or regional stock exchanges or over-the counter. Sales of the Bank of San Francisco's shares of stock are generally sold through private transactions between the Bank's registered shareholders and prospective purchasers. The Debtor is informed and believes that once a price for the Bank of San Francisco's shares of stock has been negotiated and a final price has been agreed to by the parties, the private sales transaction is coordinated by the Bank of San Francisco's transfer agent, RTCO (Registrar and Transfer Company), 10 Commerce Drive, Cranford, NJ 07016. RTCO does not charge any commission to the Bank of San Francisco's registered shareholder for the transfer of the Bank's stock.

The Debtor has received one offer to purchase 1,710 shares of the Bank of San Francisco's stock by a proposed purchaser pursuant to private sale for \$12.95 per share for a total purchase price of \$22,144.50. Assuming a price of \$12.95 per share were applied to all 20,000 shares held by the Debtor, it would place the value of the Bank of San Francisco's shares of stock at approximately \$259,000.

6. Ostin Insurance Claim

The Debtor has submitted a claim to the insurance carrier in connection with the damage to the Ostin Property. Thus far, the insurance carrier has only offered approximately \$15,000. The Debtor expressly reserves and preserves the right to pursue any and all claims against Farmers Insurance.

1 **7. Rights of Action/Errors and Omissions Claims**

2 The Debtor also has an interest in Rights of Action. However, the Debtor does not believe
3 that these have significant value.

4 Rights of Action would include any errors and omissions claims involving officers and
5 directors. Although the Debtor does not believe any such claims exist, the Debtor and the
6 Committee continue to investigate those claims which are expressly reserved and preserved in the
7 Disclosure Statement.

8 In connection with the errors and omissions claims, the Debtor maintains insurance
9 coverage through Lloyd's of London. On January 30, 2014 and February 14, 2014, the Committee
10 notified the Debtor of claims asserted against the Debtor and/or its officers and directors, which it
11 contends are covered by insurance. *Exhibit 2* attached to the Disclosure Statement is the notice sent
12 on behalf of the Committee, consisting of a letter dated February 14, 2014 and an email
13 correspondence dated January 30, 2014 describing the nature of the claim for errors and omissions.
14

15
16 **IV.**

17 **SUMMARY OF THE PLAN OF REORGANIZATION**

18 **A. GENERAL STATEMENT ABOUT CLASSIFICATION UNDER THE PLAN**

19 The Plan classifies Claims and Interests in various Classes according to their right to
20 priority. The Plan states whether each Class of Claims or Interests is impaired or unimpaired. The
21 Plan provides the treatment that each Class will receive. A Claim is classified in a particular Class
22 only to the extent that the Claim falls within the Class description.
23

24 **B. UNCLASSIFIED CLAIMS**

25 Certain types of Claims are not placed into voting Classes; and instead they are referred to
26 as "unclassified". Unclassified Claims are not considered impaired and are not entitled to vote on
27 the Plan because such Claims are automatically entitled to specific treatment provided in the
28 Bankruptcy Code. As such, the Debtor has not placed the following Claims into a Class.

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1
2 **1. Administrative Expenses**

3 Administrative Expenses are Claims for costs or expenses of administering the Debtor's
4 Chapter 11 Case which are Allowed under Bankruptcy Code §§503(b) and 507(a)(1), including,
5 without limitation, (i) the actual, necessary costs and expenses incurred after the commencement
6 of the Debtor's Chapter 11 Case, including unpaid property tax and other tax Claims, and (ii)
7 Professional Fee Claims, consisting of compensation for legal and other services and
8 reimbursement of expenses awarded pursuant to Bankruptcy Code §§ 330(a), 331 or 1103.
9

10 The extent and amount of Administrative Claims listed below are a projection of amounts
11 reasonably expected to be unpaid as of the Effective Date, and will be supplemented based upon
12 fee applications filed by the professionals, and actual Tax Claims, if any. The chart below lists all
13 of the Debtor's projected unpaid balances for the Bankruptcy Code §§ 503(b) and 507(a)(1)
14 Administrative Claims and their treatment under the Plan:
15

<u>CLAIMANT</u>	<u>ESTIMATED UNPAID BLANCE OF FEES OWED FROM THE PETITION DATE THROUGH MARCH 31, 2014 (AFER APPLICATION OF RETAINERS)</u>	<u>ESTIMATE OF ADDITIONAL FEES FROM APRIL 1, 2014 THROUGH THE EFFECTIVE DATE².</u>	<u>TOTAL FEES PROJECTED THROUGH CONFIRMATION.</u>	<u>TREATMENT</u>
16 17 18 19 20 21 22 23 24 25 26 CMKF (Debtor's Counsel)	\$210,000	\$100,000	\$310,000	On the later of the Effective Date or the date Allowed by the Bankruptcy Court, the Allowed Claim shall be

27
28 ² For purposes of the estimates of Administrative Claims provided in this Section, the Plan assumes a hypothetical Effective Date of September 30, 2014.

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

<u>CLAIMANT</u>	<u>ESTIMATED UNPAID BLANCE OF FEES OWED FROM THE PETITION DATE THROUGH MARCH 31, 2014 (AFER APPLICATION OF RETAINERS)</u>	<u>ESTIMATE OF ADDITIONAL FEES FROM APRIL 1, 2014 THROUGH THE EFFECTIVE DATE².</u>	<u>TOTAL FEES PROJECTED THROUGH CONFIRMATION.</u>	<u>TREATMENT</u>
Professional fees				paid in full in Cash as required under Bankruptcy Code §1129(a)(9)(A).
SHB (Committee Counsel) Professional fees	\$46,000	\$100,000	\$146,000	On the later of the Effective Date or the date Allowed by the Bankruptcy Court, the Allowed Claim shall be paid in full in Cash as required under Bankruptcy Code §1129(a)(9)(A).
Lombardo (Debtor's Special Counsel) Professional fees		\$9,000		
Biggs & Co. (Debtor's Accountants and Financial Advisors) Professional fees	\$55,000	\$100,000	\$155,000	On the later of the Effective Date or the date Allowed by the Bankruptcy Court, the Allowed Claim shall be paid in full in Cash as required under Bankruptcy Code §1129(a)(9)(A).
Professional fee Expenses	\$25,000	\$25,000	\$50,000	On the later of the Effective Date or the date Allowed by the Bankruptcy Court, the Allowed Claim shall be paid in full in Cash as required under Bankruptcy Code

GREIM MACIAS KOENIG & FREY LLP
 833 WEST FIFTH STREET, 51ST FLOOR
 LOS ANGELES, CALIFORNIA 90071
 (213) 614-1944

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

<u>CLAIMANT</u>	<u>ESTIMATED UNPAID BLANCE OF FEES OWED FROM THE PETITON DATE THROUGH MARCH 31, 2014 (AFER APPLICATION OF RETAINERS)</u>	<u>ESTIMATE OF ADDITIONAL FEES FROM APRIL 1, 2014 THROUGH THE EFFECTIVE DATE².</u>	<u>TOTAL FEES PROJECTED THROUGH CONFIRMATION.</u>	<u>TREATMENT</u>
Committee Expenses		\$5,000	\$5,000	§1129(a)(9)(A). On the later of the Effective Date or the date Allowed by the Bankruptcy Court, the Allowed Claim shall be paid in full in Cash as required under Bankruptcy Code §1129(a)(9)(A).
Clerk's Office Fees	\$0	\$0	\$0	Any fees remaining unpaid as of the Effective Date shall be paid in full on the later of the Effective Date or as soon as practical after the Debtor is notified of any balance due.
Office of the U.S. Trustee Fees	\$0	\$0	\$0	Any fees remaining unpaid as of the Effective Date shall be paid in full on the later of the Effective Date or as soon as practical after the Debtor is notified of any balance due..
Kenneth J. Pingree Jr. (Insider Compensation Claim)	\$29,166.69 [Estimated for the period January 1 through April 1, 2014]	\$33,333.36 [Estimated from the period April 15, 2014 through the Effective Date of the Plan (assuming a hypothetical Effective Date	\$62,500.05 [Total Estimated Administrative Insider Compensation Claim]	On the Effective Date, the right to payment from the Estate on account of the Allowed Claims of Kenneth J. Pingree Jr. for Insider Compensation shall be waived; and, in exchange for such waiver, Kenneth J. Pingree Jr. shall receive

CREIM MACIAS KOENIG & FREY LLP
 633 WEST FIFTH STREET, 51ST FLOOR
 LOS ANGELES, CALIFORNIA 90071
 (213) 614-1944

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

<u>CLAIMANT</u>	<u>ESTIMATED UNPAID BLANCE OF FEES OWED FROM THE PETITION DATE THROUGH MARCH 31, 2014 (AFER APPLICATION OF RETAINERS)</u>	<u>ESTIMATE OF ADDITIONAL FEES FROM APRIL 1, 2014 THROUGH THE EFFECTIVE DATE²,</u>	<u>TOTAL FEES PROJECTED THROUGH CONFIRMATION.</u>	<u>TREATMENT</u>
		of August 1, 2014)]		be entitled to an Allowed Setoff Claim in an amount that is equal to his Allowed Claims for Insider Compensation for the period commencing on the Petition Date through the Effective Date, which Allowed Setoff Claim may be asserted by him against any damage claim against him resulting from, in connection with, or related to, any Right of Action or other litigation initiated against him by, or on behalf of, the Debtor, the Estate, the Liquidation Debtor, the Committee and/or any Creditor in the Case.
Patricia Pingree (Insider Compensation Claim)	\$21,877.94 [Estimated for the period January 1 through April 1, 2014]	\$25,003.36 [Estimated from the period April 15, 2014 through the Effective Date of the Plan (assuming a hypothetical Effective Date of August 1, 2014)]	\$46,881.30 [Total Estimated Administrative Insider Compensation Claim]	On the Effective Date, the right to payment from the Estate on account of the Allowed Claims of Patricia Pingree for Insider Compensation shall be waived; and, in exchange for such waiver, Patricia Pingree shall receive be entitled to an Allowed Setoff Claim in an amount that is equal to her Allowed Claims for Insider

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

<u>CLAIMANT</u>	<u>ESTIMATED UNPAID BLANCE OF FEES OWED FROM THE PETITION DATE THROUGH MARCH 31, 2014 (AFER APPLICATION OF RETAINERS)</u>	<u>ESTIMATE OF ADDITIONAL FEES FROM APRIL 1, 2014 THROUGH THE EFFECTIVE DATE²,</u>	<u>TOTAL FEES PROJECTED THROUGH CONFIRMATION,</u>	<u>TREATMENT</u>
				Compensation for the period commencing on the Petition Date through the Effective Date, which Allowed Setoff Claim may be asserted by her against any damage claim against her resulting from, in connection with, or related to, any Right of Action or other litigation initiated against her by, or on behalf of, the Debtor, the Estate, the Liquidation Debtor, the Committee and/or any Creditor in the Case.
TOTAL PROJECTED ADMINISTRATIVE EXPENSES			\$675,000	(excluding the Allowed Setoff Claims of the Pingrees)

The aggregate amount of Cash required to pay in full all of the foregoing Administrative Claims (excluding the Pingrees setoff claims) is referred to hereinafter collectively as the “**Administrative Claims Funding Amount**”. The aggregate amount of Cash required to pay in full the Administrative Claims Funding Amount is approximately \$675,000, which will be paid from Cash on hand. The projection of fees and expenses set forth above are estimates of fees and expenses projected to be incurred from the Petition Date through a hypothetical Effective Date of

1 September 30, 2014, and are based upon the best information available at the time of the
2 preparation of the Disclosure Statement. Although reasonable efforts have been made to estimate
3 such fees and expenses as accurately as reasonably possible under the circumstances, the actual
4 fees and expenses may vary from the projected amount, and actual results may end up to be less
5 or more than the amounts projected.

6
7 **a. Bankruptcy Court Approval of Fees Required**

8 The Bankruptcy Court must rule on all fees listed in the above chart before the fees will be
9 Allowed. All requests for professional compensation for professionals employed pursuant to
10 Bankruptcy Code § 327 must be requested by applications for final allowance of compensation
11 and reimbursement of expenses. Only the amount of fees approved by the Bankruptcy Court will
12 be Allowed and required to be paid under the Plan. Any objection to Administrative Claims for
13 professional compensation for professionals employed pursuant to Bankruptcy Code § 327 shall
14 be filed on or before the date specified in the application for final compensation and reimbursement
15 of expenses.

16 Professional fees and expenses incurred after the Effective Date will not require
17 Bankruptcy Court approval, and may be billed and paid at any time during the course of
18 liquidation.

19
20 **b. Allowance of Other Administrative Claims**

21 Pursuant to the Plan, the Administrative Claims Bar Date is a date set forth in the
22 Confirmation Order. All Administrative Claims (excluding professional compensation for
23 professionals employed pursuant to Bankruptcy Code § 327) must have been asserted by the filing
24 of a POC (i) designated as a request for payment of Administrative Expenses, (ii) asserting that
25 such claim is allowable pursuant to Bankruptcy Code § 503(b), (iii) stating the amount of such
26 claim, (iv) stating the basis of such claim, and (v) attaching documentation in support of such
27 claim.
28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 Any objection to any Administrative Claim (excluding those to professional compensation
2 for professionals employed pursuant to Bankruptcy Code § 327) must be filed within one-hundred
3 and twenty (120) days from the date such Administrative Claim is filed.

4
5 HOLDERS OF ADMINISTRATIVE CLAIMS (INCLUDING, WITHOUT
6 LIMITATION, PROFESSIONALS) REQUESTING COMPENSATION OR
7 REIMBURSEMENT OF EXPENSES THAT DO NOT FILE SUCH REQUESTS
8 BY THE ADMINISTRATIVE CLAIMS BAR DATE SHALL BE FOREVER
9 BARRED FROM ASSERTING SUCH CLAIMS AGAINST THE DEBTOR, THE
10 DEBTOR'S ESTATE, LIQUIDATION DEBTOR OR PROPERTY OF
11 LIQUIDATION DEBTOR OR ASSETS OR PROCEEDS HELD BY THE PLAN
12 ADMINISTRATOR.

13 **2. Unclassified Priority Claims**

14 Priority Claims are certain types of Claims entitled to priority under the Bankruptcy Code.
15 Certain types of Priority Claims are unclassified. Unclassified Priority Claims are not entitled to
16 vote because such claims are not placed in Classes and they are required to receive certain
17 treatment specified by the Bankruptcy Code.

18 Unclassified Priority Claims include Priority Tax Claims. Priority Tax Claims are certain
19 unsecured claims of governmental entities for taxes, based on income, employment and other taxes
20 described by Bankruptcy Code § 507(a)(8). The Bankruptcy Code requires that each Holder of
21 such a Section 507(a)(8) Priority Tax Claim receive the present value of such Claim in deferred
22 Cash payments, over a period not exceeding five (5) years from the Petition Date.

23 The following chart lists all of the Debtor's Unclassified Priority Claims and their treatment
24 under the Plan.

<u>DESCRIPTION</u>	<u>AMOUNT OWED</u> <i>(Estimated)</i>	<u>TREATMENT</u>
<p>CITY OF LOS ANGELES OFFICE OF FINANCE</p> <p><i>Type of Claim:</i> Priority Tax Claim</p> <p>[Disputed Claim]</p>	<p>[Total Claim Asserted by such Claimant is \$7,202.48, including interest and penalties pursuant to POC No. 37]</p> <p>Priority Claim asserted by such Claimant is \$5,247.23</p>	<p>Unless otherwise agreed by the Liquidation Debtor and Plan Administrator and the claimant, the Holder of the Allowed Unclassified Priority Claims shall receive the full amount of its Allowed Claim in Cash on the Effective Date or as soon as practical thereafter.</p>

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

<u>DESCRIPTION</u>	<u>AMOUNT OWED</u> <u>(Estimated)</u>	<u>TREATMENT</u>
	per POC No. 37 Debtor's estimate of the amount owed to such Claimant is \$0 Penalties, if any, shall be treated in Class 7	
IRS <i>Type of Claim:</i> Priority Payroll Tax Claim for 4th quarter 2013 pursuant to IRS estimate. [Disputed Claim]	Priority Claim asserted by such Claimant is \$8,802.91 pursuant to POC No. 2-1 Debtor's estimate of the amount owed to such Claimant is \$0 Penalties, if any, shall be treated in Class 7	Unless otherwise agreed by the Liquidation Debtor and Plan Administrator and the claimant, the Holder of the Allowed Unclassified Priority Claims shall receive the full amount of its Allowed Claim in Cash on the Effective Date or as soon as practical thereafter.

The IRS has filed a claim (POC No. 2-1) in the amount of \$8,802.91 for Priority Payroll Tax for the fourth quarter of 2013, which appears to be a precautionary proof of claim. The Debtor believes it is current with payroll tax and that no amount will be owed. Biggs & Co. is working with the IRS to withdraw the claim. Nevertheless, the Plan provides for treatment of such IRS Claim as a precautionary measure. Similarly, the City of Los Angeles Office of Finance has filed a claim (POC No. 37) in the amount of \$7,202.48 of which \$5,247.23 is the Priority Claim and the balance consists of interest and penalties. The Debtor disputes the Claim of the City of Los Angeles Office of Finance, and believes that there is no tax due and owing. Biggs & Co. is working with the City of Los Angeles Office of Finance to voluntarily withdraw the claim. Nevertheless, the Plan also provides for treatment of such claim as a precautionary measure.

C. CLASSIFIED CLAIMS AND INTERESTS

1. Classes of Secured Claims

The following charts identify the Plan's treatment of the Classes containing all of the Debtor's Secured Claims:

CREIM MACIAS KOENIG & FREY LLP
 633 WEST FIFTH STREET, 51ST FLOOR
 LOS ANGELES, CALIFORNIA 90071
 (213) 614-1944

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

CLASS NO.	DESCRIPTION	TREATMENT
CLASS 1	Class 1 consists of Allowed Secured Tax Claims. Each such Allowed Secured Claim shall be deemed and treated as a separate sub-class of Class 1 (e.g. Class 1A, 1B, 1C etc.). Class 1 is unimpaired under the Plan.	
1A	<p>Secured Claim of: LOS ANGELES COUNTY TREASURER AND TAX COLLECTOR</p> <p><i>Collateral description = OSTIN PROPERTY AND WEST 8TH PROPERTY</i></p> <p>Filed Claim Amount= \$48,005.97 per POC No. 7</p> <p>Debtor's Estimate of the Amount of the Claim = \$40,673.61</p> <p>Debtor's Estimate of the Fair Market Value of Collateral = \$1,556,902</p> <p>General Unsecured Claim = \$0</p> <p>Penalties, if any, shall be treated in Class 7</p>	<p>If not paid in full prior to the Effective Date pursuant to the Priority Tax Claim Motion, the Allowed Secured Tax Claim will be paid in respect of such Allowed Secured Tax Claim one of the following:</p> <p>Alternative 1. The full amount thereof, without post-petition interest or penalty, (less any and all amounts paid after the Petition Date and prior to the Effective Date) in Cash, as soon as practicable after the later of (i) the Effective Date or (ii) ten (10) Business Days after the date on which such Secured Tax Claim becomes an Allowed Secured Tax Claim, or</p> <p>Alternative 2. A lesser amount as agreed to by the Holder of an Allowed Secured Tax Claim and the Debtor (after reasonable consultation with the Committee) prior to the Effective Date, or, after the Effective Date, by the Holder of an Allowed Secured Tax Claim, and the Plan Administrator and Liquidation Debtor, or</p> <p>Alternative 3. At the election of the Plan Administrator and Liquidation Debtor, in accordance with Bankruptcy Code § 1129(a)(9)(C), equal quarterly installments paid over a period ending no later than the fifth (5th) year anniversary of the Petition Date (and in such event, interest shall be paid on the unpaid portion of such Allowed Secured Tax Claims at a rate to be agreed to by the Plan Administrator, Liquidation Debtor and the appropriate Governmental Unit (or, if they are unable to agree, as determined by the Bankruptcy Court).</p>

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

CLASS NO.	DESCRIPTION	TREATMENT
		<p>Reservation of Defenses, Objections, Counterclaims and Other Rights. Any defenses, objections, counterclaims, rights, rights of offset or recoupment of the Debtor or the Estate with respect to any Allowed Secured Tax Claim shall vest in and inure to the benefit of the Liquidation Debtor. .</p> <p>Further Assurances. The Holders of the Allowed Secured Tax Claims shall promptly execute and deliver any and all documents and take such other or further actions as are reasonably necessary, appropriate or requested by the Plan Administrator and/or Liquidation Debtor to effectuate the provisions of the Plan.</p>
1B	<p>Secured Claim of: COUNTY OF SAN LUIS OBISPO</p> <p><i>Collateral description = CALLE LAGUNA PROPERTY</i></p> <p>Claim Amount= \$68,382.13</p> <p>Debtor's Estimate of the Amount of the Claim = \$52,888.60</p> <p>Debtor's Estimate of the Fair Market Value of Collateral = \$1,715,449</p> <p>General Unsecured Claim = \$0</p> <p>Penalties, if any, shall be treated in Class 7</p>	<p>If not paid in full prior to the Effective Date pursuant to the Priority Tax Claim Motion, the Allowed Secured Tax Claim will be paid in respect of such Allowed Secured Tax Claim one of the following:</p> <p>Alternative 1. The full amount thereof, without post-petition interest or penalty, (less any and all amounts paid after the Petition Date and prior to the Effective Date) in Cash, as soon as practicable after the later of (i) the Effective Date or (ii) ten (10) Business Days after the date on which such Secured Tax Claim becomes an Allowed Secured Tax Claim, or</p> <p>Alternative 2. A lesser amount as agreed to by the Holder of an Allowed Secured Tax Claim and the Debtor (after reasonable consultation with the Committee) prior to the Effective Date, or, after the Effective Date, by the Holder of an Allowed Secured Tax Claim, and the Plan Administrator and Liquidation Debtor, or</p> <p>Alternative 3. At the election of the Plan Administrator and Liquidation Debtor, in</p>

CREIM MACIAS KOENIG & FREY LLP
 633 WEST FIFTH STREET, 51ST FLOOR
 LOS ANGELES, CALIFORNIA 90071
 (213) 614-1944

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

CLASS NO.	DESCRIPTION	TREATMENT
		<p>accordance with Bankruptcy Code § 1129(a)(9)(C), equal quarterly installments paid over a period ending no later than the fifth (5th) year anniversary of the Petition Date (and in such event, interest shall be paid on the unpaid portion of such Allowed Secured Tax Claims at a rate to be agreed to by the Plan Administrator, Liquidation Debtor and the appropriate Governmental Unit (or, if they are unable to agree, as determined by the Bankruptcy Court).</p> <p>Reservation of Defenses, Objections, Counterclaims and Other Rights. Any defenses, objections, counterclaims, rights, rights of offset or recoupment of the Debtor or the Estate with respect to any Allowed Secured Tax Claim shall vest in and inure to the benefit of the Liquidation Debtor. .</p> <p>Further Assurances. The Holders of the Allowed Secured Tax Claims shall promptly execute and deliver any and all documents and take such other or further actions as are reasonably necessary, appropriate or requested by the Plan Administrator and/or Liquidation Debtor to effectuate the provisions of the Plan.</p>
1C	<p>Secured Claim of: COUNTY OF VENTURA</p> <p><i>Collateral description = OCEAN DRIVE PROPERTY</i></p> <p>Claim Amount= \$72,403.54</p> <p>Debtor's Estimate of the Amount of the Claim = \$72,403.54</p> <p>Debtor's Estimate of the Fair Market Value of Collateral = \$1,824,525</p> <p>General Unsecured Claim = \$0</p>	<p>If not paid in full prior to the Effective Date pursuant to the Priority Tax Claim Motion, the Allowed Secured Tax Claim will be paid in respect of such Allowed Secured Tax Claim one of the following:</p> <p>Alternative 1. The full amount thereof, without post-petition interest or penalty, (less any and all amounts paid after the Petition Date and prior to the Effective Date) in Cash, as soon as practicable after the later of (i) the Effective Date or (ii) ten (10) Business Days after the date on which such Secured Tax Claim becomes an Allowed Secured Tax Claim, or</p>

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

CLASS NO.	DESCRIPTION	TREATMENT
	Penalties, if any, shall be treated in Class 7	<p>Alternative 2. A lesser amount as agreed to by the Holder of an Allowed Secured Tax Claim and the Debtor (after reasonable consultation with the Committee) prior to the Effective Date, or, after the Effective Date, by the Holder of an Allowed Secured Tax Claim, and the Plan Administrator and Liquidation Debtor, or</p> <p>Alternative 3. At the election of the Plan Administrator and Liquidation Debtor, in accordance with Bankruptcy Code § 1129(a)(9)(C), equal quarterly installments paid over a period ending no later than the fifth (5th) year anniversary of the Petition Date (and in such event, interest shall be paid on the unpaid portion of such Allowed Secured Tax Claims at a rate to be agreed to by the Plan Administrator, Liquidation Debtor and the appropriate Governmental Unit (or, if they are unable to agree, as determined by the Bankruptcy Court).</p> <p>Reservation of Defenses, Objections, Counterclaims and Other Rights. Any defenses, objections, counterclaims, rights, rights of offset or recoupment of the Debtor or the Estate with respect to any Allowed Secured Tax Claim shall vest in and inure to the benefit of the Liquidation Debtor. .</p> <p>Further Assurances. The Holders of the Allowed Secured Tax Claims shall promptly execute and deliver any and all documents and take such other or further actions as are reasonably necessary, appropriate or requested by the Plan Administrator and/or Liquidation Debtor to effectuate the provisions of the Plan.</p>

CREIM MACIAS KOENIG & FREY LLP
 633 WEST FIFTH STREET, 51ST FLOOR
 LOS ANGELES, CALIFORNIA 90071
 (213) 614-1944

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

CLASS NO.	DESCRIPTION	TREATMENT
CLASS 2	<p>Secured Claim of: RCS</p> <p><i>Collateral description = OSTIN PROPERTY</i></p> <p>Filed Claim Amount= None</p> <p>Scheduled Claim = \$370,000</p> <p>Debtor's Estimate of the Amount of the Claim = \$371,902.17</p> <p>Scheduled Value of Ostin Property = \$875,000</p> <p>Debtor's Estimate of the Fair Market Value of Collateral = \$670,000</p> <p>General Unsecured Claim = \$0</p>	<p>Class 2 consists of the Allowed Secured Claim of RCS, the Holder of the first lien against the Ostin Property. Class 2 is <u>unimpaired</u> under the Plan, and the legal, equitable, and contractual rights of the Holder of the Allowed Class 2 Secured Claim is unaltered by the Plan. Except to the extent that the Holder of the Allowed Class 2 Secured Claim agrees to a less favorable treatment to such Holder, on the Effective Date, the Allowed Class 2 Secured Claim shall be treated as follows:</p> <p>Unimpaired Treatment. The Holder of the Allowed Class 2 Secured Claim shall be treated in a manner such that the Allowed Class 2 Secured Claim shall be rendered unimpaired on the later of the Effective Date and the date on which such Class 2 Secured Claim becomes an Allowed Claim or as soon as reasonably practicable thereafter have its Allowed Class 2 Secured Claim be reinstated in accordance with Bankruptcy Code § 1124, which treatment may include the assumption of such Allowed Class 2 Secured Claim by a purchaser of the Ostin Property, provided, however, that such assumption is permitted under the applicable loan documents.</p> <p>Payment in Full. Upon sale of the Ostin Property, the Holder of the Allowed Class 2 Secured Claim shall receive Cash in an amount equal to such Allowed Class 2 Secured Claim as soon as practical following close of escrow for the sale of the Ostin Property.</p> <p>Retention of Lien Rights. The lien to which the Holder of the Allowed Class 2 Secured Claim is entitled shall remain in place and unaltered by the Plan.</p> <p>Reservation of Defenses, Objections,</p>

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

CLASS NO.	DESCRIPTION	TREATMENT
		<p>Counterclaims and Other Rights. Any defenses, objections, counterclaims, rights, rights of offset or recoupment of the Debtor or the Estate with respect to such Claim shall vest in and inure to the benefit of the Liquidation Debtor.</p> <p>Further Assurances. The Holder of the Allowed Class 2 Secured Claim shall promptly execute and deliver any and all documents and take such other or further actions as are reasonably necessary, appropriate or requested by the Plan Administrator and/or Liquidation Debtor to effectuate the provisions of the Plan.</p>

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

The Ostin Property is an REO, now owned by the Debtor. The Ostin Property is residential real estate, located on the Westside of Valley Circle Boulevard in Woodland Hills, California. RCS hold a first deed of trust against the Ostin Property, securing the RCS Loan, which has an unpaid principal balance of approximately \$371,902.17. The property taxes are current. The Debtor acquired title to the Ostin Property by foreclosing on its junior lien. Although the Debtor is not the borrower under the RCS Loan, the Debtor continues to service the RCS Loan since acquiring its interest in foreclosure.

The Ostin Property currently generates no income and is vacant. The prior owners left the property in such a state of disrepair that it would not be in the interest of public safety for it to be lease at this time, without a substantial expenditure of funds by the Debtor. The expenses (excluding utilities) consists of, among other expenses, the monthly debt service to RCS in the approximate amount of \$3,728.96, insurance of \$236.83 per month and pool service of approximately \$90 per month. Under the Plan, the Debtor intends to continue to service the debt and expenses until sale of the Ostin Property.

The Debtor scheduled its interest in the Ostin Property in Schedule A as having a value of approximately \$875,000. The Debtor initially estimated the value based on a 2005 appraisal for

1 \$1,050,000, and the current market value in the area. The area in the San Fernando where the
2 Ostin Property is located is a desirable area, with comparables in the areas selling for as much as
3 \$800,000 to \$900,000. Unfortunately, the Ostin Property has considerable deferred maintenance.
4 The former owners left the house with a number of safety issues, such as missing staircase
5 banisters. In addition, the former owners, who the Debtor evicted after foreclosure, have removed
6 a number of kitchen and bathroom appliances.

7 The Ostin Property is currently listed for sale with Keller Williams Estate Properties,
8 Calabasas. The Debtor has recently received an offer for approximately \$670,000. The Debtor is
9 hopeful that a sale will be closed prior to the Effective Date.
10

CLASS NO.	DESCRIPTION	TREATMENT
CLASS 3	<p>OTHER SECURED CLAIMS, INCLUDING AGAINST ANY REO'S (EXCLUDING THE SECURED CLAIM IN CLASS 1 AND 2).</p> <p><i>Collateral description</i> = None</p> <p>Filed Claim Amount= N/A</p> <p>Scheduled Claim = N/A</p> <p>Debtor's Estimate of the Amount of the Claim = N/A</p> <p>General Unsecured Claim = N/A</p>	<p>Class 3 consists of all Other Secured Claims against any of the Assets, excluding those set forth in Classes 1 and 2. Each such Allowed Secured Claim shall be deemed and treated as a separate sub-class of Class 3 (e.g. Class 3A, 3B, 3C etc.). Class 3 is unimpaired under the Plan.</p> <p>Unless the Holder of an Allowed Class 3 Claim in a particular Class 3 subclass agrees to other treatment, on or as reasonably practical after the Effective Date, such Holder shall receive, at the Liquidation Debtor's option:</p> <p>Alternative 1: Cash in the Allowed amount of such Holder's Allowed Class 3 Secured Claim;</p> <p>Alternative 2: The return of the collateral securing such Allowed Class 3 Secured Claim; or,</p> <p>Alternative 3: (a) The cure of any default, other than a default of the kind specified in Bankruptcy Code § 365(b)(2) that Bankruptcy Code § 1124(2) requires to be cured, with respect to such Holder's</p>

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

<i>CLASS NO.</i>	<i>DESCRIPTION</i>	<i>TREATMENT</i>
		<p>Allowed Class 3 Claim, without recognition of any default rate of interest or similar penalty or charge, and upon such cure, no default shall exist; (b) the reinstatement of the maturity of such Allowed Class 3 Claim as the maturity existed before any default, without recognition of any default rate of interest or similar penalty or charge; and, (c) its unaltered legal, equitable, and contractual rights with respect to such Allowed Class 3 Claim.</p> <p>Reservation of Defenses, Objections, Counterclaims and Other Rights. Any defenses, objections, counterclaims, rights, rights of offset or recoupment of the Debtor or the Estate with respect to such Claim shall vest in and inure to the benefit of the Liquidation Debtor.</p> <p>Further Assurances. Each Holder of an Allowed Class 3 Secured Claim shall promptly execute and deliver any and all documents and take such other or further actions as are reasonably necessary, appropriate or requested by the Plan Administrator and/or Liquidation Debtor to effectuate the provisions of the Plan.</p>

The Debtor does not believe that any Class 3 Claims exist as of the date of the Disclosure Statement. The Debtor has provided for treatment of this Class merely as a precautionary measure, such as in the event the Debtor forecloses on property and acquires another REO subject to a senior lien prior to the Effective Date, or in the event that a Claim is filed or the Debtor discovers a claim, which was previously unknown or overlooked at the time it prepared its Schedules. The provision for this Class and the subclasses under the Plan are intended to avoid the necessity of later amendment or modification of the Plan should a Claim that qualifies for treatment in this Class be ascertained prior to Confirmation.

2. Classes of Commercial Paper Account Claims and General Unsecured Claims.

General Unsecured Claims and Commercial Paper Account Claims are unsecured Claims not entitled to priority under Bankruptcy Code §507(a). The following charts identify the Plan's treatment of the Classes containing the Debtor's Allowed General Unsecured Claims and Allowed Commercial Paper Account Claims.

a. CLASS 4 - Classification and Treatment of Early Cash-Out Election Class.

CLASS NO.	DESCRIPTION	TREATMENT
CLASS 4	<p>EARLY CASH-OUT ELECTION CLASS</p> <p>Debtor's estimate as to the number of Commercial Paper Account Claims equal to and under \$150,000, eligible to opt into this Class = approximately 133</p> <p>Debtor's estimate as to the aggregate amount of the Commercial Paper Account Claims equal to and under \$150,000 eligible to opt into this Class = approximately \$4,969,234.85</p> <p>Debtor's estimate as to the possible aggregate amount of potential distribution to Early Cash-Out Election Claims (assuming each and every Holder of a Commercial Paper Account Claim equal to or under \$150,000 eligible to opt into Class 4 actually opts into this Class 4 = approximately \$1,739,232.20</p>	<p>Class 4 is an Early Cash-Out Election Class created for any Holder of Allowed Commercial Paper Account Claim or Allowed General Unsecured Claim whose unpaid principal balance and accrued and unpaid interest as of the Petition Date is greater than \$0 and less than or equal to \$150,000, and who would rather accept a discounted payoff on the Effective Date, rather than accepting deferred payments and waiting for the orderly liquidation to be completed. The election to opt into the Early Cash-Out Election Class is available to any Holder of an Allowed Commercial Paper Account Claim and/or Allowed General Unsecured Claim whose unpaid principal balance and accrued and unpaid interest as of the Petition Date is in an amount that is greater than \$0 and less than or equal to \$150,000, and who voluntarily elects to opt into Class 4 (in the manner and on the conditions set forth below) and be treated as a Holder of an Early Cash-Out Election Claim. In the absence of timely election and compliance with each of the conditions, the Holders of Allowed Commercial Paper Account Claims and/or Allowed General Unsecured Claims will automatically be treated in Classes 5, 6 and/or 7, as applicable.</p> <p>In order for any Holder an Allowed Commercial Paper Account Claim or Allowed General</p>

CREIM MACIAS KOENIG & FREY LLP
 633 WEST FIFTH STREET, 51ST FLOOR
 LOS ANGELES, CALIFORNIA 90071
 (213) 614-1944

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

CLASS NO.	DESCRIPTION	TREATMENT
		<p>Unsecured Claim to opt into Class 4 and receive the treatment provided in Class 4 (a) the portion of such Holder's Commercial Paper Account Claim or General Unsecured Claim representing the unpaid principal balance and accrued and unpaid interest as of the Petition Date must be Allowed in an amount that is greater than \$0 and less than or equal to \$150,000; (b) each such Holder must voluntarily elect on the Ballot (or other written instrument submitted and satisfactory to the Debtor) to be treated as an Early Cash-Out Election Claim in Class 4; and, (c) each such Holder must execute and deliver to the Debtor prior to the Ballot Deadline (i) a Ballot accepting the Plan, and (ii) the Release.</p> <p>Any Holder an Allowed Commercial Paper Account Claim or Allowed General Unsecured Claim qualifying and electing treatment in Class 4, in exchange for the treatment provided in Class 4, waives as of the Effective Date, any and all other Claims of any kind or nature, including, without limitation, those qualifying for treatment in Classes 5, 6 and/or 7, and also waives any further right to participate in, or receive, any further Distribution under, or in connection with, the Plan.</p> <p>Any Holder of an Allowed Commercial Paper Account Claim or Allowed General Unsecured Claim that fails to <u>timely</u> comply with (a), (b) and (c)(i) and (c)(ii) above, will automatically have their Allowed Claims treated in Classes 5, 6 and/or 7, as applicable.</p> <p>The Holders of Claims in this Class are <u>impaired</u> under the Plan and entitled to vote on the Plan. However, to qualify for treatment in Class 4, the Holder must vote to <u>accept</u> the Plan. In the event that any Holder rejects the Plan, such Holder will be deemed <u>not</u> to have made a timely election to opt into Class 4, and such Holder's Commercial Paper Account Claim or General Unsecured Claim (as applicable) will be treated in Classes 5, 6 and/or 7, as applicable.</p>

CREIM MACIAS KOENIG & FREY LLP
833 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

CLASS NO.	DESCRIPTION	TREATMENT
		<p>Each Holder of an Allowed Early Cash-Out Election Claim that elects and qualifies for treatment in Class 4 will receive, as soon as practical after the later of (i) the Effective Date or (ii) ten (10) Business Days after the date on which such Claim is determined to qualify as an Allowed Early Cash-Out Election Claim, in full, final and complete satisfaction of any and all of its Allowed Claims, including without limitation, its Allowed Claims in Classes 5, 6, and 7, one of the following Alternative Treatments at the election of the Debtor:</p> <p>Alternative 1: If the aggregate of the Early Cash-Out Loan and seventy percent (70%) of Effective Date Available Cash on hand as of the Effective Date is sufficient to permit the Plan Administrator to make the entire Early Cash-Out Election Claim Payment on the Effective Date, each Holder of an Allowed Early Cash-Out Election Claim will receive one Cash payment on the Effective Date in an amount that is equal to thirty-five percent (35%) of its Allowed Early Cash-Out Election Claim in full, final and complete satisfaction of any and all Claims of any kind or nature whatsoever, including, without limitation, its Allowed Commercial Paper Account Claims in Classes 5, 6, and/or 7 and/or Allowed General Unsecured Claims in Class 5, and such Holder will <u>not</u> be entitled to any future Distribution whatsoever under the Plan.</p> <p>Alternative 2: Alternatively, in the event that the aggregate of the Early Cash-Out Loan and seventy percent (70%) of the Effective Date Available Cash on hand as of the Effective Date is not sufficient to permit the Plan Administrator to make the entire Early Cash-Out Election Claim Payment on the Effective Date, each Holder of an Allowed Early Cash-Out Election Claim will receive the following:</p> <p>(i) One payment on the Effective Date from seventy percent (70%) of Effective Date</p>

CREIM MACIAS KOENIG & FREY LLP
 633 WEST FIFTH STREET, 51ST FLOOR
 LOS ANGELES, CALIFORNIA 90071
 (213) 614-1944

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

CLASS NO.	DESCRIPTION	TREATMENT
		<p>Available Cash and the proceeds of the Early Cash-Out Loan, distributed Pro Rata among the other Holders of Allowed Early Cash-Out Election Claims electing treatment in this Class; and,</p> <p>(ii) A second payment as soon as practicable after the Plan Administrator has accumulated sufficient Available Cash after the Effective Date to make a further Distribution in such amount so that the payment received by such Holder on the Effective Date under paragraph (i) above, and the additional payment received from seventy percent (70%) of Available Cash after the Effective Date under this paragraph (ii), are equal to an aggregate of thirty-five and one-half percent (35 ½ %) of each Holders Allowed Early Cash-Out Election Claim.</p> <p>Pursuant to Alternative 2, once each Holder of the Allowed Early Cash-Out Election Claim receives payment under paragraphs (i) and (ii) in an amount that is equal to thirty-five and one-half percent (35 ½ %) of its Allowed Early Cash-Out Election Claim, such Distribution shall be in full, final and complete satisfaction of any and all Claims of any kind or nature whatsoever, including, without limitation, its Allowed Commercial Paper Account Claims in Classes 5, 6, and/or 7 and/or Allowed General Unsecured Claims in Class 5, and such Holder will <u>not</u> be entitled to any future Distribution whatsoever under the Plan</p> <p>The Debtor shall file a Plan Supplement with the Bankruptcy Court on or before the Exhibit Filing Date, which shall specify the number of Early Cash-Out Election Claims and the amount of such claims electing to be treated in Class 4, and whether the Plan Administrator must adopt Alternative 1 or 2 treatment above. Such Plan Supplement shall be served on the Committee, UST, Holders of the Early Cash-Out Election Claims and Holders of Commercial Paper</p>

CLASS NO.	DESCRIPTION	TREATMENT
		Account Claims participating in the Exit Financing Group to the extent known to the Debtor at the time.

The Early Cash-Out Election Class is an elective Class available to the Holders of Allowed Commercial Paper Account Claims whose claims are \$150,000 or less, as well as to Holders of Allowed General Unsecured Claims. The Debtor is aware of only one General Unsecured Claims at this time, which the Debtor does not anticipate will opt into Class 4 (see discussion in Class 5 below). Therefore, Class 4 is primarily created for the benefit of Commercial Paper Account Holders whose unpaid principal balance and accrued and unpaid interest as of the Petition Date is \$150,000 or less, and who would rather accept a discounted payoff, rather than accepting deferred payments and waiting for the orderly liquidation to be completed.

The election to be treated in this Class must be made on the Ballot accepting the Plan by the Ballot Deadline. Qualified Commercial Paper Account Holders electing into this Class will receive upon confirmation of the Plan, thirty-five percent (35%) of the amount of its principal balance and accrued and unpaid interest as of the date of filing of the Chapter 11. By way of example, assuming a Commercial Paper Account Holder has a claim for \$100,000, such creditor will receive \$35,000 in full and final satisfaction of its claims.

Out of an estimated 175 Commercial Paper Account Claims, the Debtor estimates that the number of Commercial Paper Account Claims equal to and under \$150,000 eligible to opt into Class 4 is approximately 133. The Debtor estimates that the aggregate amount of the Commercial Paper Account Claims equal to and under \$150,000 eligible to opt into Class 4 is approximately \$4,969,235, assuming each and every Holder of a Commercial Paper Account Claims eligible to opt into Class 4, actually opts into Class 4.

Until the elections are actually received by the Debtor, the Debtor cannot reasonably project with exactitude the precise number, and amount of the claims, of the Commercial Paper Account Holders (with claims equal to or under \$150,000) who will actually elect into Class 4.

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 Therefore, the Debtor cannot predict with any degree of certainty whether or not the Plan
2 Administrator will have cash on hand as of confirmation of its Plan sufficient to fund the entire
3 thirty-five percent to all creditors electing treatment in Class 4 due to the number of variables
4 involved.

5 For this reason, among others, the initial version of the Debtor's Plan proposed a much
6 lower ceiling than \$150,000. During negotiations, the Committee requested pushing the maximum
7 amount required to qualify for Class 4 to \$200,000. However, the Debtor is concerned that opening
8 the election to Commercial Paper Account Claims of \$200,000 or less may have a materially
9 adverse impact upon feasibility of the Plan because the amount of Commercial Paper Account
10 Claims qualifying for Class 4 swells to over \$7 million at that ceiling, thereby potentially resulting
11 in a material increase in the Effective Date Available Cash necessary to fund a payment of 35% to
12 Class 4 on the Effective Date. The Debtor believes that the \$150,000 set forth in the Plan
13 represents a fair compromise balancing, on the one hand, the desire of the Committee to reduce
14 the number of Commercial Paper Account Claims in order to increase distribution to larger claim
15 Holders in Class 5, and, on the other hand, the desire of the Debtor to ensure that the Plan is
16 feasible.

17 By way of example, with a \$150,000 ceiling to qualify for treatment in Class 4, the Debtor
18 estimates that the possible aggregate amount of potential distribution required to pay the Early
19 Cash-Out Election Claims on the Effective Date could be as much as \$1,739,232, assuming each
20 and every Holder of a Commercial Paper Account Claim (equal to or under \$150,000) eligible to
21 opt into Class 4, actually opts into Class 4. Although this is a highly unlikely scenario, it is a
22 possible one. [The Debtor's financial analysis is discussed in more detail in the Financial Sections
23 of the Disclosure Statement contained in Sections V and VI and the exhibits, and the reader is
24 encouraged to review those sections and the attached exhibits.]

25 For purposes of illustration only, if the unlikely hypothetical comes to fruition whereby
26 each and every eligible Commercial Paper Account Holder (holding a claim of \$150,000 or less)
27 opts into Class 4, it could result in the Debtor having a shortfall of approximately \$830,403 in the
28

CREIM MACIAS KOENIG & FREY LLP
833 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 amount of Effective Date Available Cash required for it to satisfy the requisite 35% payment to
2 each Holder of an Early Cash-Out Election Claims on the Effective Date. The foregoing
3 calculation in the shortfall of Effective Date Available Cash under this scenario is arrived at by
4 taking the Debtor's projected cash on hand as of the Effective Date in the estimated amount of
5 \$2,297,341, consisting of cash on hand of \$2,044,723 as of March 1, 2014 and assuming additional
6 net proceeds of \$252,618 resulting to the Estate from the sale of the Ostin Property (after payment
7 of the senior lienholder, RCS and closing costs, including broker's commissions); deducting
8 approximately \$689,050 required to pay and/or reserve for projected Administrative Claims and
9 Disputed Tax Claims on the Effective Date; deducting \$207,148 required to pay Secured Property
10 Tax Claims; deducting \$100,000 for Plan Reserves (leaving a balance of approximately
11 \$1,301,143); and then distributing 70% of the balance (approximately \$910,800 of Effective Date
12 Available Cash out of the required \$1,739,232). As stated, the foregoing hypothetical will leave a
13 shortfall of approximately \$830,403 in the amount of Effective Date Available Cash required for
14 it to satisfy the requisite 35% payment to each Holder of an Early Cash-Out Election Claims on
15 the Effective Date.

16 The Debtor does not anticipate the shortfall to be as high as projected in the hypothetical
17 discussed above, because, among other reasons, it is not likely that each and every Holder of a
18 Commercial Paper Account Claim eligible to opt into Class 4, will, in fact, actually opt into Class
19 4. In addition, Administrative Claims or Plan Reserves could be less than projected (although it
20 is entirely possible that they may be higher as well).

21 Accordingly, the Plan proposes a number of alternatives for covering the shortfall should
22 the number of elections be higher than anticipated. One or two Commercial Paper Account
23 Holders having larger claims have offered to make the Early Cash-Out Loan, which is a loan to
24 the Liquidation Debtor of funds necessary to cover any shortfall, if required. The terms of the
25 Early Cash-Out Loan are described in more detail elsewhere in the Disclosure Statement.

26 In addition, because of the number of uncertainties at this time respecting the number of
27 elections and the amount of the Early Cash-Out Loan proceeds needed, if any, the Plan gives the
28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 Plan Administrator the option of making two payments (instead of just one) if the combined sum
2 of the Effective Date Available Cash and Early Cash-Out Loan proceeds as of the Effective Date
3 of the Plan are still not sufficient to make the entire 35% payment on the Effective Date of the
4 Plan. In the event that the Plan Administrator is required to make two payments, the up-front cash
5 payout will be increased an additional one-half of one percent ($\frac{1}{2}\%$) from 35% to $35\frac{1}{2}\%$ to
6 compensate for the delay in the second payment.

7 By way of example, assuming the hypothetical discussed above whereby each and every
8 eligible Commercial Paper Account Holder (holding a claim of \$150,000 or less) opts into Class
9 4, and further assuming that no Early Cash-Out Loan is made to the Debtor, the Plan Administrator
10 would have the option under the Plan of distributing one payment on the Effective Date from the
11 aggregate amount of \$910,800 of projected Effective Date Available Cash to 133 Holders of Early
12 Cash-Out Election Claims on a Pro Rata basis, resulting in an initial distribution of 19% to each
13 Holder of an Early Cash-Out Election Claim on the Effective Date. Thereafter, the Plan
14 Administrator will distribute a second payment equal to an additional $16\frac{1}{2}\%$ to each Holder of an
15 Early Cash-Out Election Claim from 70% of Available Cash as soon as practical following the
16 Plan Administrators accumulation of sufficient Available Cash from the proceeds of liquidation to
17 make such payment, so that the aggregate of the two payments to each Holder of an Early Cash-
18 Out Election Claim is equal to $35\frac{1}{2}\%$ of such Holders Early Cash-Out Election Claim. Assuming,
19 for example, that the principal balance and accrued and unpaid interest as of the Effective Date
20 owed to a Holder of a Commercial Paper Account Claim is \$100,000 and such Holder timely elects
21 to opt into Class 4, the numerical distribution pursuant to this example would result in one payment
22 of approximately \$19,000 on the Effective Date and a second payment of \$16,500 thereafter, for
23 an aggregate payment of \$35,500 in full and final satisfaction of any and all Claims asserted by
24 such Commercial Paper Account Holder. Alternatively, assuming it is available, the Plan
25 Administrator will likely use the proceeds of the Early Cash-Out Loan to fund the shortfall so that
26 the entire 35% will be made on the Effective Date.

CREIM MACIAS KOENIG & FREY LLP
833 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 However, the Debtor does not anticipate a shortfall in the magnitude of the hypothetical
2 set forth above, and anticipates that the Plan Administrator may have sufficient Effective Date
3 Available Cash to distribute the entire 35% on the Effective Date, because a more realistic
4 hypothetical is as follows. Assume hypothetically approximately 65% of the amount of the Claims
5 held by Commercial Paper Account Holders holding claims of \$150,000 or less timely elect
6 treatment in Class 4, and further assume for purposes of this hypothetical that the Plan
7 Administrator has the aggregate amount of \$910,800 of projected Effective Date Available Cash
8 to distribute on the Effective Date, the aggregate amount of Commercial Paper Account Claims
9 opting into Class 4 would be approximately \$3,230,003. Therefore, based on this hypothetical,
10 the aggregate amount of cash required for distribution of 35% would be approximately \$1,130,501.
11 The Exit Financing Group will be required to make an Early Cash-Out Loan in the approximate
12 amount of \$219,701 in order to distribute 35% on the Effective Date. Alternatively, the Plan
13 Administrator would have the option under the Plan of distributing one payment on the Effective
14 Date from the aggregate amount of \$910,800 of projected Effective Date Available Cash to
15 Holders of Early Cash-Out Election Claims on a Pro Rata basis, resulting in an initial distribution
16 of 28% to each Holder of an Early Cash-Out Election Claim on the Effective Date. Thereafter,
17 the Plan Administrator will distribute a second payment equal to an additional 7½% to each Holder
18 of an Early Cash-Out Election Claim from 70% of Available Cash as soon as practical following
19 the Plan Administrators accumulation of sufficient Available Cash from the proceeds of
20 liquidation to make such payment, so that the aggregate of the two payments to each Holder of an
21 Early Cash-Out Election Claim is equal to 35½% of such Holders Early Cash-Out Election Claim.

22 Assume one more hypothetical that approximately 50% of the of the amount of the Claims
23 held by Commercial Paper Account Holders holding claims of \$150,000 or less timely elect
24 treatment in Class 4, and further assume for purposes of this hypothetical that the Plan
25 Administrator has the aggregate amount of \$910,800 of projected Effective Date Available Cash
26 to distribute on the Effective Date, the aggregate amount of Commercial Paper Account Claims
27 opting into Class 4 would be approximately \$2,484,618. Therefore, based on this hypothetical,
28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 the aggregate amount of cash required for distribution of 35% would be approximately \$869,616.
2 The Plan Administrator would distribute on the Effective Date the entire 35%, and neither the
3 Early Cash-Out Loan nor the two payment option will not be required.

4 In order for a Commercial Paper Account Holder to opt into Class 4 and receive a
5 discounted cash-out, the portion of the Commercial Paper Account Claim for unpaid principal and
6 accrued and unpaid interest as of the Petition Date must be in an amount that is greater than \$0 and
7 less than or equal to \$150,000; the Holder must voluntarily elect on the Ballot (or other written
8 instrument submitted and satisfactory to the Debtor) to be treated as an Early Cash-Out Election
9 Claim in Class 4; and, the Holder must execute and deliver to the Debtor prior to the Ballot
10 Deadline (i) a Ballot accepting the Plan, and (ii) the Release, whereby the Commercial Paper
11 Account Holder qualifying and electing treatment in Class 4, in exchange for the treatment
12 provided in Class 4, releases, among other things, all other claims and any further right to
13 distribution under the Plan. In the absence of timely election and compliance with each of the
14 conditions necessary to elect into Class 4, the Commercial Paper Account Holders will
15 automatically be treated in Classes 5, 6 and/or 7, as applicable.

16 Class 4 has been created for several reasons. The existence of Class 4 potentially reduces
17 the administrative burden and expense by limiting the number of checks required each time a
18 distribution is made during the term of the Plan. The Class also provides an opportunity for
19 Commercial Paper Account Holders who hold smaller Commercial Paper Account Claims to take
20 a discount for early cash as opposed to waiting the two or three years required for the entire
21 liquidation to be completed and final distributions to be made. Furthermore, reducing the Claims
22 of smaller Commercial Paper Account Holders at a discount potentially increases the distribution
23 available for those Holders of Allowed Commercial Paper Account Claims who are willing to wait
24 for the entire orderly liquidation process to be completed.

25
26 **b. CLASS 5 - Classification and Treatment of Allowed Claims of the**
27 **Holders of General Unsecured Claims and Commercial Paper**
28 **Account Claims for Unpaid Principal and Accrued and/or Unpaid**
 Interest through the Petition Date, but excluding (a) Interest Accrued
 after the Petition Date, (b) Penalties, Fees, Attorney's Fees, Costs, and

any Other Charges or Expenses Whenever Accrued or Incurred, (C) Allowed Claims which Timely and Properly Elect Treatment under Class 4, and (D) Any Claims that Qualify for Treatment in Classes 1, 2, 3, 6 and/or 7.

CREIM MACIAS KOENIG & FREY LLP
 633 WEST FIFTH STREET, 51ST FLOOR
 LOS ANGELES, CALIFORNIA 90071
 (213) 614-1944

CLASS NO.	DESCRIPTION	TREATMENT
CLASS 5	<p>GENERAL UNSECURED CLAIMS AND COMMERCIAL PAPER ACCOUNT CLAIMS FOR UNPAID PRINCIPAL AND ACCRUED AND/OR UNPAID INTEREST THROUGH THE PETITION DATE, BUT EXCLUDING (A) INTEREST ACCRUED AFTER THE PETITION DATE, (B) PENALTIES, FEES, ATTORNEY'S FEES, COSTS, AND ANY OTHER CHARGES OR EXPENSES WHENEVER ACCRUED OR INCURRED, AND (C) ALLOWED CLAIMS WHICH QUALIFY FOR, OR ELECT TREATMENT IN CLASSES 1, 2, 3, 6 AND/OR 7</p> <p>Debtor's estimate of the amount of the Commercial Paper Account Claims in Class 5 Claims for principal and interest through the Petition Date (without deducting potential Early Cash-Out Election Claims) = approximately \$20,874,235.89</p> <p>Debtor's estimated of General Unsecured Claims = approximately \$113,845</p>	<p>Class 5 consists of the Allowed Claims of the Holders of General Unsecured Claims and Commercial Paper Account Claims for principal and accrued and/or unpaid interest through the Petition Date (that do not elect to be treated in the Early Cash-Out Election Class in Class 4), <u>excluding</u> (a) interest accrued after the Petition Date, (b) penalties, fees, attorney's fees, costs, and any other charges or expenses whenever accrued or incurred, (c) Allowed Claims which timely and properly elect treatment under Class 4, and (d) , and (D) any Claims that qualify for treatment in Classes 1, 2, 3, 6 and/or 7.</p> <p>The Holders of Claims in this Class are <u>impaired</u> under the Plan and entitled to vote on the Plan.</p> <p>After the Effective Date, each Holder of an Allowed Class 5 Claim shall receive in full, final and complete satisfaction of its Allowed Claim, the following:</p> <p>Class 5 Deferred Plan Payment(s). After payment in full of the Early Cash-Out Election Claims in Class 4 and the Early Cash-Out Financing, the Plan Administrator shall distribute to the Holders of Allowed Claims in Class 5 quarterly payments of seventy percent (70%) of Available Cash, if any, on each January 5th, April 5th, July 5th and October 5th, (or the first Business Day thereafter), commencing on the first such date which is at least 90 days after payment in full of the Early Cash-Out Election Claims in Class 4 and the Early Cash-Out Financing, until such date as the Assets having been fully liquidated and</p>

CREIM MACIAS KOENIG & FREY LLP
 633 WEST FIFTH STREET, 51ST FLOOR
 LOS ANGELES, CALIFORNIA 90071
 (213) 614-1944

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

CLASS NO.	DESCRIPTION	TREATMENT
		<p>administered by the Liquidation Debtor; each Class 5 Deferred Plan Payment shall be distributed to each Holder of an Allowed Claim in this Class and to the Disputed Claims Reserve (if required) on a Pro Rata basis (referred to individually as a “Class 5 Deferred Plan Payment”, and referred to collectively as the “Class 5 Deferred Plan Payments”).</p> <p>Class 5 Final Payment. On a date to be determined by the Plan Administrator with the consent of the Oversight Committee, a Final Payment of (i) Available Cash (remaining after payment in full of the Early Cash-Out Election Claims in Class 4 and the Early Cash-Out Financing), (ii) proceeds of Rights of Action, if any, and (iii) the proceeds of the Plan Reserves (“Class 5 Final Plan Payment”).</p> <p>Discount/Interest Rate from the Effective Date. The applicable rate to be applied to the General Unsecured Claims and Commercial Paper Account Claims in Class 5 shall be simple interest calculated at the rate of 3.75% per annum from and after the Effective Date on the Allowed Commercial Paper Account Claims in Class 5. However, interest shall only be paid by the Disbursing Agent in the event and after all Allowed Commercial Paper Account Claims in Class 5 are paid in full.</p> <p>Reservation of Defenses, Objections, Counterclaims and Other Rights. Any defenses, objections, counterclaims, rights, rights of offset or recoupment of the Debtor or the Estate with respect to such Claims shall vest in and inure to the benefit of the Liquidation Debtor.</p> <p>Further Assurances. The Holders of the Allowed Class 5 Claims shall promptly execute and deliver any and all documents and take such other or further actions as are</p>

CLASS NO.	DESCRIPTION	TREATMENT
		<p>reasonably necessary, appropriate or requested by the Liquidation Debtor and/or Plan Administrator to effectuate the provisions of the Plan.</p> <p>Maximum Distribution. In no event shall the aggregate Distributions to be made under the Plan exceed the present value of the amount of any Holders Allowed Class 5 Claim.</p>

In the absence of an election into Class 4, the claims of Commercial Paper Account Claim Holders are automatically treated in Classes 5, 6 and/or 7, as applicable. Class 5 consists of the portion of the claims of the Commercial Paper Account Holders that is for unpaid principal and accrued and unpaid interest through the Petition Date. Class 6 consists of the portion of the claims of the Commercial Paper Account Holders that is for any penalties, fees costs and any other charges. Class 7 consists of the portion of the claims of the Commercial Paper Account Holders that is for any interest accrued or owing during the Chapter 11 case, after the Petition Date and prior to Confirmation.

Although the Debtor anticipates that the distribution to Commercial Paper Account Holders in Class 5 will eventually be greater over time than the 35% being offered to those electing to be cashed-out in Class 4, it is not possible to predict with any degree of certainty the exact amount or percentage of distribution to Class 5 at this time or the amount of time it will take to complete the liquidation, although reasonable efforts have been made by the Debtor to do so, as set forth the exhibits to the Disclosure Statement. Among other reasons, there are too many uncertainties regarding the value of the remaining real estate assets, collectability of the remaining loans in the Debtor's loan portfolio and general unpredictability of the economy to make a completely accurate prediction at this point.

With that general disclaimer in mind, the Liquidation Analysis [Exhibit 8] prepared by the Debtor projects that each Holder of an Allowed Commercial Paper Account Claim in Class 5

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 should expect to receive a distribution of approximately 54.05% of the amount of his, her or its
2 Allowed Commercial Paper Account Claim qualifying for treatment in Class 5, which projection
3 is based on the hypothetical assumption that no Claimants whatsoever elect to be treated in Class
4 4. On the other hand, in the event that all Holders of Allowed Commercial Paper Account Claims
5 equal to or less than \$150,000 eligible to elect treatment in Class 4 actually elects treatment in
6 Class 4, the distribution to each Holder of an Allowed Commercial Paper Account Claim in Class
7 5 will increase to approximately 60%. By way of further example, assuming that 50% of the
8 amount of the Holders of Allowed Commercial Paper Account Claims equal to or less than
9 \$150,000 eligible to elect treatment in Class 4 actually elects treatment in Class 4, the distribution
10 to each Holder of an Allowed Commercial Paper Account Claim in Class 5 would increase to
11 approximately 56.6%.

12 The Debtor believes that 54.05% is a reasonably accurate projection of anticipated
13 distribution based on the information currently available. However, it is always possible that
14 unanticipated events and circumstances, or unforeseen problems with loan collections, may
15 adversely impact estimates of value, so that less is realized from liquidation than anticipated.
16 Similarly, it is possible that results may be better than predicted, as the Debtor believes that the
17 Liquidation Analysis relies upon relatively conservative estimates of value.

18 Although reasonable efforts have been made to project the amount of the anticipated
19 distribution based on the best information available as of the date of the Disclosure Statement, it
20 is not possible at this time to project with exactitude the percentage that each Holder of an Allowed
21 Commercial Paper Account Claim will receive because of there are a number of uncertainties
22 impacting the liquidation. By way of example, the conditions of the real estate that serves as
23 security for the Loans may not be known at this time. Similarly, the amount of the senior
24 indebtedness can be impacted if the borrower is default. Intervening bankruptcy proceeding filed
25 by borrowers impacts collectability, timing and the costs of collection. The ability of the
26 Liquidation Debtor to collect the outstanding Loans will impact the available liquidation proceeds.
27 The number of Allowed Commercial Paper Account Holders electing treatment in Class 4 may
28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 also increase the percentage distribution to Class 5. The exact sales prices for the existing REO's
2 is subject to market variation.

3 The Debtor does not anticipate that there will be any distribution on account of claims in
4 Classes 6 or 7 as it is not likely that Class 5 will receive payment in full. Therefore, Classes 6 and
5 7 are included for merely precautionary purposes only.

6 The Debtor is aware of only one General Unsecured Claims at this time, which is not set
7 forth in its Schedules. Prior to the Petition Date, the Debtor previously had a Defined Benefit
8 Pension Plan. The Debtor initiated the termination of such plan in or around 2009. The final
9 distribution was made to participants in or around June 2010. Subsequently, the Debtor has learned
10 that the PBCG apparently conducted an audit commencing in or around 2011. After the Petition
11 Date, in or around March 26, 2013, a notice was issued to the Debtor notifying it of a claim
12 resulting from the audit in the approximate amount of \$113,845. The claim does not appear on
13 the Debtor's Schedules. Inasmuch as the claim does not arise from services rendered within 180
14 days of the Petition Date, it does not appear to be a Priority Claim pursuant to Bankruptcy Code §
15 507(a)(5). Accordingly, the claim is classified as a General Unsecured Claim in Class 5.
16 BiggsCo has not yet reviewed the audit calculations to verify its accuracy, but intends to do so.

17 The estimated total amount of Commercial Paper Account Claims classified in Class 5 is
18 approximately \$20,874,235.89, without deduction for those Commercial Paper Account Holders
19 who may elect to be treated in Class 4. Set forth below is a chart setting forth the (i) names of the
20 Commercial Paper Account Holders; (ii) the contractual note rate of interest applicable to each
21 Holders' Commercial Paper Account Claim; (iii) the Debtor's estimate of the principal amount
22 owed to each Holder of a Commercial Paper Account Claims as of the Petition Date; (iv) the
23 Debtor's estimate of the accrued and unpaid interest due to each Commercial Paper Account
24 Holder as of the Petition Date; (v) the POC No., if any, for those Commercial Paper Account
25 Holders, who have filed proofs of claim; and, (vi) for those Commercial Paper Account Holders
26 who have filed proofs of claim, the POC amount asserted to be due by such Holders.

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1	Account Name	Int. Rate	Balance at June 30, 2013	Interest July - Dec 8th	Total	POC No. as of March 17, 2014	POC Amount
2	JULIANA WESTERVELT	0.50%	1,411,877.14	23,354.00	1,435,231.14	55	1,435.14
3	WILLIAM H. MALKMUS, REV TRUST	0.50%	1,375,893.52	22,758.79	1,398,652.31	18	1,398,652.31
4	STEPHANIE L. DILLON, AS TRUSTEE	0.50%	1,249,206.97	20,663.25	1,269,870.22		
5	TODD FIORENTINO TRUSTEE	0.50%	1,249,206.97	20,663.25	1,269,870.22		
6	ARTHUR AND GRACE BEAVENS TTEES	0.50%	835,301.59	13,816.80	849,118.39		
7	LYN S. NELSON, TTEE	0.50%	701,429.98	11,602.42	713,032.40		
8	MARCEL OR JOANNE GEORGE TTEES	0.50%	546,723.60	9,043.41	555,767.01		
9	ARTHUR DEFEVER TRUSTEE, SURVIVOR'S TRUST	0.25%	516,157.72	7,968.63	524,126.35	11 & 15	516,157.72 516,157.72
10	LARRY AND LINDA SACKS TTEES	0.50%	500,000.00	8,270.55	508,270.55	8	508,270.55
11	BARBARA BIDWELL HILLMAN TTEE	0.50%	478,056.50	7,907.58	485,964.08		
12	KRAVITSKY FAMILY TRUST	0.50%	370,443.70	6,127.54	376,571.24		
13	J MACE THOMPSON	0.25%	364,935.56	5,634.01	370,569.57		
14	ALFRED OR WINIFRED WILKES	0.50%	292,407.87	4,836.75	297,244.62		
15	JAMES PRAUSE TRUST	0.50%	277,601.55	4,591.83	282,193.38		
16	MARILYN OR ROBERT HINDS, ET AL	0.50%	275,532.00	4,557.60	280,089.60		
17	PINGREE FAMILY TRUST	0.50%	272,140.23	4,501.50	276,641.73	75	281,111.56
18	ROBERT HILLMAN JR.	0.50%	261,341.92	4,322.88	265,664.80		
19	DICE 1992 TRUST, DATED 4/2/1992	0.50%	244,255.86	4,040.26	248,296.12	69	248,296.12
20	JAN O. SIMIS, TTEE JAN O. SIMIS TRUST	0.50%	230,262.67	3,808.80	234,071.47	29	234,097.29
21	WAYNE H. MADSEN	0.50%	213,586.23	3,532.95	217,119.18	81	217,143.13
22	GUY C. MCCLOSKEY AND	0.50%	211,911.54	3,505.25	215,416.79	2	214,438.28
23	ELIZABETH BENNETT	0.25%	208,778.97	3,223.20	212,002.17		
24	INTERNATIONAL COMMITTEE OF ARTISTS	0.50%	200,040.07	3,308.88	203,348.95	32	203,369.50
25	AMBER IRELAND	0.50%	200,000.00	3,308.22	203,308.22	71	206,000.00
26	DALE J. BUTEYN JR. & PHYLLIS M. BUTEYN, TTEES	0.50%	200,000.00	3,308.22	203,308.22		
27	WILSON J POSEY	0.25%	196,382.94	3,031.83	199,414.77		
28	RAYMOND RUBENSTEIN TRUST	0.25%	193,608.14	2,988.99	196,597.13	31	196,597.13
29	STEPHEN J & BARBARA D TOPPING, TTEES	0.50%	188,367.13	3,115.80	191,482.93		

1	Account Name	Int. Rate	Balance at June 30, 2013	Interest July - Dec 8th	Total	POC No. as of March 17, 2014	POC Amount
2							
3	PATRICIA A PINGREE	0.50%	186,822.40	3,090.25	189,912.65		
4	CANDACE PINGREE	0.50%	186,408.71	3,083.40	189,492.11	9	194,173.48
5	LAVERNE C.GLOVER, TRUSTEE	0.50%	186,001.30	3,076.67	189,077.97		
6	KURT K MOTAMEDI PHD	0.50%	182,377.20	3,016.72	185,393.92		
7	MELISSA FARNSWORTH OR RICHARD FARNSWORTH	0.50%	179,896.99	2,975.69	182,872.68	40	182,872.68
8	THE BONGIRNO FAMILY TRUST	0.50%	171,946.69	2,844.19	174,790.88	1	171,946.69
9	STANLEY AND ANN MIKS	0.50%	169,253.42	2,799.64	172,053.06	65	170,070.45
10	RICHARD FARNSWORTH OR MELISSA FARNSWORTH	0.50%	168,650.33	2,789.66	171,439.99	39	171,439.99
11	KEITH & DAWN BLACKBURN CO-TTEE	0.25%	164,673.64	2,542.29	167,215.93		
12	JANE CRYSTAL BROWN	0.50%	163,285.03	2,700.91	165,985.94		
13	D'ANGELO FAMILY TRUST	0.25%	159,894.57	2,468.51	162,363.08	53 54	159,439.87 & 68,734.58
14	PEARL K NICHOLSON - TRUSTEE	0.50%	158,675.47	2,624.67	161,300.14		
15	KEITH AND DAWN BLACKBURN TTEES	0.25%	153,429.06	2,368.69	155,797.75		
16	CYNTHIA LEA ADKINS	0.50%	151,554.52	2,506.88	154,061.40	30	154,030.15
17	GEORGE AND SANDRA FROLEY COMM. PROP TR	0.50%	146,689.57	2,426.41	149,115.98		
18	CAROL A. GEORGE	0.50%	146,042.18	2,415.70	148,457.88		
19	FIRST UNITED METHODIST CHURCH	0.50%	134,268.10	2,220.94	136,489.04		
20	GREGORY S. ADKINS OR CAROLYN P.	0.50%	132,000.00	2,183.42	134,183.42	59	134,212.02
21	WILLIAM & ELIZABETH HADLEY TTEES	0.50%	113,884.23	1,883.77	115,768.00	43	115,768.00
22	OJAI OIL COMPANY	0.50%	113,411.57	1,875.95	115,287.52	26 27 & 28	7,387.10; 5,842.38; & 115,300.24
23	DAVID C AND MELANIE K EDWARD, TTEES	0.50%	110,812.98	1,832.97	112,645.95	51	112,658.38
24	EST. ROBERT T. HENSZEY, HILTRUD HENSZEY, REP.	0.50%	101,263.21	1,675.00	102,938.21	19	101,263.21
25	DALE S SPENCE AND PATRICIA E. SPENCE	0.50%	100,000.00	1,654.11	101,654.11		
26	CHRIS ROLIN FAMILY TRUST	0.50%	96,797.34	1,601.13	98,398.47	35	96,797.34
27	ENID RODRIGUEZ OR KAREN GREENFIELD	0.50%	93,239.30	1,542.28	94,781.58		

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1	Account Name	Int. Rate	Balance at June 30, 2013	Interest July - Dec 8th	Total	POC No. as of March 17, 2014	POC Amount
2							
3	LOWELL M. MORGEN	0.50%	90,729.78	1,500.77	92,230.55	67	92,234.76
4	LOWELL M. MORGEN	0.50%	90,729.78	1,500.77	92,230.55	68	92,234.76
5	SARAH E. BENNETT	0.25%	89,388.37	1,380.01	90,768.38		
6	BETTY D. COCKERILL, TRUSTEE	0.50%	85,576.71	1,415.53	86,992.24	62	85,576.71
7	KELLY GRIFFIN OR DAVID GRIFFIN	0.50%	84,981.37	1,405.68	86,387.05	82	86,415.07
8	MARGARET ZELLER	0.50%	83,809.93	1,386.31	85,196.24		
9	HIROSHI ROY NAKATANI	0.50%	78,360.23	1,296.16	79,656.39		
10	MARY ANN FROLEY	0.50%	74,497.16	1,232.26	75,729.42		
11	ARLETTE R HOBBS	0.25%	74,007.65	1,142.56	75,150.21		
12	ARLETTE R HOBBS	0.25%	73,907.69	1,141.01	75,048.70		
13	VINCENT J LOMBARDO	0.50%	72,257.66	1,195.22	73,452.88	41	73,477.52
14	VINCENT MCCLOSKEY OR CRISTINA SOSA, JT	0.50%	69,190.30	1,144.48	70,334.78	6	70,341.59
15	JOSEPH L. D'ANGELO OR NOEL D. D'ANGELO	0.25%	68,734.58	1,061.15	69,795.73		
16	KATHY LEITCH	0.50%	65,000.00	1,075.17	66,075.17		
17	KURT K. MOTAMEDI OR ELAINE MOTAMEDI, ET AL	0.50%	63,011.28	1,042.28	64,053.56		
18	SUSAN C. DeBUISER	0.50%	62,708.76	1,037.27	63,746.03		
19	BARBARA D TOPPING, TRUSTEE	0.50%	61,928.52	1,024.37	62,952.89		
20	EUNICE OR ROBERT TEAGUE	0.50%	61,780.44	1,021.92	62,802.36	42	62,809.28
21	ALLEN BRODETSKY TRUSTEE	0.50%	61,059.89	1,010.00	62,069.89	10	61,059.89
22	SANDY VOLTZ-LUDWIG TRUSTEE	0.50%	60,441.07	999.76	61,440.83		
23	KENNETH J. & PATRICIA A. PINGREE TRUSTEES	0.50%	56,692.82	937.76	57,630.58		
24	DALE S SPENCE AND PATRICIA E. SPENCE	0.50%	55,000.00	909.76	55,909.76		
25	DEAN ROUILLER TTEE, KRISTIN	0.25%	53,451.05	825.20	54,276.25		
26	ROBERT R FONTANA OR CHRISTINE S. FONTANA	0.50%	53,160.82	879.34	54,040.16	3	54,157.59
27	ROBERTA MITCHELL OR MEREDITH MITCHELL	0.50%	50,558.09	836.29	51,394.38	5	51,180.89
28	MICHAEL & STEPHEN VALLENS, SUCC CO-TTEES	0.50%	50,132.53	829.25	50,961.78		
	DIANA C. EDWARD 2003 REVOCABLE LIVING TR	0.50%	50,000.00	827.05	50,827.05	50	50,832.66
	DAVID A ZISKROUT TTEE	0.50%	50,000.00	827.05	50,827.05	14	50,832.68

CREIM MACIAS KOENIG & FREY LLP
833 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

CREIM MACIAS KOENIG & FREY LLP
833 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1	Account Name	Int. Rate	Balance at June 30, 2013	Interest July - Dec 8th	Total	POC No. as of March 17, 2014	POC Amount
2	KRISTINA REED	0.50%	47,418.98	784.36	48,203.34	64	48,203.34
3	ANTHONY A AND HELEN J DEMETRIOU, TTEES	0.50%	47,415.13	784.30	48,199.43		
4	LEWIS JENSEN OR BETTY JENSEN	0.50%	46,995.80	777.36	47,773.16	25	47,778.43
5	C THOMAS OTERO OR MELISSA FARNSWORTH	0.50%	46,822.85	774.50	47,597.35	38	47,597.35
6	EMIL HALIMI	0.50%	45,607.41	754.40	46,361.81		
7	BIG BEAR CABIN, A CALIF.	0.50%	44,824.17	741.44	45,565.61	49	45,570.64
8	LAWRENCE BRAHAMS OR DIANE BRAHAMS	0.25%	44,121.06	681.16	44,802.22		50,400.68
9	SANDRA PEDDIE	0.50%	42,488.86	702.81	43,191.67		
10	MARGARET ZELLER	0.50%	41,085.03	679.59	41,764.62		
11	STANLEY M MIKS	0.50%	40,826.46	675.31	41,501.77	44	41,505.97
12	MARY B. PALLARES OR OSCAR PALLARES	0.50%	40,484.52	669.66	41,154.18	84	41,154.48
13	SIDNEY COPILOW OR REBECCA LUZADER	0.50%	40,090.13	663.13	40,753.26	61	110,753.26
14	MARYBETH ADKINS	0.25%	35,000.00	540.34	35,540.34	23	35,531.00
15	LAUREN A. ADKINS	0.50%	32,119.78	531.30	32,651.08	57	32,658.04
16	HYRUM WES PINGREE IV	0.50%	31,414.06	519.62	31,933.68	76	31,414.06
17	TIM KRANTZ	0.50%	31,116.22	514.70	31,630.92		
18	LARRY P. KNIGHT OR MONICA E. L. KNIGHT	0.50%	30,965.28	512.20	31,477.48		
19	BEAVENS SYSTEMS INC	0.50%	29,958.18	495.54	30,453.72		
20	RAYMOND R. KASPARIAN OR JOAN M. KASPARIAN	0.50%	29,679.38	490.93	30,170.31	72	30,179.96
21	ROLIN FAMILY PARTNERSHIP	0.50%	28,840.86	477.06	29,317.92	34	28,840.86
22	BETH GRUNLAND OR PHILIP GRUNLAND	0.50%	28,759.85	475.72	29,235.57		
23	SUSAN F NIVEN OR ALLISON M. SPEER	0.50%	28,506.24	471.52	28,977.76		
24	KATO FAMILY TRUST	0.50%	27,741.40	458.87	28,200.27		
25	VERNA M VOGHT OR JOHN W. VOGHT (Claim transferred to DACA VI LLC on February 5, 2014)	0.50%	27,272.18	451.11	27,723.29	16	27,723.29
26	ANGEL GONZALEZ AND GRACE V. GONZALES, TTEE	0.50%	26,907.18	445.07	27,352.25	52	27,352.68
27	DORINNE H. OR DENNIS L. GRAVES	0.50%	25,450.19	420.97	25,871.16		
28	MOSLENKO TRUST	0.50%	25,339.52	419.14	25,758.66	70	25,339.52
	GREGORY B ARGANO OR BRENDA ARGANO	0.50%	25,002.04	413.56	25,415.60		

1	Account Name	Int. Rate	Balance at June 30, 2013	Interest July - Dec 8th	Total	POC No. as of March 17, 2014	POC Amount
2	LAVERNE C. GLOVER, TRUSTEE	0.50%	23,759.92	393.02	24,152.94		
3	MARY ALICE ADKINS	0.25%	23,580.80	364.05	23,944.85		
4	ERICA OGIHARA OR ISAMU OGIHARA	0.50%	23,520.61	389.06	23,909.67		
5	JAMES R. CUTLER & KRISTIN J. SEIBT TTEE	0.50%	23,460.48	388.06	23,848.54		
6	H G & H PROPERTIES	0.50%	22,814.94	377.38	23,192.32		
7	JOHN G. AND RENATE M. KENASTON, TTEES	0.50%	22,605.21	373.91	22,979.12	47	22,838.32
8	DOROTHY C HELTON TRUSTEE	0.50%	22,482.11	371.88	22,853.99	33	22,482.11
9	FARANAK HALIMI	0.50%	21,944.39	362.98	22,307.37		
10	JAMES R. CUTLER & KRISTIN J. SEIBT TTEE	0.50%	19,938.86	329.81	20,268.67		
11	EMILY PRITCHETT BIDWELL TTEE	0.50%	19,390.39	320.74	19,711.13		
12	DEBORAH M. OR PETER S. SINDING FOR SPENCER	0.50%	19,215.78	317.85	19,533.63		
13	LINDA S. LAXSON	0.50%	18,929.28	313.11	19,242.39	56	19,243.56
14	MARY A. MCDONALD	0.50%	17,560.41	290.47	17,850.88		
15	JOYCE C. SACKS	0.50%	17,391.55	287.68	17,679.23		
16	DEBORAH M. OR PETER S. SINDING FOR BRENN	0.50%	17,179.55	284.17	17,463.72		
17	THE BLACKBURN FOUNDATION	0.25%	16,700.31	257.83	16,958.14		
18	SCHONES FAMILY PARTNERSHIP	0.50%	16,000.00	264.66	16,264.66	24	16,000.00
19	GREGORY S. ADKINS OR CAROLYN P.	0.50%	13,920.38	230.26	14,150.64	58	14,153.67a
20	GAIL SEFL	0.50%	13,917.20	230.21	14,147.41		
21	DONALD E. ORINGTON, SR. AND GISELE ORINGTON	0.50%	13,771.96	227.80	13,999.76		
22	DANIEL H. KATO OR CHIZUKO KATO	0.50%	13,018.95	215.35	13,234.30		
23	SUSAN S RAISIN	0.50%	12,825.48	212.15	13,037.63		
24	KOVACEVICH COMMUNITY TRUST	0.50%	12,756.99	211.01	12,968.00		
25	EDWARD JONES OR JENNY COOKE	0.50%	12,434.62	205.68	12,640.30	73	12,877.30
26	FRANDSON FAMILY TRUST	0.25%	12,287.45	189.70	12,477.15		
27	PAUL WESTFALL ADKINS	0.25%	11,343.12	175.12	11,518.24		
28	CHIZUKO KATO OR JAMES Y. KATO	0.50%	11,143.87	184.33	11,328.20	60	11,328.20

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1	Account Name	Int. Rate	Balance at June 30, 2013	Interest July - Dec 8th	Total	POC No. as of March 17, 2014	POC Amount
2	KELLY GRIFFIN OR DAVID GRIFFIN	0.50%	10,832.70	179.18	11,011.88	83	11,015.50
3	JOHN A.MILLER OR KAMI L.MILLER	0.50%	10,675.89	176.59	10,852.48		
4	JACQUELINE MORGEN	0.50%	10,009.43	165.57	10,175.00	66	10,176.29
5	ROBERT TRAVALI OR BARBARA TRAVALI, ET AL	0.50%	9,621.07	159.14	9,780.21		
6	ANTHONY SUGANO JR.	0.50%	9,601.96	158.83	9,760.79	20	9,761.77
7	JOSEPH D OR KATHY P HOUGH, ET AL	0.50%	9,165.83	151.61	9,317.44		
8	ZETA BETA OF ALPH TAU OMEGA	0.25%	9,140.33	141.11	9,281.44		
9	JULIANA SUGANO	0.50%	9,062.13	149.90	9,212.03	21	9,212.96
10	PINGREE FAMILY TRUST	0.50%	8,971.33	148.40	9,119.73		
11	TONY SUGANO	0.50%	8,674.77	143.49	8,818.26	22	8,819.15
12	ANN HAGIHARA MIKS	0.50%	8,604.94	142.34	8,747.28	46	8,748.16
13	ERIC D. SCHWAB OR JENNIFER MCGAUGHEY	0.50%	8,039.25	132.98	8,172.23	79	8,039.25
14	KENNETH J. & PATRICIA A.PINGREE TRUSTEES	0.50%	7,714.43	127.61	7,842.04		
15	OJAI OIL COMPANY SM & O	0.50%	7,266.10	120.19	7,386.29		
16	THE GARY & ROBIN GRIFFIN	0.50%	7,128.58	117.91	7,246.49	80	7,246.84
17	ERIC BECKERMAN OR KATHLEEN S. BECKERMAN	0.50%	6,863.87	113.54	6,977.41		
18	RICHARD OR GRACE DICKMAN TRUST	0.50%	6,739.68	111.48	6,851.16	13	6,845.00
19	LAWRENCE BRAHAMS OR DIANE BRAHAMS	0.00%	6,279.62	90.02	6,369.64		
20	GARY NEIL LEVENSTEIN & LISA LEVENSTEIN, TTEES	0.50%	6,122.81	101.28	6,224.09	17	6,257.98
21	PHILIP J. CARNEVALE, JR.	0.50%	6,116.38	101.17	6,217.55	63	6,218.44
22	LARRY P. KNIGHT OR MONICA E. L. KNIGHT	0.50%	6,075.22	100.49	6,175.71		
23	JOHN HADLEY III	0.50%	6,014.54	99.49	6,114.03		
24	RICHARD T. DAWSON OR ADDIE DAWSON TTEES	0.50%	5,967.23	98.70	6,065.93	36	5,967.23
25	KENNETH AND PATRICIA PINGREE	0.50%	5,786.62	95.72	5,882.34		
26	MAKOTO M. TAKANO	0.50%	5,749.12	95.10	5,844.22		
27	OAK OF CALIFORNIA	0.50%	5,746.68	95.06	5,841.74		
28	JEE YOUNG CHOUNG	0.50%	5,665.90	93.72	5,759.62	77	5,759.62
	C. DOUGLAS OFF	0.50%	5,595.42	92.55	5,687.97	48	5,687.76

Account Name	Int. Rate	Balance at June 30, 2013	Interest July - Dec 8th	Total	POC No. as of March 17, 2014	POC Amount
VALETA CORDLEY BRINCK-LUND AND BRIAN ALLEN	0.50%	5,292.88	87.55	5,380.43		
ELIZABETH P. KHERIATY OR ELAINE MOTAMEDI	0.50%	5,079.04	84.01	5,163.05		
KENNETH AND PATRICIA PINGREE	0.50%	3,798.30	62.83	3,861.13		
THOMAS R. HUGGINS	0.50%	3,120.34	51.61	3,171.95		
NICOLE PAIGE PINGREE	0.50%	2,817.74	46.61	2,864.35	74	2,817.74
NICHOLE GARCIA	0.50%	2,378.22	39.34	2,417.56		
ELAINE MOTAMEDI OR ELIZABETH MOTAMEDI	0.50%	2,136.83	35.35	2,172.18		
YOSHIKAWA TRUST DATED MARCH 9, 1992	0.50%	1,661.19	27.48	1,688.67	45	4,494.33
YOSHIKAWA TRUST DATED MARCH 9, 1992	0.50%	1,556.05	25.74	1,581.79		
YOSHIKAWA TRUST DATED MARCH 9, 1992	0.50%	1,277.09	21.12	1,298.21		
GEORGE NAKASHIMA OR HIROKO NAKASHIMA	0.50%	942.59	15.59	958.18	78	942.59
		20,537,264.13	336,971.76	20,874,235.89		

The Debtor does not anticipate 100% distribution being made to Allowed Commercial Paper Account Holders. Although unlikely, there is always a possibility. Therefore, the provision for interest to be paid to the Holders of Allowed Commercial Paper Account Claims in Class 5 is applicable only in the event such distribution reaches 100%. In that unlikely event, the Plan provides for an interest rate to be applied of 3.75% per annum from and after the Effective Date on the Allowed Commercial Paper Account Claims in Class 5. However, as stated, interest shall only be paid by the Disbursing Agent in the event and after all Allowed Commercial Paper Account Claims in Class 5 are paid in full.

Set forth below is a brief discussion of the methods for determining the appropriate rate and the Debtor's argument in that regard. The conclusions reached by the Debtor may or may not be opposed by the Commercial Paper Account Holders. This section is included for discussion purposes only to assist the reader to evaluate the Plan. The Debtor intends to introduce evidence at the Confirmation Hearing. The evidence may establish a higher or lower rate. Absent consensual resolution (which the Debtor hopes to achieve prior to Confirmation), the Bankruptcy

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 Court will make the final determination with regard to the appropriate interest rate to be applied to
2 the future payment stream.

3 Generally, the Ninth Circuit looks to a market rate for similar loans. If a market is available
4 for the type of loan at issue, the market rate will be applied. In the absence of a market rate, the
5 Ninth Circuit adopts a formula approach by adding an appropriate risk factor to a base rate for a
6 “riskless” loan, such as U.S. government Treasury bond rates or the prime rate. See, In re Camino
7 Real Landscape Maintenance Contractors, Inc., 818 F.2d 1503 (9th Cir. 1987); and In re Fowler,
8 supra, 903 F.2d. 694 (9th Cir. 1990) (both cases decided prior to Till, see analysis below). The
9 Ninth Circuit Court of Appeals adopted a case by case approach. As stated by the court in Fowler:

10 Having heard testimony regarding both the market interest rates in the
11 region and the risks associated with this debtor, the bankruptcy court
12 used the formula approach, taking the prime rate on the date of plan
13 confirmation, 8.75% and adding a .75% risk factor. It did err in using
14 this approach to determine the cramdown interest rate.

14 [Fowler at 697]

15 In utilizing the formula approach, the interest rate is adjusted for the term of the plan’s
16 repayment period by utilizing as the base rate the yield quoted for treasury bills or bonds on
17 equivalent terms. The risk inherent in the type of collateral involved can be accounted for by
18 utilizing an adjustment factor derived from the market for loans secured by similar collateral.

19 In 2004, the Supreme Court addressed the crucial question of how to select an appropriate
20 interest rate for cramdown in Till v. SCS Credit Corporation 541 U.S. 465, 124 S. Ct. 1951, 1958-
21 59 (2004). Although Till was a chapter 13 case, many Courts have applied it to chapter 11 cases
22 as well. Till holds that a formula approach based upon the prime rate of interest best carries out
23 the intention of Congress in order to determine a whether a stream of deferred payments constitutes
24 present value of the allowed claim. 541 U.S. at 478-480, 124 S. Ct. at 1961-62. Till reversed a
25 decision of the court of Appeals for the Seventh Circuit that held that the pre-bankruptcy contract
26 rate should be the presumptive rate based on the theory that cramdown involved imposing a
27 coerced loan on the secured creditor. In rejecting that the contract rate was the appropriate rate,
28

1 the Supreme Court preferred the formula approach, which starts with the prime rate, and then
2 adjusts the applicable rate upward.

3
4 [T]he resulting prime-plus rate of interest depends only on the state of
5 financial markets, the circumstances of the bankruptcy estate, and the
6 characteristics of the loan, not on the creditor's circumstances or its
7 prior interactions with the debtor. For these reasons, the prime-plus or
8 formula rate best comports with the purposes of the Bankruptcy Code.

9 [Till] at 541 U.S. at 477; 124 S. Ct. at 1960].

10 The Supreme Court in Till did not directly decide the proper scale for the risk adjustment
11 factor, leaving it to a more flexible approach. However, the Supreme Court in Till did offer some
12 guidance. The Supreme Court noted that adjustments of 1 to 3 percent seemed appropriate and
13 suggested that large adjustments would not be appropriate because a plan cannot be confirmed
14 unless the Bankruptcy Court finds the plan feasible. The Supreme Court stated:

15 If the court determines that the likelihood of default is so high as to necessitate
16 an 'eye-popping' interest rate, . . . the plan probably should not be confirmed.

17 [Till] 541 U.S. at 481; 124 S. Ct. at 1962].

18 Many courts have applied Till to Chapter 11 cases holding that a formula rate applies unless
19 an efficient lending market exists for the proposed exit financing. See, In re American
20 Homepatient, Inc., 420 F.3d 559 (6th Cir. 2005).

21 The current one year LIBOR rate is 0.55%. The current Wall Street Journal Prime rate is
22 3.25%. The typical contract rate for the loans was typically 4% to 5%.

23
24 **c. CLASSIFICATION AND TREATMENT OF ALLOWED CLAIMS FOR**
25 **PENALTIES, FEES, ATTORNEY'S FEES, COSTS, AND ANY OTHER CHARGES**
26 **OR EXPENSES, INCLUDING, WITHOUT LIMITATION, THOSE HELD BY THE**
27 **HOLDERS OF COMMERCIAL PAPER ACCOUNT CLAIMS (EXCLUDING ANY**
28 **AND ALL CLAIMS THAT QUALIFY FOR TREATMENT IN CLASSES 1, 2, 3, 4,**
5 AND/OR 7).

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

CLASS NO.	DESCRIPTION	TREATMENT
CLASS 6	<p>ALLOWED CLAIMS FOR PENALTIES, FEES, ATTORNEY'S FEES, COSTS, AND ANY OTHER CHARGES OR EXPENSES, INCLUDING, WITHOUT LIMITATION, THOSE HELD BY THE HOLDERS OF COMMERCIAL PAPER ACCOUNT CLAIMS.</p> <p>Debtor's estimate of the amount of the Class 6 Claims for principal and interest through the Petition Date (without deducting potential Convenience Class Claims) = Unknown_____</p>	<p>Class 6 consists of the Allowed Claims (that are not Early Cash-Out Election Claims) for penalties, fees, attorney's fees, costs, and any other charges or expenses whenever accrued or incurred, including, without limitation, those held by the Holders of the Commercial Paper Account Claims.</p> <p>The Holders of Claims in this Class are <u>impaired</u>, and entitled to vote on the Plan. No interest will accrue or be paid after the Effective Date on account of the Allowed Claims in this Class.</p> <p>After the Effective Date, each Holder of an Allowed Class 6 Claim shall receive in full, final and complete satisfaction of its Allowed Claim:</p> <p>A Pro Rata distribution of the balance, if any, of Available Cash, proceeds of Rights of Action, if any, and the proceeds of the Plan Reserves remaining after payment in full all of the following: (a) Plan Operating Expenses and Liquidation Expenses, (b) Administrative Expenses (including, without limitation, Professional Fees, accrued and/or billed before or after the Effective Date), (c) Priority Claims, (d) the Early Cash-Out Loan, (e) Allowed Claims in Classes 1, 2, 3, 4, and 5, and (f) any and all other claims, expenses, costs or charges of any kind or nature incurred by the Liquidation Debtor or Plan Administrator before or after the Effective Date, or in connection with, or related to, the liquidation of the Assets, administration of the Case, administration of, consummation of, or Distribution under, the Plan, the closing of the Case, or the dissolution of the Liquidation Debtor.</p>

1 Class 6 is a precautionary Class for subordinated penalty Claims. The Debtor is not aware
 2 of any Claim in this Class at this time, apart from potential penalty claims relating to delinquent
 3 property taxes. This Class receives distribution under the Plan only to the extent all Allowed
 4 Claims senior in priority receives payment in full, including, without limitation, the Holders of
 5 Allowed Commercial Paper Account Claims in Class 5, plus interest. The Debtor anticipates that
 6 no distribution will be made to Class 6.

7
 8 **d. CLASS 7 - Classification and Treatment of Allowed Claims of the**
Holders of Commercial Paper Account Claims for Interest Accrued
or Owing After the Petition Date and Prior to the Effective Date
(excluding any and all Claims that Qualify for, or elect, treatment in
Classes 1, 2, 3, 4, 5 and/or 6.

CREIM MACIAS KOENIG & FREY LLP
 633 WEST FIFTH STREET, 51ST FLOOR
 LOS ANGELES, CALIFORNIA 90071
 (213) 614-1944

CLASS NO.	DESCRIPTION	TREATMENT
<u>CLASS 7</u>	<p>ALLOWED CLAIMS OF THE HOLDERS OF COMMERCIAL PAPER ACCOUNT CLAIMS FOR INTEREST ACCRUED OR OWING AFTER THE PETITION DATE AND PRIOR TO THE EFFECTIVE DATE (EXCLUDING ANY AND ALL CLAIMS THAT QUALIFY FOR TREATMENT IN CLASSES 1, 2, 3, 4, 5 AND/OR 6.</p> <p>Debtor's estimate of the amount of the Class 7 Claims for principal and interest through the Petition Date (without deducting potential Convenience Class Claims) = \$0</p>	<p>Class 7 consists of Allowed Claims of the Holders of Commercial Paper Account Claims for interest accrued or owing after the Petition Date and prior to the Effective Date to the Holders (that are not Early Cash-Out Election Claims), <u>excluding</u>, any and all Claims that qualify for treatment in Classes 1, 2, 3, 4, 5 and 6.</p> <p>The Holders of Claims in this Class are impaired and entitled to vote on the Plan. No interest will accrue or be paid after the Effective Date on account of the Claims in this Class.</p> <p>After the Effective Date, each Holder of an Allowed Class 7 Claim shall receive in full, final and complete satisfaction of its Allowed Claim:</p> <p>A Pro Rata distribution of the balance, if any, of Available Cash, proceeds of Rights of Action, if any, and the proceeds of the Plan Reserves remaining after payment in full all of the following: (a) Plan Operating</p>

CREIM MACIAS KOENIG & FREY LLP
 833 WEST FIFTH STREET, 51ST FLOOR
 LOS ANGELES, CALIFORNIA 90071
 (213) 614-1944

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

CLASS NO.	DESCRIPTION	TREATMENT
		Expenses and Liquidation Expenses, (b) Administrative Expenses (including, without limitation, Professional Fees, accrued and/or billed before or after the Effective Date), (c) Priority Claims, (d) the Early Cash-Out Loan, (e) Allowed Claims in Classes 1, 2, 3, 4, 5 and 6, and (f) any and all other claims, expenses, costs or charges of any kind or nature incurred by the Liquidation Debtor or Plan Administrator before or after the Effective Date, or in connection with, or related to, the liquidation of the Assets, administration of the Case, administration of, consummation of, or Distribution under, the Plan, the closing of the Case, or the dissolution of the Liquidation Debtor.

Class 7 is a precautionary Class for interest after the Petition Date up through the Effective Date. This Class receives distribution under the Plan only to the extent all Allowed Claims senior in priority receives payment in full, including, without limitation, the Holders of Allowed Commercial Paper Account Claims in Class 5 (plus interest) and Class 6. The Debtor anticipates that no distribution will be made to Class 7. It is included only in the unlikely event that all senior classes receive payment in full.

3. Class of the Interest Holder

The Interest Holder is the party who hold ownership interest (i.e., equity interest) in the Debtor. The following chart identifies the Plan's treatment of the Class consisting of the Interest Holder:

<u>CLASS NO.</u>	<u>DESCRIPTION</u>	<u>TREATMENT</u>
CLASS 8	ALLOWED EQUITY INTERESTS	Class 8 consists of the Holders of the Allowed Equity Interests in the Debtor. Each such

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

		Interest for purposes of voting and distribution shall be deemed to be a separate subclass (e.g., Class 8A, Class 8B, Class 8C, etc.). The Holders of Interests in this Class (and in each subclass created hereunder) shall receive <u>no</u> Distribution under the Plan on account of such Interests.
--	--	--

D. TREATMENT OF NON-CONSENTING CLASSES

Even if all Classes do not consent to the proposed treatment of their Claims under the Plan, the Plan may nonetheless be confirmed if the dissenting Classes are treated in a manner prescribed by the Bankruptcy Code. The process by which dissenting Classes are forced to abide by the terms of a plan is commonly referred to as “cramdown.” The Bankruptcy Code allows dissenting Classes to be crammed down if the Plan does not “discriminate unfairly” and is “fair and equitable.” These are complex statutory provisions and the explanations contained in the succeeding paragraphs do not purport to be exhaustive. The Bankruptcy Code does not define discrimination, but it does provide a minimum definition of “fair and equitable.”

The term “fair and equitable” can mean that secured claimants retain their liens and receive Cash payments whose present value equals the value of their security interest. For example, if a creditor lends the hypothetical debtor \$100,000 and obtains a security interest in property that is worth only \$80,000, the “fair and equitable” requirement means that the claimant is entitled to cash payments whose present value equals \$80,000 and not \$100,000.

The term “fair and equitable” also means that no Claim or Interest that is junior to the General Unsecured Claimants will receive or retain anything under the Plan, unless the Plan provides for full satisfaction of such senior Class of General Unsecured Claims. However, there are exceptions to this general rule. Therefore, if a class of General Unsecured Claims votes against the Plan, the Plan cannot be confirmed where a Class of Equity Interest Holders will receive or retain any property under the Plan, unless the Plan provides that the class of General Unsecured Claims shall be paid in full with interest or an exception to the general rule applies. (“Fair and

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 equitable” also means that each Holder of an Interest must receive the value of such Interest or
2 else no junior Interest is entitled to receive anything.)

3 Notwithstanding the foregoing, one of the exceptions to the “fair and equitable” is where
4 the plan contemplates an infusion of “new value” in which case General Unsecured Creditors need
5 not be paid in full.

6 In this Case, the Debtor believes that the treatment of Secured Claims is unimpaired and
7 consistent with the requirements of Bankruptcy Code §1129. In this Case, the Debtor also believes
8 that the treatment of General Unsecured Claims is consistent with the requirements of Bankruptcy
9 Code §1129(b)(2)(B). The Plan proposes that Class 5 must receive payment in full before any
10 junior class receives distribution under the Plan. In addition, the Equity Interest Holder, Kenneth
11 J. Pingree Jr. will be receiving no distribution under the Plan on account of his equity interest.

12
13 **E. MEANS OF EFFECTUATING THE PLAN**

14 **1. The source of all Distributions and payments under the Plan will as follows:**

15 **a. Available Cash**

16 The Plan Administrator shall receive and collect all Available Cash as of the Effective Date
17 after payment in full of (a) Plan Operating Expenses and Liquidation Expenses, (b) Administrative
18 Expenses (including, without limitation, Professional Fee Claims), and, (c) Priority Claims.

19
20 **b. Net Sale Proceeds of the Real Estate Assets**

21 On the Effective Date and after the Effective Date, the Real Estate Assets which have not
22 been sold prior to the Effective Date shall be marketed for sale by the Liquidation Debtor in
23 accordance with the terms of the Plan, and the Net Sale Proceeds of the Real Estate Assets shall
24 be delivered to the Liquidation Debtor to be distributed in accordance with the terms of the Plan.

25 **c. Plan Reserves**

26 The Plan Administrator shall maintain Plan Reserves, including (a) the Post-Effective Date
27 Plan Expense Reserve, (b) the Administrative Claim Reserve (including, without limitation,
28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 reserves for Professional Fee Claims), (c) the Indemnification Reserve, (d) separate reserves for
2 payment of Disputed Administrative Claims, Allowed General Unsecured Claims and Disputed
3 General Unsecured Claims, and (e) such other reserves as may be determined to be appropriate or
4 desirable by the Plan Administrator after reasonable consultation with the Oversight Committee.
5 Each Plan Reserve shall be in an amount (as of the Effective Date) no less than that scheduled for
6 it in the Reserve Notice to be served no later than sixty (60) days after the Effective Date, and such
7 amount(s) can be reduced, increased and/or replenished from time to time after the Effective Date
8 as determined by the Plan Administrator and the Liquidation Debtor in their discretion.
9

10 **d. Early Cash-Out Financing**

11 In the event that the Debtor and Plan Administrator determine that the Debtor's Effective
12 Date Available Cash on hand as of the Effective Date will be insufficient to pay in full or reserve
13 for (i) any and all Administrative Claims (including, without limitation, Professional Fee Claims),
14 Priority Claims, the Disputed Claims Reserve, reasonable reserves for Plan Operating Expenses
15 and Liquidation Expenses in an amount determined by the Debtor and the Plan Administrator (after
16 reasonable consultation with the Committee) and other Plan Reserves in an determined by the
17 Debtor and the Plan Administrator (after reasonable consultation with the Committee), (ii)
18 Allowed Claims in Classes 1, 2 and 3, and (iii) the Early Cash-Out Election Claim Payment due
19 on the Effective Date, the Exit Financing Group will make the Early Cash-Out Loan, in the amount
20 requested by the Debtor and the Plan Administrator (after reasonable consultation with the
21 Committee) and agreed to by the Exit Financing Group.

22 The Early Cash-Out Loan shall be on the terms described below. The Liquidation Debtor
23 shall execute and deliver to the Exit Financing Group a note in the applicable amount of the Early
24 Cash-Out Loan and a security agreement and financing statements in the form and with content
25 reasonably acceptable to the Debtor, the Committee and the Exit Financing Group.
26
27
28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

(i) Amount of the Potential Early Cash-Out Loan

The Early Cash-Out Loan shall be in the maximum amount necessary so as to enable the Debtor, when combined with the Debtor's Effective Date Available Cash, to have sufficient funds and reserves required to pay in full or reserve for (i) any and all Administrative Claims (including, without limitation, Professional Fee Claims), Priority Claims, the Disputed Claims Reserve, reasonable reserves for Plan Operating Expenses and Liquidation Expenses in an amount determined by the Debtor and the Plan Administrator (after reasonable consultation with the Committee) and other Plan Reserves in an amount determined by the Debtor and the Plan Administrator (after reasonable consultation with the Committee), (ii) Allowed Claims in Classes 1, 2 and 3, and (iii) the Early Cash-Out Election Claim Payment due on the Effective Date.

(ii) Interest Rate

The Early Cash-Out Loan shall not accrue any interest.

(iii) Maturity Date and Payment Term

The Early Cash-Out Loan shall have no specific maturity date or payment term.

(iv) Exclusive Source of Payment

The exclusive source of payment for repayment of the Early Cash-Out Loan shall be from Available Cash remaining after (i) payment in full of any and all Administrative Claims (including, without limitation, Professional Fee Claims), Priority Claims and the Early Cash-Out Election Claim Payment, and, (ii) reserves for any and all Disputed Claims, Plan Operating Expenses, Liquidation Expenses and any other Plan Reserves, but before any Distribution of Available Cash to the Holders of Allowed Claims in Classes 5, 6 and 7.

(v) Security for the Early Cash-Out Loan

The Early Cash-Out Loan shall be secured by the Remaining Loan Portfolio until payment

1 in full. Upon payment in full, the Exit Financing Group shall return to the Plan Administrator the
2 original evidencing the Early Cash-Out Loan marked "Paid" and execute and deliver termination
3 statements for the security interest, including, without limitation, a UCC-3 Form.

4 **2. Management of the Liquidation Debtor.**

5 On and after the Effective Date, subject to the powers and duties of the Plan Administrator,
6 the Oversight Committee shall manage the affairs and liquidation of the Liquidation Debtor. On
7 and after the Effective Date, the Oversight Committee shall exercise the powers and duties of the
8 board of directors of the Liquidation Debtor, subject to, as limited by, and to extent not inconsistent
9 with, the terms of the Plan and the limitations provided in the Plan.

10 On the Effective Date, a Plan Administrator shall be appointed. On and after the Effective
11 Date, the Plan Administrator shall act as liquidating agent, and may take any actions and execute any
12 documents on behalf of, and in the name of, the Liquidation Debtor (as more specifically set forth
13 below), subject to the powers and duties of the Oversight Committee, subject to, as limited by, and
14 to extent not inconsistent with, the terms of the Plan.

15
16 **3. The Oversight Committee.**

17 On the Effective Date, the Oversight Committee will be established pursuant to the terms
18 of the Plan. On and after the Effective Date, the Oversight Committee will manage the Liquidation
19 Debtor, after reasonable consultation with, and advice from, the Plan Administrator as set forth in
20 the Plan or as the Plan Administrator may request from time to time after the Effective Date.
21 However, the Oversight Committee's right, power, standing and authority to manage the
22 Liquidation Debtor, cause the Liquidation Debtor to take actions and to direct the Plan
23 Administrator are limited by the Plan and by the terms of Plan, including, without limitation, being
24 subject to Section VI.E of the Plan respecting the limitation on its right, power, standing or
25 authority to modify, alter and/or amend the Plan or any of its terms.

26 On and after the Effective Date, the Oversight Committee shall consist of three members.
27 On and after the Effective Date, the initial three members appointed to the Oversight Committee
28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 shall be as follows: (a) Fiorentino; (b) Prause; and (c) one member selected by the Debtor (which
2 may be any person selected by the Debtor in its sole and absolute discretion, Kenneth J. Pingree
3 Jr or Lombardo).

4 Each member of the Oversight Committee shall have one vote. However, nothing in the
5 Plan or in any document or instrument created pursuant to the Plan shall prohibit any member of
6 the Oversight Committee from providing a proxy for such member's vote on Oversight Committee
7 matters to any other member of the Oversight Committee.

8 Approval of a majority of the members of such Oversight Committee shall be required for
9 the Oversight Committee to act and shall bind all members as well as the Liquidation Debtor,
10 *except* for removal of the Plan Administrator (which requires unanimous vote, or Court approval
11 for cause shown after majority vote) or as otherwise specified in the Plan.

12 The identities of the final three members of the Oversight Committee (including the
13 member selected by the Debtor) shall be set forth in the Effective Date Notice filed with the
14 Bankruptcy Court within five (5) Business Days after the Effective Date, and, thereafter,
15 supplemented within five (5) Business Days after any change in its membership.

16 After the Effective Date, the Oversight Committee is prohibited from expanding the
17 number of its members. In the event that a member of the Oversight Committee resigns, the
18 remaining Oversight Committee members, based on majority vote, shall select a successor to serve
19 in the place of the resigning member. If the remaining members are unable to agree upon a
20 successor, the party originally responsible for selecting the resigning member (the Committee, the
21 Debtor or the Exist Financing Group, if any part of the Early Cash-Out Loan remains unpaid as of
22 the time of the vacancy) shall select the person to fill the vacancy created by the resigning member.
23 If the Early Cash-Out Loan is paid in full as of the time of the vacancy created by the resigning
24 member and the remaining members are unable to agree upon a successor, the Plan Administrator
25 shall select the person to fill the vacancy created by the resigning member.

26 Neither the Plan Administrator nor any successor Plan Administrator may be appointed as
27 member of the Oversight Committee to fill any vacancy.
28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 The Oversight Committee shall have the right to remove the Plan Administrator and any
2 successor Plan Administrator only in the manner expressly set forth in Section VI.D.4 of the Plan.

3 The Oversight Committee may adopt by-laws with respect to its operation so long as such
4 by-laws are consistent with the terms of the Plan and the Confirmation Order.

5 Except for reimbursement of reasonable expenses and indemnification, the members of the
6 Oversight Committee shall receive no other compensation or other payment for the performance
7 of their duties hereunder.

8 The duties, responsibilities and powers of the Oversight Committee shall terminate after
9 all Assets have been liquidated, abandoned, distributed or otherwise disposed of, and after the
10 Liquidation Debtor seeks and obtains an order for a final decree in the Case.

11
12 **4. The Plan Administrator**

13 **a. Appointment of the Plan Administrator**

14 On the Effective Date, a Plan Administrator shall be appointed. On the Effective Date,
15 Biggs shall be appointed as the Plan Administrator. The Plan Administrator may, in his, her or its
16 discretion, obtain a bond in an amount equal to the reasonable value of the Assets to be liquidated
17 under the Plan or other insurance, as determined by the Plan Administrator in his, her or its
18 discretion, after reasonable consultation with the Oversight Committee. The Plan Administrator
19 may pay for such bond or insurance as a Plan Operating Expense from the Asset, the proceeds
20 thereof or any other Cash held by the Liquidation Debtor or Disbursing Agent, but excluding the
21 proceeds of the Early Cash-Out Loan.

22 As of the Effective Date, the Plan Administrator shall assist in the administration of the
23 liquidation, and in such capacity, may exercise rights, power and authority consistent with the Plan
24 and applicable laws. The Plan Administrator shall serve in such capacity through the later of the
25 date that Bay Area is dissolved in accordance with the Plan or the date of the last Distribution to
26 Allowed Claims under the Plan, unless such Plan Administrator resigns, is terminated or otherwise
27 unable to serve; *provided, however*, that any successor Plan Administrator appointed pursuant to
28

1 the Plan shall serve in such capacity after the effective date of such person's appointment as Plan
2 Administrator.

3
4 **b. Powers and Authority of Plan Administrator**

5 On or after the Effective Date, subject to the power and authority of the Oversight
6 Committee as set forth in the Plan, the powers and authority of the Plan Administrator shall
7 include, but not be limited to, advising, assisting, taking any action, filing or causing to be filed
8 any proceeding, instituting and prosecuting any litigation, executing any document, entering into
9 any compromise or settlement, or taking any such other actions consistent with the Plan, all in the
10 name of the Liquidation Debtor, in connection with, consist with, or related to, (i) the Plan, (ii)
11 liquidation and sale of the Assets, (iii) collection of loans and notes in the Remaining Loan
12 Portfolio and the enforcement of the Liquidation Debtor's rights in respect thereof (including,
13 without limitation, foreclosing on any collateral for such loans), (iv) determination, allowability,
14 classification or priority of any Claims, (v) the extent, validity and priority of any lien, (vi)
15 construing, administering or enforcing the terms of the Plan, the Confirmation Order and any other
16 order of the Court, (vii) implementation, execution, performance, and consummation of the Plan
17 and the Confirmation Order, and all matters referred to in the Plan and the Confirmation Order,
18 (viii) the opening or closing of any account which the Plan Administrator determines is reasonable,
19 necessary or required under the Plan, and making any withdrawals or deposits in connection
20 therewith, (ix) reviewing, approving or opposing any and all applications or requests for
21 compensation and reimbursement of expenses of any Professionals, which are submitted or
22 brought after the Effective Date (regardless of the date of such services), (x) filing, prosecuting,
23 compromising or settling Rights of Action or other litigation reserved under the Plan, (xi) any
24 applications, motions, adversary proceedings, contested matters and any other litigated matters
25 instituted before, on or after the Effective Date, including, without limitation, any and all claims,
26 causes of action, setoffs, recoupments and the determination of any other rights; (xii) modifying
27 the Plan under Bankruptcy Code § 1127 in order to remedy any apparent defect or omission in the
28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 Plan, or to reconcile any inconsistency in the Plan so as to carry out its intent and purpose, or
2 implement any settlement reached (which shall be within the Plan Administrators, sole and
3 exclusive power, right and authority), (xiii) seeking any injunctions, judgment or orders or taking
4 such other actions as may be necessary or appropriate to restrain interference with the Plan or the
5 Confirmation Order, (xiv) to aid of consummation of the Plan or the Confirmation Order, (xv) the
6 sale, collection, transfer or disposition of any of the Assets and Real Estate Assets and all related
7 transactions, (xvi) administration of the Case and the Plan, including, without limitation, retaining,
8 hiring, terminating any employee or staff, (xvii) preparing, executing and filing of any tax return,
9 and (xviii) closing of the Case and dissolution of the Liquidation Debtor, including, without
10 limitation, obtaining a final decree.

11 On and after the Effective Date, the Plan Administrator shall be authorized and empowered
12 to execute, do and perform, in the name and on behalf of the Liquidation Debtor, such acts and to
13 prepare, execute, acknowledge, verify, file, deliver and cause to be published such certificates,
14 agreements, notices, reports, applications, declarations, instruments and documents, under the
15 corporate seal of Bay Area as Liquidation Debtor or otherwise, as the Plan Administrator may
16 deem necessary, appropriate or desirable in his, her or its discretion, to carry into effect the
17 decisions of the Liquidation Debtor, the terms and provisions of the Plan, the directions of the
18 Oversight Committee and/or in connection with any of the matters set forth above or in the Plan.
19 The Plan Administrator's performance of any such actions and execution and delivery of any such
20 documents shall constitute conclusive evidence of such authority and determination.

21 Without limiting the generality of the foregoing, on and after the Effective Date, the Plan
22 Administrator is authorized and empowered to execute, do and perform, in the name and on behalf
23 of the Liquidation Debtor, such acts and to prepare, execute, acknowledge, verify, file, deliver and
24 cause to be published any and all certificates, agreements, notices, notice of default, trustees' sale
25 notices, reports, applications, declarations, instruments, notes, deeds, reconveyances, transfer
26 documents, sale agreements, and any and all other documents of any kind or nature on behalf of,
27 and in the name of, the Liquidation Debtor, including, without limitation, those reasonable,
28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 necessary, required, requested or appropriate in order to (i) sell, operate, convey, transfer,
2 hypothecate, assign, alienate, dispose of, take possession of, and/or abandon any of the Assets,
3 Real Estate Assets and/or REOs, (ii) collect or enforce the Liquidation Debtor's rights respecting,
4 or in connection with, any loans, (iii) foreclose and take possession of on any Assets, Real Estate
5 Assets and/or REOs, (iv) file, prosecute, enforce or collect any Claims and/or Rights of Action,
6 (v) carry-out the terms and intent of the Plan and/or directions of the Oversight Committee, and
7 (vi) administer the Plan and the Case. The Plan Administrator's performance of any such actions
8 and execution and delivery of any such documents shall constitute conclusive evidence of such
9 authority and determination.

10 In the discretion of the Liquidation Debtor and the Plan Administrator, the powers and
11 duties of the Plan Administrator may be further delineated, refined and expanded upon in the
12 Liquidation Agreement or by majority vote of the Oversight Committee; but may not be limited in
13 any way.

14
15 **c. Expenses of the Liquidation Debtor and/or Plan Administrator**

16 The Plan Administrator and the Liquidation Debtor may pay all Administrative Expenses.
17 Plan Operating Expenses and/or Liquidation Expenses arising under, in connection with, related
18 to, or necessary for implementation, execution, performance, and consummation of the Plan and
19 the Confirmation Order, the sale, transfer, disposition, distribution or administration of any Assets,
20 and all matters referred to in the Plan and the Confirmation Order. Without limiting the generality
21 of the foregoing or the general definition of Plan Operating Expenses, Plan Operating Expenses
22 shall include, but not limited to, any and all operating or other expenses of any kind or nature
23 incurred by the Plan Administrator and/or the Liquidation Debtor, including, without limitation,
24 his, hers or its fees and expenses, rent, operating expenses, offices expenses, salaries and any and
25 all other expenses incurred in the ordinary course of the liquidation.

26 Without limiting the generality of the foregoing, the Plan Administrator will receive in
27 connection with its duties under the Plan compensation at its then prevailing hourly rates, and
28

1 reimbursement of fees and expenses incurred by it. The Plan Administrator shall be entitled to
2 reimbursement for actual out-of-pocket expenses incurred by the Plan Administrator.

3 To the extent there are sufficient available funds, the Plan Administrator shall include in
4 the reserve created for Post-Effective Date Plan Expenses reasonably sufficient monies to cover
5 the foreseeable compensation and expenses of the Plan Administrator incurred, or to be incurred,
6 after the Effective Date.

7
8 **d. Removal of the Plan Administrator**

9 The Plan Administrator, including any successor Plan Administrator, may be removed as
10 the Plan Administrator only in the following manner: (a) by affirmative unanimous vote of all of
11 the three members of the Oversight Committee, or (b) by majority vote of two members of the
12 Oversight Committee and following entry of a Final Order of the Court, upon good cause shown
13 by clear and convincing evidence, resulting from an evidentiary hearing held on properly noticed
14 motion filed on behalf of the Oversight Committee, with opportunity for objection, after
15 providing at least thirty (30) days written notice to the Plan Administrator, the dissenting
16 member of the Oversight Committee, the twenty largest Holders of Allowed Commercial Paper
17 Account Claims, CMKF, SHB and the UST, each of which shall have standing to object.

18
19 **e. Successor Plan Administrator**

20 In the event that the Plan Administrator is removed, resigns or otherwise ceases to serve as
21 the Plan Administrator, the Liquidation Debtor shall select a successor Plan Administrator within
22 thirty (30) Business Days of such resignation or cessation of service by the incumbent Plan
23 Administrator. Any successor Plan Administrator shall be subject to the same general
24 qualifications and shall have the same rights, powers, duties and discretion, and otherwise be in
25 the same position, as the originally named Plan Administrator. Any successor Plan Administrator
26 may not be a past or current member of the Oversight Committee.

27 If the Plan Administrator ceases to act as Plan Administrator for any reason whatsoever,
28

1 such Plan Administrator shall turn over to any successor Plan Administrator, upon written request,
2 any and all Assets, property and record, within twenty (20) days of the receipt of such written
3 request. References herein to the Plan Administrator shall be deemed to refer to the successor Plan
4 Administrator acting hereunder.

5
6 **f. Records**

7 The Plan Administrator shall maintain good and sufficient books and records of account
8 relating to the liquidation of the Assets; Available Cash and the management thereof; all post-
9 Effective Date transactions undertaken and transfers made by the Plan Administrator; all expenses
10 incurred by the Plan Administrator in connection with the implementation of the Plan after the
11 Effective Date; and all distributions contemplated or effectuated under the Plan. Upon final
12 disposition of the Assets and final distribution of Available Cash pursuant to the Plan, the Plan
13 Administrator may destroy or otherwise dispose of all records maintained by it. Notwithstanding
14 anything to the contrary, the Plan Administrator may destroy any documents that it reasonably
15 believes are no longer required to effectuate the terms and conditions of the Plan.

16
17 **g. Liability of the Plan Administrator**

18 The Plan Administrator and its Related Parties shall not be personally liable for any Claim
19 asserted against the Debtor whatsoever. The Plan Administrator shall neither have, nor incur, any
20 liability to any person or entity for any post-petition act taken or omitted to be taken in connection
21 with, or related to, the Plan, including, without limitation, implementing, effecting or
22 consummating the Plan, the marketing or sale of any Assets or Real Estate Assets, the collection
23 or failure to collect any loan or note or foreclose on any collateral in the Remaining Loan Portfolio,
24 the decision to sell or not sell to a potential buyer, any contract, instrument, release or other
25 agreement or document created or entered into in connection with the Plan or the sale of any
26 Assets, Real Estate Assets or REOs, the compromise or failure to compromise any loan, note or
27 claim against any borrower respecting the Remaining Loan Portfolio, the failure to assert or notify
28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 of any claim which may be covered by an applicable insurance policy, or any other post-petition
2 act taken or omitted to be taken in connection with or in contemplation of the administration of
3 the Liquidation Debtor, liquidation of any of its Assets, or for any act taken or omitted to be taken
4 as Plan Administrator or in connection with the liquidation or Distribution under the Plan; *provided*
5 that the foregoing shall have no effect on the liability of any of the Plan Administrator that results
6 from any such act or omission that is determined in a Final Order to have constituted gross
7 negligence or willful misconduct; and, *provided, further*, that the Plan Administrator shall be
8 entitled to rely upon the advice of counsel concerning his, her, or its duties pursuant to, or in
9 connection with, the Plan any of the foregoing or any other related document, instrument, or
10 agreement.

11
12 **5. Limitations on the Rights of the Oversight Committee.**

13 Notwithstanding anything in the Plan express or implied to the contrary, the Oversight
14 Committee does not have the right, power, standing or authority, whether directly or indirectly, to
15 take any action, take any vote, seek, conspire, direct or cause, the Liquidation Debtor, the
16 Oversight Committee, the Plan Administrator or any other person or entity, to alter, amend,
17 supplement, or modify under Bankruptcy Code § 1127, the Plan or any of its terms. The Oversight
18 Committee does not have the right, power, standing and/or authority, whether directly or indirectly,
19 to take any action, vote, seek, conspire, direct or cause the Liquidation Debtor, the Oversight
20 Committee, the Plan Administrator or any other person or entity to take any action or file any
21 proceeding, pleading or document inconsistent with the terms of the Plan.

22 The Plan Administrator, in his sole and absolute discretion, shall have the sole and
23 exclusive right, power, standing and authority to seek a modification of the Plan under Bankruptcy
24 Code § 1127, or an order to alter, amend or supplement the Plan, or to resolve or remedy any
25 apparent defect or omission in the Plan, or to reconcile any inconsistency. The foregoing right,
26 power, standing and authority of the Plan Administrator may not be revoked for any reason.
27 Furthermore, the Oversight Committee does not have the right, power, standing or authority,
28

1 whether directly or indirectly, to take any action, take any vote, seek, conspire, direct or cause, the
2 Liquidation Debtor, the Oversight Committee, the Plan Administrator or any other person or entity,
3 to revoke, limit, modify or alter the exclusive right of the Plan Administrator in this regard. (The
4 sole and exclusive remedy of the Oversight Committee in this regard is to seek removal of the Plan
5 Administrator in accordance with Section VI.D.4 of the Plan.)

6 On the Effective Date, the corporate bylaws of Bay Area shall be deemed amended and
7 modified consistent with the Plan, including, without limitation, Sections VI. C, D and E of the
8 Plan.

9
10 **6. Termination/Resignation of Current Management.**

11 On the Effective Date, Kenneth J. Pingree Jr. shall resign as president and chief executive
12 officer of the Liquidation Debtor; Lombardo shall resign as secretary; and, Patricia Pingree shall
13 resign as assistant secretary of the Debtor. The Plan Administrator shall assume the powers and
14 duties previously exercised by the president, subject to the powers and duties of the Oversight
15 Committee as set forth in the Plan.

16 On and after the Effective Date, the Oversight Committee shall exercise the powers and
17 duties of the board of directors of the Liquidation Debtor, subject to, as limited by, and to extent
18 not inconsistent with, the terms of the Plan. On and after the Effective Date, the Plan Administrator
19 shall serve exercise the powers and duties of the president of the Liquidation Debtor, subject to,
20 as limited by, and to extent not inconsistent with, the terms of the Plan.

21
22 **7. Ultimate Dissolution of Bay Area**

23 Once the Liquidation Debtor has sold the Assets and Real Estate Assets, the Plan
24 Administrator has fully performed its duties and made all Distributions under the Plan, Bay Area
25 may be dissolved for all purposes, without the necessity for any other or further actions to be taken
26 by or on its behalf or payments to be made in connection therewith; *provided, however*, without
27 the need of any further approval, the Plan Administrator may execute and file documents and take
28

1 all other actions deemed appropriate relating to the dissolution of Bay Area under applicable state
2 laws, and in such event, all applicable regulatory or governmental agencies shall take all steps
3 necessary to allow and effect the prompt dissolution of Bay Area as provided herein, without the
4 payment of any fee, tax, or charge and without need for the filing of reports or certificates.
5

6 **8. Physical Location of the Liquidation Debtor on and after the Effective Date.**

7 On and after the Effective Date until the current termination date pursuant to the Suite 350
8 Lease, the Liquidation Debtor shall continue to conduct its day to day operations/liquidation from
9 the Bay Area Financial corporate headquarters, located at 12400 Wilshire Blvd, Suite 350, Los
10 Angeles, California 90025. Upon termination of the Suite 350 Lease in or about December 2014,
11 such Suite 350 Lease shall not be renewed by the Liquidation Debtor (unless instructed otherwise
12 by the Oversight Committee pursuant to majority vote). Upon termination of the Suite 350 Lease,
13 the Liquidation Debtor may relocate to 3250 Ocean Park Blvd., Suite 350, Santa Monica,
14 California 90405 until such time as the Plan Administrator resigns, is removed in accordance with
15 the Plan or otherwise decides not to offer space to the Liquidation Debtor (as determined in the
16 Plan Administrator's sole and absolute discretion). In the event the Liquidation Debtor must again
17 relocate for any reason, the Plan Administrator shall select a suitable location with the approval of
18 the Oversight Committee.
19

20 **9. Termination of Services of the Debtor's Employees.**

21 On the Effective Date, if still employed by the Debtor as of the Effective Date, the Debtor
22 shall provide employee, Elsa Raigoza, thirty (30) days written notice of termination of her
23 employment effective on the 31st day following the Effective Date. On the Effective Date, if still
24 employed by the Debtor as of the Effective Date, the Debtor shall provide employee, Kimberly
25 Wizer, thirty (30) days written notice of termination of her employment effective on the 31st day
26 following the Effective Date.
27
28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 On and after the Effective Date, the Plan Administrator may elect to cause the Liquidation
2 Debtor to hire an employee selected by the Plan Administrator on reasonable terms, at the expense
3 of the Liquidation Debtor for a period of one year following the Effective Date. Thereafter, the
4 Plan Administrator may, in his, hers or its discretion, continue to employ such employee selected
5 by the Plan Administrator, until the Oversight Committee votes to direct the Plan Administrator to
6 terminate such employee after reasonable consultation with the Plan Administrator and after giving
7 reasonable deference to his, her or its view.

8
9 **10. TERMINATION OF DUTIES/CLOSING OF THE CASE**

10 The duties, responsibilities and powers of the Plan Administrator, Liquidation Debtor, the
11 Oversight Committee and Disbursing Agent shall terminate after all Assets have been liquidated,
12 abandoned, distributed or otherwise disposed of, and after the final Distribution under the Plan as
13 determined in the Plan Administrator's absolute and sole discretion, with the consent of the
14 Oversight Committee.

15 Notwithstanding any other provision herein, the Liquidation Debtor may move to close the
16 Case at any time after the Effective Date, even if any Assets remain to be liquidated, funds remain
17 to be distributed or Plan Reserve(s) remain on deposit.

18
19 **11. TREATMENT OF DISPUTED CLAIMS.**

20 On and after the Effective Date, the Liquidation Debtor shall have the right to take actions
21 to pursue any and all disputes respecting any and all Claims asserted against the Debtor with
22 respect to which the liability is disputed in whole or in part. All disputes may be litigated to Final
23 Order; provided, however, that the Liquidation Debtor may compromise and settle any disputes
24 respecting Claims. At such time as a Disputed Claim is resolved by Final Order and is Allowed
25 or is settled by the Liquidation Debtor, the Holder thereof will receive, as soon as practicable
26 thereafter, the distributions to which such Holder is then entitled under the Plan.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

12. Distribution of Property under the Plan

a. Manner of Cash Payments

Payments to domestic Holders of Allowed Claims will be denominated in U.S. dollars and will be made by checks drawn on a domestic bank selected by the Plan Administrator or, at the Plan Administrator's option, by wire transfer from a domestic bank. Payments to foreign Holders of Allowed Claims, if any, may be paid, at the Plan Administrator's option, either in the same manner as payments to domestic entities or in any funds and by any means that are necessary or customary in the particular foreign jurisdiction, but in accordance with all financial reporting,

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 payment and tax withholding laws and regulations of Federal and State jurisdictions under which
2 payments fall.

3
4 **b. Setoff and Recoupment**

5 Notwithstanding anything to the contrary in the Plan, the Liquidation Debtor may setoff,
6 recoup, or withhold against the distributions to be made on account of any Allowed Claim, any
7 Claims that the Debtor may have against the entity holding a Claim. The Liquidation Debtor will
8 not waive or release any Claim against those entities by failing to effect such setoff or recoupment;
9 by allowing any Claim against the Debtor; or by making a distribution on account of an Allowed
10 Claim.

11
12 **c. No De Minimis Distributions**

13 Notwithstanding anything to the contrary in the Plan, no Cash payment of less than \$50
14 will be made to any Holder of an Allowed Claim. No consideration will be provided in lieu of the
15 *de minimis* distributions that are not made under this Section. Allowed Claims that are entitled to
16 a Pro Rata distribution of less than \$50 shall continue to accrue until such time as the Pro Rata
17 distribution on account of such Allowed Claim will be \$50 or more.

18
19 **d. No Distributions With Respect to Disputed Claims**

20 Notwithstanding any other Plan provision, Distributions will be made on account of a
21 Disputed Claim only after, and only to the extent that, the Disputed Claim becomes an Allowed
22 Claim or is deemed to be an Allowed Claim for Distribution purposes.

23
24 **e. Undeliverable, Unclaimed Non-Negotiated Distributions**

25 Distributions to Holders of Allowed Claims will initially be made by mail to the address,
26 if any, set forth on the books and records of the Debtor as amended by any written notice of address
27

28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 change received by the Plan Administrator no later than ten (10) Business Days prior to the date
2 of any Distribution.

3 If no address is available through any of the foregoing means, the Distribution will be
4 deemed to be undeliverable. If a Distribution is returned to the Plan Administrator as an
5 undeliverable Distribution or is deemed to be an undeliverable Distribution, the Plan Administrator
6 shall make no further Distribution to the entity holding the Claim on which the Distribution is
7 being made unless and until the Plan Administrator is timely notified in writing of that entity's
8 current address. Subject to the following paragraph, until they become deliverable, the Plan
9 Administrator will create one or more reserves for undeliverable Distributions for the benefit of
10 the entities entitled to the Distributions. These entities will not be entitled to any interest on
11 account of the undeliverable Distributions.

12 Any Holder of an Allowed Claim that is otherwise entitled to an undeliverable Distribution
13 and that does not, within forty-five (45) days after a Distribution is returned to the Plan
14 Administrator as undeliverable, or is deemed to be an undeliverable Distribution, provide the Plan
15 Administrator with a written notice asserting his, her or its claim to that undeliverable Distribution
16 and setting forth a current, deliverable address, will be deemed to waive any claim to such
17 undeliverable Distribution and will be forever barred from receiving such undeliverable
18 Distribution or asserting any Claim against the Debtor, Liquidation Debtor, Plan Administrator
19 and/or the Exculpated Parties. Any undeliverable Distributions that are not claimed under this
20 Section will become Available Cash. Nothing in the Plan requires the Plan Administrator, the
21 Liquidation Debtor or the Oversight Committee to attempt to locate any entity holding an Allowed
22 Claim and whose Distribution is undeliverable.

23 If an instrument delivered as a Distribution to a Holder of an Allowed Claim is not
24 negotiated within one hundred and twenty (120) days after such instrument was sent to the Holder
25 of the Allowed Claim, then the instrument shall be null and void, the Holder of an Allowed Claim
26 shall be deemed to have waived such Distribution, and it shall become Available Cash.

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 **F. EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

2 The Debtor will assume certain executory contracts and unexpired leases. A specific list
3 of all executory contracts and/or unexpired leases to be assumed by the Debtor under the Plan
4 (“**Assumed Contract Schedule**”) will be filed with the Court and served on the other party to such
5 contract or lease by the Exhibit Filing Date.

6 On the Effective Date, each of the unexpired leases and executory contracts listed on the
7 Assumed Contract Schedule shall be assumed as obligations of the Liquidation Debtor. The
8 Confirmation Order shall constitute an order approving the assumption of each lease and contract
9 to be identified on the Assumed Contract Schedule. If a party to a lease or contract to be assumed
10 objects to the assumption of his, her or its lease or contract, such party must file and serve his, her
11 or its objection to the proposed assumption of his, her or its lease or contract within the deadline
12 for objecting to the Confirmation of the Plan.

13 In addition, to the extent not already assumed by Final Order prior to the Effective Date,
14 the Suite 350 Lease is hereby assumed under the Plan as of the Effective Date through the current
15 expiration date.

16 The Debtor will reject certain pre-petition leases and executory contracts of Debtor. A
17 specific list of all executory contracts and/or unexpired leases to be rejected by the Debtor under
18 the Plan (“**Rejection Schedule**”) will be filed with the Court and served on the other party to such
19 contract or lease by the Exhibit Filing Date.

20 In addition, all executory contracts and unexpired leases that have not been specifically
21 assumed will be deemed rejected on the Effective Date, despite not being included on the Rejection
22 Schedule. The Confirmation Order shall constitute an order approving the rejection of the lease
23 or contracts not specifically assumed.

24
25 **THE BAR DATE FOR FILING A POC BASED ON A CLAIM ARISING**
26 **FROM THE REJECTION OF A LEASE OR CONTRACT IS THIRTY (30)**
27 **DAYS AFTER THE ENTRY OF AN ORDER CONFIRMING THE PLAN.**
28

1 Any claim based on the rejection of a contract or lease will be barred if the POC is not
2 timely filed, unless the Court later orders otherwise.

3
4 **G. REGULATORY APPROVAL NOT REQUIRED.**

5 The Debtor is not subject to governmental regulatory commission approval of its rates.

6
7 **H. LITIGATION**

8 On the Effective Date, the Liquidation Debtor shall retain, and may exclusively enforce,
9 any and all such claims, rights or Rights of Action, whether arising before or after the Effective
10 Date, in any court or other tribunal. The Liquidation Debtor shall have the exclusive right,
11 authority, and discretion to institute, prosecute, abandon, settle, or compromise any and all such
12 claims, rights and Rights of Action, after reasonable consultation with the Plan Administrator.

13 On and after the Effective Date, with respect to any matter affecting any Assets, the
14 Liquidation Debtor may take such actions in the name of Bay Area.

15 Unless a claim or Right of Action against a person or entity is expressly waived,
16 relinquished, released, compromised, or settled in the Plan or any Final Order, the Liquidation
17 Debtor expressly reserves such claim or cause of action for later adjudication (including, without
18 limitation, claims and Rights of Action which the Liquidation Debtor may presently be unaware,
19 or which may arise or exist by reason of additional facts or circumstances unknown at this time,
20 or facts or circumstances which may change or be different from those now believed to exist) and,
21 therefore, no preclusion doctrine, including, without limitation, the doctrines of res judicata,
22 collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable, or
23 otherwise), or laches shall apply to such claims or Rights of Action upon, or after, the consent to
24 or consummation of the Plan, except where such claims or Rights of Action have been released in
25 the Plan or other Final Order.

26 On and after the Effective Date, the Liquidation Debtor and the Plan Administrator will
27 make the decision of whether or not to pursue any claims or causes of action and to settle or not
28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 settle claims or causes of action, and this decision will be based upon the Liquidation Debtor's and
2 the Plan Administrator's review of the merits of the various Rights of Action as well as the costs
3 required to prosecute such Rights of Action. The Plan Administrator may seek to retain counsel
4 and/or other advisors to prosecute some or all of such Rights of Action on behalf of, and in the
5 name of, the Liquidation Debtor, may seek to finance any costs relating to the prosecution of such
6 litigation or may decide not to pursue such Rights of Action at all. The Plan Administrator with
7 the consent of the Oversight Committee, in their absolute and sole discretion, may settle such
8 actions on behalf of the Liquidation Debtor following the Effective Date without further notice or
9 hearing, except as otherwise provided in the Plan.

10 The Liquidation Debtor and/or the Plan Administrator and their respective Related Parties
11 shall not have any liability arising out of the good faith determinations of the Liquidation Debtor
12 and the Plan Administrator of whether or not to pursue prosecution of and/or settle the foregoing
13 Rights of Action.

14 The Liquidation Debtor and the Plan Administrator, in their absolute and sole discretion,
15 reserve the right to supplement any at any time before or after the Effective Date, the reserved
16 litigation to include actions, causes of action, claims, avoidance actions, declaratory relief actions
17 and lawsuits, of any kind or nature, whether in law or in equity, that the Debtor may have against
18 any Claimant or any other person or entity by filing with the Bankruptcy Court Schedule I; upon
19 such filing, Schedule I shall be deemed to be incorporated as part of the Disclosure Statement,
20 Plan and Confirmation Order as of the Effective Date without further order of the Bankruptcy
21 Court; and, none of the Disclosure Statement, Plan and/or Confirmation Order shall act as bar
22 against the filing and/or prosecution of any such actions, causes of action, claims, avoidance
23 actions, declaratory relief actions and lawsuits, and/or the enforcement of any judgment obtained
24 with respect thereto.

25 **I. SUMMARY OF THE PLAN RISKS FACTORS**

26 The amount of distribution under the Plan is subject to various factors and contingencies,
27 some of which are described below. The following discussion summarizes only some of the
28

1 material risks associated with the Plan and the Liquidation Debtor, and is not exhaustive.
2 Moreover, this section should be read in connection with the other disclosures contained in the
3 Plan and Disclosure Statement. Each Holder of a Claim and Interest, in conjunction with its
4 advisors, should supplement the following discussion by analyzing and evaluating the Plan and
5 Disclosure Statement as a whole.

6
7 **THE RISKS ASSOCIATED WITH THE PLAN AND THE LIQUIDATION**
8 **DEBTOR MUST BE CAREFULLY CONSIDERED IN DETERMINING**
9 **WHETHER TO VOTE TO ACCEPT THE PLAN.**

10 This discussion assumes that the Plan is confirmed and that the Effective Date occurs. The
11 proceeds to be realized upon liquidation are subject to the following general risks:

- 12 • Adverse changes in general economic conditions, and the real estate market in particular.
- 13 • Unknown and unanticipated material deferred maintenance respecting the real estate that
- 14 serves as security for the Loans may not be known at this time.
- 15 • Unknown and unanticipated material default in the senior indebtedness or real estate
- 16 taxes respecting the real estate that serves as security for the Loans.
- 17 • Material default or inability to collect on existing Loans.
- 18 • Unanticipated intervening bankruptcy proceeding filed by borrowers which adversely
- 19 impacts collectability, timing and the costs of collection of existing Loans.
- 20 • Fewer or greater than anticipated Allowed Commercial Paper Account Holders elect
- 21 treatment in Class 4.
- 22 • Lower than anticipated sales prices for the existing REO's.
- 23 • Destruction or material damage to the REOs or other real estate collateral.
- 24 • Unanticipated environmental or zoning regulations adversely impacting the REOs and/or
- 25 other real estate collateral.
- 26 • Non-occurrence of the Effective Date.
- 27
- 28

1 The foregoing is a disclosure of general risks. However, the Debtor is not currently aware
2 of any imminent event which falls into any of the foregoing categories, which would render the
3 feasibility of the Plan highly suspect at this time.

4
5 V.

6 **LIQUIDATION ANALYSIS/BEST INTEREST TEST**

7 Another confirmation requirement is the “Best Interest Test”, which requires a liquidation
8 analysis. Under the “Best Interest Test”, if a Holder of a Claim or Interest is in an impaired Class
9 and such Holder does not vote to accept the Plan, then that Holder of a Claim or Interest must
10 receive or retain under the Plan property of a value not less than the amount that such holder would
11 receive or retain if the Debtor were liquidated under Chapter 7 of the Bankruptcy Code.

12 In a hypothetical Chapter 7 case, the hypothetical debtor’s assets are usually sold by a
13 Chapter 7 trustee. Secured Creditors are generally paid first from the sales proceeds of properties
14 on which the secured creditor has a lien. Administrative claims (both Chapter 7 and then Chapter
15 11) are paid next. Next, the General Unsecured Creditors are paid from any remaining sales
16 proceeds, according to their rights to priority. General Unsecured Creditors with the same priority
17 share in proportion to the amount of their Allowed Claim in relationship to the amount of total
18 Allowed General Unsecured Claims. Finally, the Interest Holders receive the balance, if any, that
19 remains after all creditors are paid.

20 The Debtor’s Liquidation Analysis is attached to the Disclosure Statement as ***Exhibit 8***.
21 The Disclosure Statement also refers to a document defined as the Liquidation Analysis Detail,
22 which is referred to as ***Exhibit 9*** to the Disclosure Statement. ***Exhibit 9*** is not physically attached
23 to the Disclosure Statement. ***Exhibit 8 and 9*** are virtually identical, except that ***Exhibit 9*** includes
24 additional detail not contained in ***Exhibit 8***, because the Debtor believes that it is not in the best
25 interest of the Estate and Creditors to include such confidential information in the public record.
26 By way of example, disclosing valuations respecting the Loan Portfolio might potentially impact
27 collectability of specific loans. Similarly, the liquidation value of a particular parcel of real estate
28

1 might have an impact on the sale price of the property. Thus, the Debtor has opted not to include
2 such information in the Disclosure Statement where it becomes readily available to the general
3 public. Instead, Exhibit 9 is available to qualifying Creditors as part of the Supplemental
4 Disclosure Package.

5
6 **ANY HOLDER OF AN ALLOWED COMMERCIAL PAPER ACCOUNT CLAIM**
7 **(WHICH IS NOT A DISPUTED CLAIM) WISHING TO OBTAIN THE**
8 **SUPPLEMENTAL DISCLOSURE PACKAGE MAY DO SO UPON WRITTEN**
9 **REQUEST MADE PRIOR TO THE BALLOTING DEADLINE BY SENDING**
10 **SUCH REQUEST TO MARTA WADE, CREIM MACIAS KOENIG & FREY**
11 **LLP; 633 W. FIFTH STREET, 51ST FLOOR, LOS ANGELES, CALIFORNIA**
12 **90071; TELEPHONE - (213) 614-1944; FACSIMILE - (213) 614-1961; EMAIL**
13 **ADDRESS- mwade@cmkllp.com**

14 The estimated amount owed by the Debtor on account of General Unsecured Claims is
15 approximately \$113,845, and the estimated total amount of Commercial Paper Account Claims
16 classified in Class 5 is approximately \$20,874,235.89, without deduction for those Commercial
17 Paper Account Holders who may elect to be treated in Class 4.

18 Although the Debtor anticipates that the distribution to Commercial Paper Account Holders
19 in Class 5 will eventually be greater over time than the 35% being offered to those electing to be
20 cashed-out in Class 4, it is not possible to predict with any degree of certainty the exact amount or
21 percentage of distribution to Class 5 at this time or the amount of time it will take to complete the
22 liquidation, although reasonable efforts have been made by the Debtor to do so, as set forth the
23 exhibits to the Disclosure Statement. Among other reasons, there are too many uncertainties
24 regarding the value of the remaining real estate assets, collectability of the remaining loans in the
25 Debtor's loan portfolio and general unpredictability of the economy to make a completely accurate
26 prediction at this point.

27 With that general disclaimer in mind, the Liquidation Analysis prepared by the Debtor
28 projects that each Holder of an Allowed Commercial Paper Account Claim in Class 5 should
expect to receive a distribution of approximately 54.05% of the amount of his, her or its Allowed

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 Commercial Paper Account Claim qualifying for treatment in Class 5, which projection is based
2 on the hypothetical assumption that no Claimants whatsoever elect to be treated in Class 4.

3 Based on the same Liquidation Analysis, assuming hypothetically that all Holders of
4 Allowed Commercial Paper Account Claims equal to or less than \$150,000 eligible to elect
5 treatment in Class 4 actually elects treatment in Class 4, the distribution to each Holder of an
6 Allowed Commercial Paper Account Claim in Class 5 would hypothetically increase to
7 approximately 60%. By way of further example, assuming that only 50% of the amount owed to
8 the Holders of Allowed Commercial Paper Account Claims equal to or less than \$150,000 eligible
9 to elect treatment in Class 4 actually elects treatment in Class 4, the distribution to each Holder of
10 an Allowed Commercial Paper Account Claim in Class 5 would hypothetically increase to
11 approximately 56.6%.

12 The Debtor believes that 54.05% is a reasonably accurate projection of anticipated
13 distribution based on the information currently available. However, it is always possible that
14 unanticipated events and circumstances, or unforeseen problems with loan collections, may
15 adversely impact estimates of value, so that less is realized from liquidation than anticipated.
16 Similarly, it is possible that results may be better than predicted, as the Debtor believes that the
17 Liquidation Analysis relies upon relatively conservative estimates of value.

18 Although reasonable efforts have been made to project the amount of the anticipated
19 distribution based on the best information available as of the date of the Disclosure Statement, it
20 is not possible at this time to project with exactitude the percentage that each Holder of an Allowed
21 Commercial Paper Account Claim will receive because of there are a number of uncertainties
22 impacting the liquidation. By way of example, the conditions of the real estate that serves as
23 security for the Loans may not be known at this time. Similarly, the amount of the senior
24 indebtedness can be impacted if the borrower is default. Intervening bankruptcy proceeding filed
25 by borrowers impacts collectability, timing and the costs of collection. The ability of the
26 Liquidation Debtor to collect the outstanding Loans will impact the available liquidation proceeds.
27 The number of Allowed Commercial Paper Account Holders electing treatment in Class 4 may
28

CREIM MACIAS KOENIG & FREY LLP
833 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 also increase the percentage distribution to Class 5. The exact sales prices for the existing REO's
2 is subject to market variation.

3 The Debtor maintains that the best interest requirement is met in this case. The Liquidation
4 Analysis includes a comparison of the anticipated results of the liquidation under the Plan
5 compared to Liquidation under Chapter 7. The Liquidation Analysis projects a distribution of
6 approximately of 54.05% of the amount of the Allowed Commercial Paper Account Claim
7 qualifying for treatment in Class 5 (assuming no Claimant whatsoever elects to be treated in Class
8 4). By comparison, the Liquidation Analysis projects an anticipated distribution of approximately
9 of 36.01% of the amount of the Allowed Commercial Paper Account Claim, assuming the assets
10 are liquidated in Chapter 7. There are a number of reasons for the projected disparity.

11 For example, in a hypothetical Chapter 7 case, a trustee is appointed and entitled to
12 compensation from the bankruptcy estate based on disbursements. The trustee's compensation is
13 in an amount not to exceed 25% of the first \$5,000 of all moneys disbursed, 10% on any amount
14 over \$5,000, but less than \$50,000, 5% on any amount over \$50,000 but not in excess of \$1 million,
15 and 3% on all amounts over \$1 million. In a hypothetical Chapter 7 case, a trustee would be
16 entitled to fees on projected distributions in Chapter 7. In addition to the added Administrative
17 Expense for the trustee, the Chapter 7 trustee will most certainly employ professional persons,
18 such as legal counsel, accountants and appraisers. Thus, the projected Administrative Expense
19 claims will significantly increase.

20 It is noteworthy that the Liquidation Analysis fails to take into account the possibility that
21 existing Loan collections and/or real estate values may be adversely affected were the Debtor
22 liquidated in Chapter 7.

23 **The Debtor has estimated the liquidation values of its assets based upon the most**
24 **accurate information that is currently available. Because those estimates are a prediction of**
25 **what could be obtained in the future if such assets were liquidated, there is no guarantee that**
26 **the estimates are entirely accurate. It is possible that the actual liquidation of the assets**
27 **would generate either more or less than the estimated values set forth herein.**
28

VI.

FINANCIAL INFORMATION

A. FEASIBILITY

The Bankruptcy Code requires that, in order for the Plan to be confirmed by the Bankruptcy Court, it must be demonstrated that consummation of the Plan is not likely to be followed by the liquidation or the need for further financial reorganization of the Debtor, unless such liquidation is proposed in the Plan. See, Bankruptcy Code § 1129(a)(11). Here, the Plan is a liquidating Plan.

In this Case, the Plan is to be funded from cash on hand, Loan collections, proceeds of sales of REOs, and liquidation of other assets.

1. Cash on Effective Date

There are at least two important aspects of a feasibility analysis. The first aspect considers whether the Debtor will have enough Cash on hand on the Effective Date of the Plan to pay all the claims and expenses which are entitled to be paid on such date. The Debtor maintains that this aspect of feasibility is satisfied.

The Debtor has approximately \$2,044,772 of cash on hand. Assuming the sale of the Ostin Property closes prior to the Effective Date, the amount of cash on hand as of the Effective Date may increase by \$252,618, resulting in cash on hand as of the Effective Date of approximately \$2,297,341.

The aggregate amount of projected cash required to be paid on the Effective Date is approximately \$896,198, consisting of \$675,000 in projected Administrative Expenses, \$14,050 in disputed Priority Tax Claims, and \$207,148 in Secured Property Tax Claims. Based on the foregoing analysis, there appears to be adequate cash on hand to meet the required Effective Date payments.

2. Additional Financial Information

The Debtor has included with this Disclosure Statement some historical and current financial information to assist the reader in making an informed decision respecting the Plan.

CREIM MACIAS KOENIG & FREY LLP
833 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 *Exhibit 3* consists of the Debtor's Balance Sheets as of June 30, 2012, June 30, 2013, and February
2 28, 2014. *Exhibit 4* is a Profit & Loss Statement prepared by the Debtor for the period June 30,
3 2012 through June 30, 2016. *Exhibit 5* is the Cash Flow Projections prepared by the Debtor for
4 the period June 30, 2012 through June 30, 2016. Attached collectively as *Exhibit 6* is a Profit &
5 Loss Statement for the Year Ending June 30, 2014 and a Forecasted Profit & Loss Statement for
6 the Year Ending June 30, 2015. Attached collectively as *Exhibit 7* is a Cash Flow Projections for
7 the Year Ending June 30, 2014 and a Cash Flow Projections for the Year Ending June 30, 2015.
8

9 In addition, in order to further assist the Reader in deciding whether or not to vote in favor
10 of the Plan, the Debtor has prepared a Supplemental Disclosure Package which includes additional
11 disclosure information prepared by the Debtor, which are referenced in, but not attached to, the
12 Disclosure Statement. The Supplemental Disclosure Package contains a Schedule of Loans
13 Receivable as of February 28, 2014, with supporting analysis, as well as the Liquidation Analysis
14 Detail. The Supplemental Disclosure Package is not attached to the Disclosure Statement because
15 the Debtor believes that it is not in the best interest of the Estate and Creditors to include such
16 confidential information in the public record. By way of example, disclosing valuations respecting
17 the Loan Portfolio might potentially impact collectability of specific loans. Thus, the Debtor has
18 opted not to include such information in the Disclosure Statement where it becomes readily
19 available to the general public. However, the Holders of Allowed Commercial Paper Account
20 Claims or Allowed General Unsecured Claims may obtain the Supplemental Disclosure Package
21 by making a request in writing in the manner set forth in Section V above.

22 The financial information described above is based on the Debtor's good faith estimate as
23 to the income it believes can be achieved from future collections of Loans and from sales of the
24 Assets. The projections are based on the assumption that, after the Effective Date, the Liquidation
25 Debtor will continue to collect Loans and sell property. The projections demonstrate that the
26 Debtor can meet its financial obligations under the Plan.
27
28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 The projections show that the Reorganized Debtor will be able to meet its obligations to
2 Creditors under the Plan; and that the Plan is not likely to be followed by the need for further
3 financial reorganization of the Liquidation Debtor. As a result, the Plan satisfies the feasibility
4 requirement set forth in Bankruptcy Code § 1129.

5
6 **VII.**

7 **TAX CONSEQUENCES OF THE PLAN**

8 The following discussion summarizes certain federal income tax consequences of the
9 implementation of the Plan to the Debtor and certain Holders of Claims. The following summary
10 does not address the federal income tax consequences to Holders of Claims that are entitled to
11 reinstatement or payment in full in cash under the Plan, such as Holders of Allowed Administrative
12 Claims.

13 The following summary is based on the Internal Revenue Code of 1986, as amended (the
14 "Tax Code"), Treasury Regulations promulgated thereunder, judicial decisions, and published
15 administrative rules and pronouncements of the Internal Revenue Service ("IRS") as in effect on
16 the date hereof. Changes in such rules or new interpretations thereof may have retroactive effect
17 and could significantly affect the federal income tax consequences described below.

18 The federal income tax consequences of the Plan are complex and are subject to significant
19 uncertainties. The Debtor has not requested a ruling from the IRS or an opinion of counsel with
20 respect to any of the tax aspects of the Plan. Thus, no assurance can be given as to the interpretation
21 that the IRS will adopt concerning any issue discussed herein. In addition, this summary does not
22 address foreign, state or local tax consequences of the Plan, nor does it purport to address the
23 federal income tax consequences of the Plan to special classes of taxpayers (such as foreign
24 taxpayers, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small
25 business investment companies, regulated investment companies, tax-exempt organizations, and
26 investors in pass-through Entities).

1 This discussion assumes that the various debt and other arrangements to which the Debtor
2 is a party will be respected for federal income tax purposes in accordance with their form. There
3 is no assurance, however, that the IRS will not take contrary positions to those described herein or
4 upon which this summary is based.

5
6 **DISCLAIMER:** The discussion set forth below is included for general
7 information only and is not a substitute for careful tax planning and advice
8 based upon the individual circumstances pertaining to a Holder of a Claim or
9 Interest. The Debtor and its counsel, tax advisors, and financial advisors are not
10 making any representations regarding the particular tax consequences of
11 confirmation and consummation of the Plan with respect to the Debtor, the
12 Estate, entities holding Claims or Interests, the Reorganized Debtor, nor are
13 they rendering any form of legal opinion or tax advice on such tax consequences.
14 The tax laws applicable to debtor's in bankruptcy are extremely complex, and
15 the following summary does not address all aspects of federal income taxation
16 that may be relevant to the Debtor, the Estate, or entities holding Claims or
17 Interests. Entities holding Claims or Interests are strongly urged to consult their
18 tax advisors regarding the tax consequences of the Plan, including federal,
19 foreign, state, and local tax consequences.

20
21 To ensure compliance with requirements imposed by the IRS, you are hereby
22 inform that any tax information contained in the Disclosure Statement
23 (including any attachments) (including to the extent that notwithstanding the
24 preceding general disclaimer, any statement contained in the Disclosure
25 Statement is deemed or construed to constitute tax advice) is not intended or
26 written to be used, and cannot be used, for the purpose of (i) avoiding any
27 penalties under the Tax Code or (ii) promoting, marketing or recommending to
28 another party any transaction(s), action(s) or tax-related matter(s) addressed
herein.

21 **A. TAX CONSEQUENCES TO THE DEBTOR.**

22 1. Cancellation of Debt.

23 Generally, cancellation of indebtedness is treated as income (“**COD income**”) that is
24 includable in a taxpayer’s gross income. However, Section 108(a) of the Tax Code provides that
25 gross income does not include any COD income if the cancellation of indebtedness occurs in a
26 bankruptcy case and the cancellation is granted by a court with proper jurisdiction under the
27 Bankruptcy Code or pursuant to a plan approved by such a court. The debtor in a bankruptcy case
28 must reduce certain of its tax attributes—such as its current-year “net operating loss” (“**NOL**”),

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 NOL carry forwards resulting from losses in prior years, tax credits and the tax basis in its assets
2 (collectively, "Tax Attributes") — by the amount of any COD income that is excluded from gross
3 income under Section 108(a) of the Tax Code. The reduction of these tax attributes is made after
4 the federal income tax liability for the year of the debt cancellation has been determined.

5 COD income realized by a debtor equals the amount by which the indebtedness discharged
6 exceeds any consideration given in exchange therefore, subject to certain statutory or judicial
7 exceptions that can apply to limit the amount of COD realized (such as where the payment of the
8 cancelled debt would have given rise to a tax deduction). To the extent that the amount of COD
9 income excluded from gross income pursuant to Section 108(a) of the Tax Code exceeds the tax
10 attributes available for reduction, the excess COD income is simply excluded from gross income
11 without any further tax consequences.

12
13 As a result of the Plan's treatment of the various claims of its creditors and the limited
14 assets, the Reorganized Debtor is not expected to realize a significant amount of COD income.
15 The extent of such COD income and the resulting Tax Attribute reduction will depend, in part, on
16 the fair market value of the consideration paid by the Debtor in satisfaction of the creditors' Claims
17 and Interests.

18
19 **2. Gain on Sales.**

20 The Debtor does not anticipate any gain from sales of its property under the Plan due to its
21 loss carry forwards. However, the Debtor has yet not fully analyzed the tax consequences of all
22 of its potential sales; therefore, the tax consequence to the Estate is unknown at this time, and has
23 also not been factored into the Liquidation Analysis.

24
25 **3. Carryover Losses and Other Tax Attributes.**

26 Following the Effective Date, the Debtor expects to have carryover losses. The amount of
27 such carryover losses remains subject to adjustment by the IRS. As explained above, however,
28

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 the Debtor's carryover losses and other tax attributes is subject to being reduced or eliminated as
2 of the beginning of the taxable year following the year in which the Effective Date occurs as a
3 result of the COD income on implementation of the Plan. Accordingly, there can be no assurance
4 that the Liquidation Debtor will have carryover losses following the year in which the Plan is
5 implemented. However, in this Case, the Debtor anticipates that there will be on COD and,
6 therefore, it anticipates that its carryover losses will be available.

7
8 **4. Limitation on Carry forwards.**

9 The utilization of part of the Debtor's carry forwards may be subject to limitation under
10 Section 382 of the Tax Code and Treasury Regulations promulgated thereunder, which limitation,
11 if applicable, would effectively prevent the Debtor from offsetting such carry forwards against
12 taxable income in future years. Section 383 of the Tax Code imposes similar limitations on capital
13 loss carry forwards and tax credits.

14 **VIII.**

15 **OTHER PLAN PROVISIONS**

16 **A. Post-Effective Date Effect of Evidences of Claims**

17 Commencing on the Effective Date, instruments, notes and other evidences of Claims will
18 represent only the right to receive the Distributions contemplated under the Plan.

19
20 **B. Recourse**

21 No Person entitled to receive a payment or Distribution under the Plan will have any
22 recourse against the Debtor, the Liquidation Debtor, the Plan Administrator or their respective
23 Related Parties other than the right to receive Distributions in accordance with the terms of the
24 Plan.

25 **C. No Admissions**

26 Notwithstanding anything to the contrary in the Plan, if the Plan is not consented to, is
27 revoked or otherwise the Effective Date does not occur, the Plan will be null and void, and nothing
28

1 contained in the Plan will: (1) be deemed to be an admission by the Debtor with respect to any
2 matter discussed in the Plan, including liability on any Claim or the propriety of any Claim's
3 classification; (2) constitute a waiver, acknowledgement, or release of any Claims; or (3) prejudice
4 in any manner the rights of the Debtor or any other person in any further proceedings.

5
6 **D. Revocation of the Plan**

7 The Debtor reserves the right to withdraw the Plan before the Effective Date.

8
9 **E. Severability of Plan Provisions**

10 If, before the Effective Date, any court holds that any Plan term or provision is invalid,
11 void, or unenforceable, the court may alter or interpret that term or provision so that it is valid and
12 enforceable to the maximum extent possible consistent with the original purpose of that term or
13 provision. That term or provision will then be applicable as altered or interpreted, except if such
14 term or provision is inconsistent with the intent of the Debtor, in which case the Plan may be
15 unilaterally withdrawn by it. Notwithstanding any such holding, alteration, or interpretation, the
16 Plan's remaining terms and provisions will remain in full force and effect and will in no way be
17 affected, impaired, or invalidated.

18
19 **F. Confirmation Request.**

20 In the event that all of the applicable requirements of Bankruptcy Code §1129 (a) are met
21 other than paragraph (8), the Plan Proponent requests Confirmation of the Plan notwithstanding
22 the requirements of such paragraph under Bankruptcy Code §1129(b).

23
24 **G. Governing Law**

25 Unless a rule of law or procedure is supplied by (a) federal law (including the Bankruptcy
26 Code and FRBPs), or (b) an express choice of law provision in any agreement, contract,
27 instrument, or document provided for, or executed in connection with, the Plan, the rights and
28

1 obligations arising under the Plan and any agreements, contracts, documents, and instruments
2 executed in connection with the Plan shall be governed by, and construed and enforced in
3 accordance with, the laws of the State of California without giving effect to the principles of
4 conflict of laws thereof, except as otherwise expressly stated therein.

5
6 **H. Successors and Assigns**

7 Unless otherwise specified in the Plan, the rights, benefits, and obligations of any entity
8 referred to in this Plan will be binding on, and will inure to the benefit of, any heir, executor,
9 administrator, successor, or assign of that entity.

10
11 **I. Saturday, Sunday, or Legal Holiday**

12 If any payment or act under the Plan should be required to be made or performed on a day
13 that is not a Business Day, then the payment or act may be completed on the next succeeding day
14 that is a Business Day, in which event the payment or act will be deemed to have been completed
15 on the required day.

16
17 **J. Headings**

18 The headings used in the Plan are inserted for convenience only and do not constitute a
19 portion of the Plan or in any manner affect the provisions of the Plan or their meaning.

20
21 **K. Other Assurances**

22 The Creditors and Holders of Interests shall execute and deliver such documents and
23 perform such other acts as may be reasonably requested by the Debtor, the Liquidation Debtor
24 and/or the Plan Administrator to implement and carry out the terms and/or intent of the Plan, and
25 any notes or other documents issued pursuant hereto.

1 **L. Modification of Plan**

2 The Debtor may modify, alter or amend the Plan at any time before the Effective Date.
3 The Plan Administrator reserve the right to modify, alter or amend the Plan at any time after the
4 Effective Date to correct any ambiguity or mistake.

5
6 **M. Rounding.**

7 Whenever any payment of a fraction of a cent would otherwise be called for, the actual
8 payment shall reflect a rounding of such fraction to the nearest whole cent, with one-half cent
9 being rounded up to the nearest whole cent.

10
11 **N. Claims Estimation.**

12 Under the Plan, the Debtor has the right to file motions seeking to estimate Claims,
13 including, without limitation, Secured Claims in accordance with Bankruptcy Code § 502(c)(1).
14 Through such motions, the Debtor can seek a ruling from the Court estimating any Claim in a fixed
15 amount for the purpose of voting, allowance and distributions under the Plan. Once Claims have
16 been estimated and allowed for purposes of distribution at a fixed amount, Claims will be treated
17 and distribution reserved based on such fixed amount, subject to any further order upon motion
18 under Bankruptcy Code § 502(j) to reconsider the fixed amount allowed. Until Claims are finally
19 Allowed: (a) such Claims shall not receive any Distribution; and (b) such Claims shall be reserved
20 in the amount estimated.

21
22 **O. Setoff, Recoupment and Other Rights.**

23 Notwithstanding anything to the contrary contained in the Plan, the Liquidation Debtor
24 may, but shall not be required to, setoff, recoup, assert counterclaims or withhold against the
25 Distributions to be made pursuant to the Plan on account of any claims that the Debtor, the Estate,
26 or the Liquidation Debtor may have against the entity holding an Allowed Claim; provided,
27 however, that neither the failure to effect such a setoff or recoupment, nor the allowance of any
28

CREIM MACIAS KOENIG & FREY LLP
833 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 Claim against the Debtor or the Liquidation Debtor, nor any partial or full payment during the
2 Case or after the Effective Date in respect of any Allowed Claim, shall constitute a waiver or
3 release by the Debtor, the Estate or the Liquidation Debtor of any claim that they may possess
4 against such Holder.

5
6 **P. Retention of Jurisdiction**

7 After Confirmation of the Plan and after the Effective Date, in addition to
8 jurisdiction which exists in any other court, the Court will retain such jurisdiction as is legally
9 permissible including for the following purposes:

10 a. To resolve any and all disputes regarding the operation and
11 interpretation of the Plan and the Confirmation Order;

12 b. To determine the allowability, classification or priority of Claims
13 and Interests upon objection by the Debtor, or by other parties in interest with standing to bring
14 such objection or proceeding;

15 c. To determine the extent, validity and priority of any lien asserted
16 against the property of the Liquidation Debtor or property of the Debtor's Estate, including,
17 without limitation, the lien rights, if any, asserted by the Holders of Claims;

18 d. To (i) construe and take action to enforce the Plan, the
19 Confirmation Order and any other order of the Court, (ii) issue such orders as may be necessary
20 for the implementation, execution, performance, and consummation of the Plan and the
21 Confirmation Order, and all matters referred to in the Plan and the Confirmation Order, and (iii)
22 determine all matters that may be pending before the Court in the Case on or before the Effective
23 Date with respect to any Person or entity;

24 e. To determine (to the extent necessary) any and all applications for
25 allowance of compensation and reimbursement of expenses of professionals for the period
26 before, on and after the Effective Date;

CREIM MACIAS KOENIG & FREY LLP
633 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

- 1 **f.** To determine any requests for payment of Administrative
2 Expenses;
- 3 **g.** To resolve any dispute regarding the implementation, execution,
4 performance, consummation or interpretation of the Plan or the Confirmation Order;
- 5 **h.** To determine motions for the rejection, assumption or assignment
6 of executory contracts or unexpired leases filed before the Effective Date and the allowance of
7 any Claims resulting therefrom;
- 8 **i.** To determine all applications, motions, adversary proceedings,
9 contested matters and any other litigated matters instituted during the Case whether before, on or
10 after the Effective Date, including, without limitation, any and all claims, causes of action,
11 setoffs, recoupments and the determination of any other rights;
- 12 **j.** To determine such other matters and for such other purposes as
13 may be provided in the Confirmation Order;
- 14 **k.** To modify the Plan under Bankruptcy Code § 1127 in order to
15 remedy any apparent defect or omission in the Plan, or to reconcile any inconsistency in the Plan
16 so as to carry out its intent and purpose, or implement any settlement reached;
- 17 **l.** Except as otherwise provided in the Plan or the Confirmation
18 Order, to issue injunctions to take such other actions or make such other orders as may be
19 necessary or appropriate to restrain interference with the Plan or the Confirmation Order, or to
20 restrain the execution or implementation by any Person of the Plan or the Confirmation Order;
- 21 **m.** To issue such orders in aid of consummation of the Plan or the
22 Confirmation Order, notwithstanding any otherwise applicable non-bankruptcy laws, with
23 respect to any Person, to the fullest extent authorized by the Bankruptcy Code or FRBP;
- 24 **n.** To enter any order approving, in connection with, or related to, the
25 sale, collection, transfer or disposition of any of the Assets, Real Estate Assets, REOs, personal
26 property, assets of the Loan Portfolio, collection of the loans and all related transactions; and
27
28

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

o. To enter a final decree closing this Case.

Q. Post Confirmation UST Fees and Identity of the Estate Representative.

The Liquidation Debtor shall timely pay all UST Fees incurred after Confirmation until the entry of a final decree closing the Case. The Liquidation Debtor shall be the Estate representative for purposes of complying with the Debtor's reporting requirements to the Court and the UST and for obtaining a final decree closing the Case.

R. Exemption from Certain Transfer Tax.

In accordance with Bankruptcy Code § 1146(c), the issuance, transfer or exchange of a security, or the making or delivery of an instrument of transfer under the Plan, including the recording of any mortgage or liens or amendments thereto, shall not be subject to any document recording tax, stamp tax, conveyance fee, intangibles or similar tax, mortgage tax, stamp act, real estate transfer tax, mortgage recording tax, or other similar tax or governmental assessment. The Confirmation Order shall direct all governmental officials and agents to forego the assessment and collection of any such tax or governmental assessment and to accept for filing and recordation any of the foregoing instrument or other documents without payment of such tax or other governmental assessment.

S. Applicability of LBR 3020(b).

In accordance with LBR 3020-1(b), within 120 days of the entry of the Confirmation Order, the Liquidation Debtor shall file a status report explaining what progress has been made toward consummation of the confirmed Plan. The Liquidation Debtor shall serve such report on the UST, the 20 largest unsecured creditors, and those parties who have requested special notice.

T. Final Decree.

Once the Effective Date has occurred, the Liquidation Debtor, Plan Administrator or other party as the Court shall designate in the Confirmation Order, may file a motion with the Court to

CREIM MACIAS KOENIG & FREY LLP
683 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 obtain a final decree to close the Case. Upon entry of the final decree or applicable order of the
2 Court, the obligation to pay UST Fees shall cease and terminate.

3
4 **IX.**

5 **EFFECT OF CONFIRMATION OF PLAN**

6 **A. Injunction.**

7 All Persons are permanently enjoined from commencing, or continuing in any manner, any
8 action or proceeding against the Debtor, Plan Administrator and/or Liquidation Debtor
9 (collectively "**Plan Participants**"), whether directly, derivatively, on account of or respecting any
10 Claim, debt, right, or cause of action based in whole or in part upon any Exculpated Conduct. Any
11 Plan Participant injured by any willful violation of the injunctions provided in the Plan shall
12 recover from the willful violator actual damages (including costs and attorneys' fees) and, in
13 appropriate circumstances, punitive damages.

14 The Confirmation Order shall operate as an injunction against the commencement or
15 continuation of any act relating to the collection or enforcement of any Claim ("**Enjoined Claim**")
16 against the Debtor and the Liquidation Debtor. The Confirmation Order shall provide, among
17 other things, that except as otherwise provided in the Plan, all Persons who have held, hold or may
18 hold Claims against or Interests in the Debtor are enjoined from and after the Effective Date in
19 respect of the treatment of the Claims of Creditors under the Plan, from: (i) commencing or
20 continuing in any manner any action or proceeding of any kind with respect to such Claim against
21 the Debtor and/or the Liquidation Debtor, including, without limitation based upon any guaranty;
22 (ii) enforcing, attaching, collecting or recovering by any manner or means any judgment, award,
23 decree or order against the Debtor and/or the Liquidation Debtor or the property of any such parties
24 or property of their respective affiliates with respect to any such Claim; and (iii) creating,
25 perfecting or enforcing any encumbrances of any kind against the Debtor and/or the Liquidation
26 Debtor or against the property of any such parties, with respect to any such Claim or Interest.

CREIM MACIAS KOENIG & FREY LLP
833 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 **B. Vesting of Property in the Liquidation Debtor.**

2 The Confirmation of the Plan vests all of the property of the Estate, including, without
3 limitation, the Assets, Real Estate Assets, REOs, all assets of the Loan Portfolio, and Rights of
4 Action in the Liquidation Debtor free and clear of all claims, liens, interests and encumbrances,
5 *except* with respect to the Ostin Property which shall remain subject to the Secured Claim of RCS
6 as expressly provided in the Plan.

7 On and after the Effective Date, the Liquidation Debtor may sell, assign, transfer, convey,
8 hypothecate, pledge, alienate, dispose of, take possession of, encumber any and all of the Assets,
9 Real Estate Assets, REOs, personal property, assets of the Loan Portfolio and any other property,
10 without further Court order or approval. The Plan Administrator is authorized and empowered
11 without further Court Order to execute, do and perform, in the name and on behalf of the
12 Liquidation Debtor, such acts and to prepare, execute, acknowledge, verify, file, deliver and cause
13 to be published any and all certificates, agreements, notices, notice of default, trustees' sale notices,
14 reports, applications, declarations, instruments, notes, deeds, reconveyances, transfer documents,
15 sale agreements, and any and all other documents of any kind or nature to accomplish any of the
16 foregoing.

17
18 **C. Exculpation.**

19 The Exculpated Parties shall neither have, nor incur, any liability to any entity for any
20 prepetition or post-petition act taken or omitted to be taken in connection with, or related to
21 formulating, negotiating, soliciting, preparing, disseminating, implementing, entering, effecting or
22 consummating the Plan, the sale, the marketing of and sales process relating to any Assets, Real
23 Estate Assets, REOs, personal property, assets of the Loan Portfolio, collection of the loans, the
24 decision to sell or not sell to a potential buyer, any contract, instrument, release, or other agreement
25 or document created or entered into in connection with the Plan or any other prepetition or post-
26 petition act taken or omitted to be taken in connection with or in contemplation of the restructuring
27 of the Debtor, liquidation of any of its Assets, or for any act taken or omitted to be taken as Plan
28

1 Administrator or in connection with the liquidation, distribution or the administration of the Assets
2 under the Plan; provided that the foregoing “**Exculpation**” shall have no effect on the liability of
3 any of the Exculpated Parties that results from any such act or omission that is determined in a
4 Final Order to have constituted gross negligence or willful misconduct; provided, further, that each
5 Exculpated Party shall be entitled to rely upon the advice of counsel concerning his, her, or its
6 duties pursuant to, or in connection with, the Plan or any other related document, instrument, or
7 agreement.

8
9 **1. Injunction Prohibiting Actions against the Exculpated Parties.**

10 All Persons voting in favor of the Plan or receiving and accepting any distribution pursuant
11 thereto are permanently enjoined from commencing, or continuing in any manner, any action or
12 proceeding against the Exculpated Parties, whether directly, derivatively, on account of or
13 respecting any claim, debt, right, or cause of action based in whole or in part upon the conduct of
14 the Exculpated Parties set forth in any of the Exculpation provisions set forth in this Plan. In the
15 event the Exculpated Parties and/or any of them are injured by any willful violation of the
16 injunctions provided in the Plan, such aggrieved party shall recover from the willful violator actual
17 damages (including costs and attorneys' fees) and, in appropriate circumstances, punitive damages.

18
19 **2. Indemnification of the Exculpated Parties.**

20 From and after the Effective Date, Debtor, the Exculpated Parties shall be, and hereby are,
21 indemnified by the Holder of any Claim voting in favor of the Plan, to the fullest extent permissible
22 by applicable law, from and against any and all claims, debts, dues, accounts, actions, suits, causes
23 of action, bonds, covenants, judgments, damages, attorneys' fees and defense costs and other
24 assertions of liability directly or indirectly relating to the Exculpated actions.

25 Subject to the terms hereof, the Plan Administrator may advance or pay promptly out of
26 Available Cash or the Indemnification Reserve(s), on behalf of the Exculpated Parties reasonable
27 attorneys' fees and other expenses and disbursements which they would be entitled to receive
28

CREIM MACIAS KOENIG & FREY LLP
833 WEST FIFTH STREET, 51ST FLOOR
LOS ANGELES, CALIFORNIA 90071
(213) 614-1944

1 pursuant to the foregoing indemnification obligation; provided, however, that any of the
2 Exculpated Parties receiving any such advance shall execute a written undertaking to repay such
3 advance amounts if a court of competent jurisdiction ultimately determines that such party is not
4 entitled to indemnification hereunder due to the fraud, gross negligence or willful misconduct of
5 such party.

6 The Plan Administrator is authorized, but not required, to obtain and purchase (by using
7 Available Cash) insurance coverage, to the extent available, with respect to the indemnification
8 obligations hereunder. Any person entitled to indemnification hereunder shall have the right to
9 employ such person's own separate counsel reasonably acceptable to the Plan Administrator, in
10 any such action, as a Plan Operating Expense, subject to the terms and conditions of this Plan.

11
12 DATED: April 8, 2014

BAY AREA FINANCIAL CORPORATION,
Plan Proponent

13
14 [signature to follow]

15 By: **Kenneth J. Pingree**
16 Its: President

17 Respectfully submitted,

18 **CREIM MACIAS KOENIG & FREY LLP**

19 By: /s/ Sandford L. Frey

20 **Sandford L. Frey**

21 Chapter 11 Attorneys for
22 Bay Area Financial Corporation,
23 Debtor and Debtor in Possession
24
25
26
27
28